

FOREIGN FINANCIAL INFLOWS AND UNEMPLOYMENT IN NIGERIA

BY

Garuba Paul Nurudeen and Simeon G. Nenbee

**Institute of International Trade and Development
University of Port Harcourt, Rivers State,
Nigeria**

Abstract

Unemployment is one of the challenges faced in Nigeria today as the government has not been able to seemingly put workable policies in place to solve the hydra head in the economy. It is a major setback to economic stability and performance of any economy, especially in Nigeria. Thus, this paper investigates the effect of foreign financial inflows on unemployment in Nigeria from 1986 to 2021. Unemployment (UNP) used as the dependent variables to proxy the performance of the Nigerian economy while foreign direct investment (FDI), foreign portfolio investment (FPI), personal remittances (PRR), official development assistance (ODA) and external debt inflow (EDI) were used as the explanatory variables to proxy external resources inflow in the models. The paper adopts the descriptive statistics, unit root test, bound cointegration test as well as ARDL modelling techniques for the analysis. Data for the empirical analysis were sourced from secondary sources like WDI and CBN Statistical Bulletin (Various- Issues). The paper revealed that foreign direct investment reduces unemployment; Foreign portfolio investment increases unemployment; Personal remittances increase unemployment; Official development reduces unemployment in Nigeria within period of paper. The paper therefore concludes that external resources inflow has not promote the performance of the Nigerian economy within the period under review The policy implication is that external resources inflow have not attracted appreciable level of economic prosperity in Nigeria. The paper recommends that external resources inflows be targeted at the enclave sector like agriculture, manufacturing and sorts to create jobs and skills in Nigeria.

Keywords: *Foreign financial inflows, unemployment, and Nigerian Economy*

1. Introduction

Every sane economy will like to achieve full employment per unit of time. Full employment in this sense entails a tolerable level of unemployment in the economy at such time. One way to measure the pace of full employment is through unemployment level. Unemployment as relates to labour is defined as the number of persons that are willing and able to work but cannot find one at the prevailing wage rate divided by the total labour force. Unemployment is one of the challenges faced

in Nigeria, as the government has not been able to put workable policies in place to solve the hydra head in the economy. It is a major setback to economic stability and performance of any economy, especially in Nigeria. The unemployment rate in Nigeria is measured by the percentage of employable people in a country's workforce who are over the age of 16 and who have either lost their jobs or have unsuccessfully sought for jobs in the last month but have not gotten any opportunity to work.

Over the last four decades in most developing economies (Nigeria inclusive), the quest for providing viable options for stimulating employment generation that will tame unemployment have dominated economic researches and policymakers' interest but much is still desired. One of such attempt in Nigeria was in 1986 when the federal government established the National Directorate of Employment (NDE). The main thrust of the NDE was to provide youth employment. Others were YOUWIN in 2021 and more recently the NPOWER in 2016. These attempts by the government was to reduce unemployment rate in the Nigeria.

In spite of the various attempts by the government to curb the problem, unemployment is still plaguing the economic growth and development space in Nigeria today. In 2009, the World Bank and National Bureau of Statistics (NBS) reported that Nigeria's about 20 % (30 million) youths are unemployed. Commenting on this report, Anyadike, Emeh & Ukah (2012) opine that out of 150 million Nigerians, 50% are unemployed, or worse still at least 71% of Nigerian youth are unemployed in the face of the huge resources deployed by the states and federal government towards the training, education and development of entrepreneurial sector of the economy through aides, incentives, programmes on entrepreneurship. More specifically, Nigerian unemployment rate rises to 33% in 2021 according to the Bloomberg report in March 2022. Nigeria became the country with second highest number of unemployed in the world. The Bloomberg report went further to say more than half of those who are willing and available to work are either unemployment or they are underemployed. This is not good for posterity and economic growth and development.

One option to elope the web of unemployment is to source external financial resources to boost investment and by extension trigger the pace of production of goods and services. It is expected that foreign financial inflows can pose as an instrument of growth and development for developing countries by growing the opportunity for their incorporation into global, financial and capital flows, inflate employment and exports base, create technological capability-building and productivity spillovers to local firms, as well as form investment arrangements that intensify the possibility of host countries of experiencing economic growth. However, Mathu (2018) argued that the slowdowns of the global economy especially the 2008/09 global economic and financial crises have renewed the interest not only on availability but also reliability of various forms of external development finance on the domestic economy. Thus, this paper sets to investigate the effect of External financial resources on unemployment rate between 1986 and 2021.

2. Literature Review

Government has the responsibility to ensure that the economy performs through a collective action on a large scale, to ensure not just economic growth but economic development in the long run. This can be attained by reducing the unemployment rate by ensuring it creates jobs as a priority. Where unemployment is on the increase the economy cannot be said to have performed. A performing economy is determined by the number of jobs, increase in wages, career development opportunities and working conditions (Feldman & Francis, 2003).

In reference to, Kindleberger and Bruce (1958), improvements in material welfare for individuals with the lowest incomes, eradication of mass poverty, unemployment and illiteracy, defines economic developments. Eradication of diseases and infant or early death, changes in composition

of inputs and output that generally include shifts in the underlying structure of production away from agricultural and moving towards industrial activities is also defines economic performance of a country. When an economy is organized in a way that productive employment is general among working age population rather than the situation of a privileged few, this leads to greater participation of many people in decision making and enhances right direction toward welfare of the people.

The theoretical view point engaging financial resources as a catalyst for economic growth and development can be found in the work of Robinson (1952). In a naïve form, Robinson (1952) asserted that *where enterprise leads finance follows*. Mathu's (2018) expression regarding the Robinson (1952) assertion is that economic development creates demands for particular types of financial arrangements, and the financial system responds automatically to these demands. Thus, it can be assumed that financial market development enhances domestic industry output. Moreover, some economists underscore the relationship between finance and growth. These divides have led to numerous empirical literature in recent years. One of such scholars is the work of Bayar (2014). Bayer (2014) examined the relationship between unemployment, economic growth, export, and FDI inflows in Turkey during the period 2000:Q1-2013:Q3 by Using a bound testing approach based on autoregressive distributed lag. There is a long-run correlation between unemployment economic growth, exports, and FDI inflows, according to the paper. In addition to this, empirical findings have shown that economic growth and exports undermine unemployment, while FDI increases it.

Bayar and Sasmaz (2017) investigated the long run effect of both foreign direct investments and domestic investments on the unemployment in 21 emerging economies over the period 1994-2014. The effect of domestic and foreign direct investments on unemployment was investigated via panel data analysis. First tests of cross-section dependence and homogeneity were conducted, and then the stationarity of the series was analyzed with Pesaran's (2007) CIPS unit root test. The long run relationship among the series was examined with Westerlund-Durbin-Hausman's (2008) co-integration test. Finally, we estimated the long run coefficients with the Augmented Mean Group (AMG) estimator. The empirical findings revealed a co-integrating relationship among domestic investments, foreign direct investments, and unemployment. Furthermore, foreign direct investment inflows affected the unemployment positively in the long term, but domestic investments affected the unemployment negatively. This paper can be considered as one of the early studies researching the long run interaction between domestic investments, foreign direct investments and unemployment for the sample of emerging market economies. Furthermore, the findings are very meaningful for policymakers in the design the economic policies for decreasing unemployment.

Dijana and Softi (2017) examined the correlation between global unemployment rates and FDI flows in the Western Balkan countries, and presented comparative analyses with chosen countries for the period 2000–2014. The analysis found that there has been a significant reduction in net investments since 2009, especially when it comes to FDI due to the global economic crisis, which led to a decrease in employment and rising unemployment.

Mehmet and Tahir (2013) examined the relationship between FDI and unemployment in seven developing countries from the time span of 1981 to 2009; namely Argentina, Chile, Colombia, Philippines, Thailand, Turkey and Uruguay showed long-run relationship between FDI and unemployment.

Johnny, et al., (2018) examined the impact of foreign direct investment on unemployment rate in Nigeria from 1980 to 2015. The paper used two explanatory variables (foreign direct investment and capital formation) and one explained variable (unemployment rate). Test carried out include unit root test, co-integration test, and ordinary least square. The paper revealed that: There is negative and insignificant relationship between foreign direct investment and unemployment rate in Nigeria,

there is positive and significant relationship between capital formation and unemployment rate in Nigeria. Based on the findings, the paper recommends that, government should implement policies that will attract foreign investors to Nigeria in order to make more investments and should also ensure that all resources for productive activities are fully employed before going into any form of savings.

Ajayi, et al., (2019) investigated the impact of Foreign Direct Investment (FDI) on the employment and unemployment rate in Nigeria. The paper used yearly data on employment and unemployment rate collected from CBN Statistical Bulletin, National Bureau of Statistics and World Bank Indicators for the period 1960 – 2014 to achieve its objective and all analysis were done with E-view 9.5. The paper employed Vector Autoregression (VAR) to model the employment and unemployment rate in Nigeria. The findings of the paper suggested that FDI had a significant and positive impact on employment, FDI Granger-cause employment, employment Granger-cause FDI, unemployment Granger-cause employment and employment also Granger-cause unemployment. Also, unemployment Granger-cause FDI and FDI Granger-cause unemployment. This implied that FDI has a significant role on employment rate in Nigeria and this should not be minimized. The paper therefore recommended that policies should be formulated to exploit the role of FDI on employment in Nigeria, in an attempt to reduce the unemployment rate.

Mustafa and Azizun (2020) examined the relationship between FDI and unemployment in Sudan for 1990–2016 by using VAR model. The paper concluded that FDI volume does not affect unemployment, and that unemployment in Sudan does not attract FDI. Using panel data from 1970 to 2011.

Woldetensaye, et al., (2022) examine between foreign direct investments nexus unemployment in the Intergovernmental Authority for Development member countries from East Africa. The paper employed panel data approach for member countries from the year of 1996–2021. It concluded that annual unemployment rate, annual population growth rate, and economic growth of the host countries have significant impacts on foreign direct investments. Since the purpose of this paper was to examine the relationship between foreign direct investment and unemployment, and the findings of the paper determined that foreign direct investment has a significant negative impact on unemployment. Additionally, the impact of these host countries was confirmed to be the same as cross-sectional entities of member countries. According to the paper, the public sector should create a climate that attracts foreign direct investments there by absorbing unemployed groups and driving employment rates upward.

Aderemi, et al., (2022) examine the effect of FDI on employment in ECOWAS sub region between 1990 and 2019. The paper utilizes a panel autoregressive distributed lag model to analyze the short run and long run relationship between FDI and employment across ECOWAS sub region. In the short run, the impact of FDI on employment is negative and statistically not significant. Meanwhile, in the long run FDI has a positive and statistically significant impact on employment rate. This implies that FDI has the capacity to generate employment in countries in ECOWAS sub region. Therefore, this paper recommends that policymakers in the ECOWAS sub region should facilitate the achievement of productive, employment and decent work for all, policy measure that will facilitate the inflows of FDI should be embarked upon.

Alnaa and Matey (2023) examined the dynamic relationship between external debt and unemployment in Sub-Saharan Africa using data from 25 countries. This paper demonstrates a direct relationship between foreign debt and unemployment, which is attributed to the erroneous application of discretionary fiscal policy decisions and the inefficient use of borrowed funds.

Evidence also suggests a nonlinear relationship between external debt and unemployment across the countries studied. This paper encourages policymakers to employ proper strategies to disburse borrowed funds to target sectors that have the potential to generate job opportunities of either a temporary or permanent nature, such as the technical and vocational arms of the economy. It is also necessary that borrowed funds are not spent on recurrent expenditures or used to service existing debts. Another area that needs attention is resourcing offices that are earmarked for managing external debt to permit independent operations.

Hamidah, et al., (2016) focused on the impact of FDI on employment rate in Malaysia. Other factors such as the number of foreign workers, gross domestic product (GDP) and exchange rate (EXCR) are also included in the paper. Data used in the paper is annual data spanning from 1980 to 2012. Autoregressive distributed lag (ARDL) model is used to determine the long run relationship between the variables. The paper finds that FDI, number of foreign workers, and GDP significantly influence the unemployment rate in Malaysia. The increasing number of foreign labours contributes both positive and negative effect to the country. As they contribute to the local production and new technology learning, the government is also facing the problem of the increasing estimated government subsidy on fuel, transportation, and education. Hence, government need to control the penetration of foreign investment on the local market by imposing the joint venture policy so that the local producers can learn new technologies and ideas as well as sharing the profit earned.

Qureshi and Liaqat (2019) estimated a panel vector autoregression model to examine the relationship between external debt and economic growth. a large dataset based was used on 123 countries, classified according to income levels over the period 1990 to 2015. While total external debt appears to have a negative effect on growth rate overall, it is positively associated with income growth in the lower- and upper-middle income countries. Further disaggregating external debt into its components reveals that public external debt negatively affects economic growth across all income categories of countries, whereas the impact of private external debt is not statistically significant. The paper did not detect a *common* threshold level in the relationship between public debt and economic growth across countries. Savings and investment are the primary channels through which external debt impacts economic growth. These results are robust to various model specifications, additional controls, and identifying restrictions.

Kukaj, et al., (2022) examined the relationship between FDI, economic growth, and unemployment to quantify the relationship of developing countries of the Western Balkans according to these variables, to assess the effect of FDI and economic growth on unemployment in the six countries of the Western Balkans, to assess whether there are direct and statistically significant links between these variables with economic impact and as a result derive a regression model to demonstrate how FDI and economic growth affect unemployment. Foreign investments, according to the literature assessment, are predicted to have an impact on the host countries' economic growth and development. In general, FDI is projected to boost economic growth in host countries by creating new job opportunities, hence lowering unemployment. The current paper constitutes an addition to the previous literature in this field as developing countries consistently have problems with the macroeconomic variables used in this paper. The paper also serves as a basis for future research, taking into account the results found from this paper. These findings should be regarded with caution because the relationship may alter if unemployment rises too high, as foreign investors may be hesitant to locate new investments or expand existing ones in a country where there are (significant) symptoms of macroeconomic instability.

One another perspective, Oluseye and Elegbede (2012) reviewed the causes of unemployment and implication of graduate unemployment in Nigeria. This research used descriptive survey as well as

primary and secondary data, economic meltdown, government policy, employment of expatriates and trade union wage demand led to the increase in the unemployment rate, causing low performance of the Nigerian economy.

Ezie (2012) investigated the relationship between unemployment and the social economic implication in the country. The paper was done with the use of the Ordinary Least Square (OLS). The paper revealed that there is long run relationship between unemployment and socio-economic growth in Nigeria.

3. Method of Study

3.1 Analytical framework

This paper adopted the analytical examination of cause and effect of dependent and independent variables known as Ex-post facto research design. Hence, the model is functionally defined and intends to follow that expressed in the works of Okoro, Nzotta and Alajekwu (2019). The model is based on the theoretical foundation of the two-gap model. The theory and model both relate external sources such as foreign direct investment and foreign portfolio investment to unemployment.

Specifically, Okoro, Nzotta and Alajekwu (2019) in their work used the model below:

$$UNP = f(FDI, ODA, REM, EXTDS, EXR) \quad (1)$$

Where:

FDI = foreign direct investment.

ODA = official development assistance.

REM = personal remittances.

EXTDS = total external debt stock; and

EXR = real effective exchange rate.

In order to have a robust analytical framework, the present paper deviates from the earlier work of Okoro, Nzotta and Alajekwu (2019) in the following ways. First, this paper extended the scope of 1986 to 2016 to cover 1986 to 2021. It is expected that the additional five (5) years will offer valuable insight on the relationship between the variables. Secondly, the present paper disaggregates the effect of foreign financial inflow on unemployment. Thus, the functional form of the model is expressed as:

$$UNP = f(FDI, FPI, PRR, ODA, EDI) \quad (2)$$

The mathematical form of the model one takes the form of;

$$UNP = \alpha_0 + \alpha_1 FDI + \alpha_2 FPI + \alpha_3 PRR + \alpha_4 ODA + \alpha_5 EDI \quad (3)$$

The linear econometric variant takes the form of;

$$UNP = \alpha_0 + \alpha_1 FDI + \alpha_2 FPI + \alpha_3 PRR + \alpha_4 ODA + \alpha_5 EDI + \mu_1 \quad (4)$$

Where;

UNP = Unemployment

FDI = Foreign direct investment

FPI = Foreign portfolio investment

PRR = Personal remittances

ODA = Official development assistance

EDI = External debt inflows

RGDP, UNP, POV, INF, FDI, FPI, PRR, ODA and EDI are as earlier defined.

α_i = intercepts or the constant terms,

$\alpha_1, \alpha_2, \alpha_3, \alpha_4$ and α_5 are the slopes of the explanatory variables. It is expected that increase in external resources inflow will reduce unemployment, Thus, a priori expectations are $\alpha_1, \alpha_2, \alpha_3, \alpha_4,$ and $\alpha_5 < 0$.

3.2 Unit Root Test

The paper conducts the Augmented Dickey Fuller (ADF) test so as to check whether each data series is integrated and has a unit root. It is now a common practice to examine the time series properties of economic data as a guide to a subsequent multivariate modeling and inference. If we discover that the variables are integrated of order greater than or equal to one, then it could be the case that these variables are co-integrated. Hence, the paper employs the Augmented Dickey-Fuller test (ADF) to test for the stationarity of our data at level and at difference. The model is stated below:

$$y_t = \mu + P y_{t-1} + \varepsilon_t \quad (5)$$

Where μ and P are parameters and ε_t is assumed to be white noise, y is a stationary series.

If $-1 < P < 1$, if $P = 1$, y is a non-stationary series.

If the process is started at some point, the variance of y increases steadily with time and goes to infinity. If the absolute value of P is greater than one, the series is explosive. Therefore, the hypothesis of a stationarity series can be evaluated by testing whether the absolute value of P is strictly less than one. The simple unit root test described above is valid because the series is an AR (I) process. If the series is correlated at higher order lags, the assumption of white noise disturbances is violated.

3.3 Cointegration

This paper adopts the co-integration test investigates the existence of a long-term relationship between external resources inflow and the effect on unemployment. We explore the existence of a long-term relationship among the variables in our model. If the variables that we are using in this research work are found to be co-integrated, it will provide statistical evidence for the existence of a long-term relationship. We employed the maximum likelihood test procedure as established by Johansen (1991) and Juselius (1990).

$$y_t = A_1 y_{t-1} + \dots + A_p y_{t-p} + \beta x_t + \varepsilon_t \quad (6)$$

Where y_t is a K -vector of non-stationary $I(1)$ variables, x_t is a d -vector of deterministic variables, and ε_t is a vector of innovations.

3.4 Autoregressive Distributed Lag (ARDL)

The paper adopts the ARDL in order to determine the long run impact of the variables of interest of the paper and the short run dynamics of the model. The reason for adopting this technique are not unconnected to the fact that it is simple to estimate because the stationarity test is not required; as long as the variables are $I(0)$ and $I(1)$, the Bound test is applicable. It is also capable of estimating both long run and short run coefficients of the model. The assumption of the time series used in this paper is that all the variables are either $I(0)$ or $I(1)$. More so, Schwarz Information Criteria (SIC) is used to select the appropriate lag in the paper.

The Autoregressive Distributed Lag (ARDL) Model (Bound Test Approach) for the model is specified as follows:

$$\Delta UNP_t = \beta_0 + \Delta UNP_{t-1} + \sum \beta_{1t} \Delta FDI_{t-1} + \sum \beta_{2t} \Delta FPI_{t-1} + \sum \beta_{3t} \Delta PRR_{t-1} + \sum \beta_{4t} \Delta ODA_{t-1} + \sum \beta_{5t} \Delta EDI_{t-1} + UNP_{t-1} + \sum \Phi_{1t} FDI_{t-1} + \sum \Phi_{2t} FPI_{t-1} + \sum \Phi_{3t} PRR_{t-1} + \sum \Phi_{4t} ODA_{t-1} + \sum \Phi_{5t} EDI_{t-1} + U_t \quad (7)$$

Mehmet and Tahir (2013) examined the relationship between FDI and unemployment in seven developing countries from the time span of 1981 to 2009; namely Argentina, Chile, Colombia, Philippines, Thailand, Turkey and Uruguay showed long-run relationship between FDI and unemployment.

Where;

β_0 is the constant terms, UNP, FDI, FPI, PRR, ODA and EDI are as earlier defined, $\beta_1 - \beta_4$ are the coefficients of independent variables while μ is the error terms, Δ = first difference of the variable, U_t = white noise disturbance error term.

3.6 Post-Estimation Test

In order to ensure that the adopted model conforms to the assumptions of the classical linear regression model (CLRM) and to have a better prediction, the parameter estimates and residual was subjected to the following diagnostic test. If the null hypothesis of these tests cannot be rejected, then the prediction of economic growth from estimated coefficients of the independent variables will be precise. The diagnostic test to be carried out include the normality test.

3. Results and Discussion

In this chapter, we presented the data analysis and findings. We assembled the relevant data which we used in the paper as shown in table 4.1. We first and foremost considered the trend analysis of the variables captured in the model thereafter, the empirical results were presented and analyzed, after which the findings from the analyses were discussed in relation to the previous studies.

4.1 Data Presentation

The time series plots of the variables used in this paper such as Unemployment (UNP), Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI), Personal Remittances (PRR), Official Development Assistance (ODA) and External (foreign) Debt Inflow into Nigeria (EDI) between 1986 and 2021 are shown and presented Figure 1. Figure 1 shows that values of Nigeria's unemployment with other independent variable

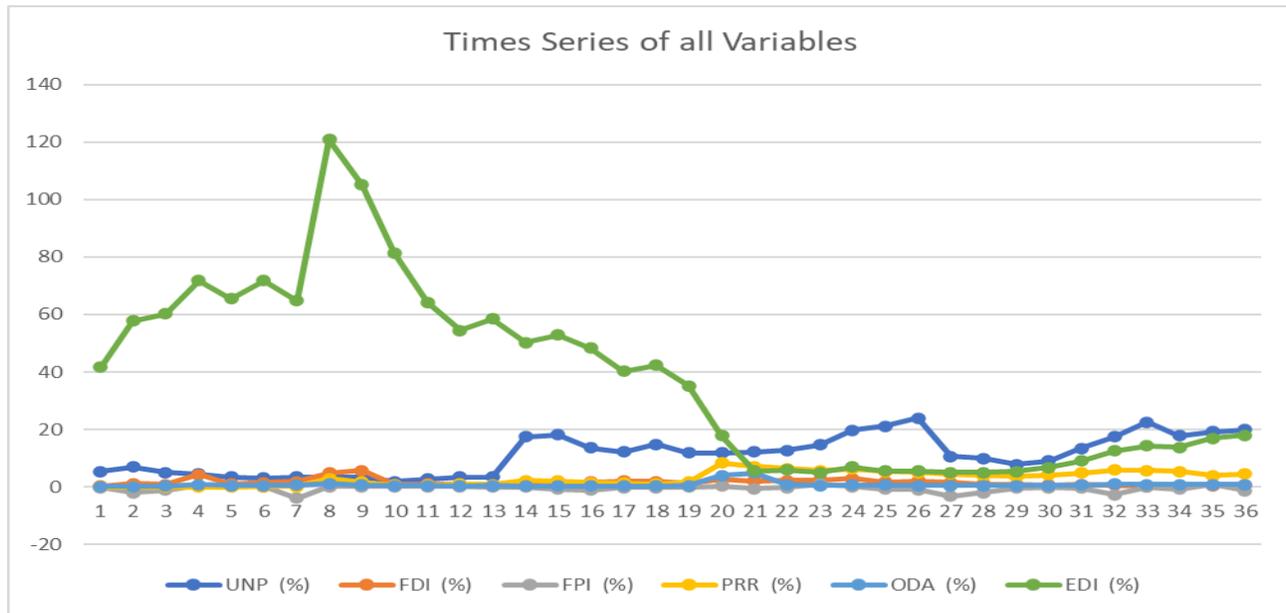


Figure 1 - Time Series Plot of Nigeria’s UNP, FDI, FPI, PRR, ODA, EDI (1986-2021)

Figure 1 shows that values of Nigeria’s foreign direct investment (FDI) between 1986 and 2021 is in puzzle form with fundamental strong up and down spike. The value increased from 1986 to 1987 before it decreased steadily from the following year to its lowest value in 1990 and later increased to its peak 1995, decrease again to 1997 and moved up and down till 2021 as shown in the figure 1.

The values of Nigeria’s foreign portfolio investment (FPI) between 1986 and 2021 is in puzzle form with fundamental strong up and down spike. The value decreased from 1986 to 1987 before it decreased steadily from the following year to 1989 and later decreased to its lowest value in 1992, increase again to 1993 and later moved up and down its peak in 2008, dropped the following year and moved up and down till 2021 as shown in the figure 1.

Indicates that values of Nigeria’s personal remittances (PRR) between 1986 and 2021 is in puzzle form with fundamental strong up and down spike. The value increased steadily from 1986 to 1993 before it decreased steadily from the following year to 1995 and later increased to steadily by moving up and down to its highest value in 2005, decrease again to 2014 and later and moved up and down till 2021 as shown in the figure 1.

Nigeria’s official development assistance (ODA) between 1986 and 2021 is in puzzle form with fundamental strong up and down spike. The value increased steadily from 1986 to 1989 before it decreased steadily from the following year to 1990 and later increased to steadily by moving up and down to its highest value in 2005, decrease again to 2008 and later and moved up and down till 2021 as shown in the figure 1

Nigeria’s external debt inflow (EDI) between 1986 and 2021 is in puzzle form with fundamental strong up and down spike. The value increased steadily from 1986 to 1994 before it moving up and down to its highest value in 1993, before it decrease steadily to its lowest value 2006 and later and moved up and down till 2021 as shown in the figure 1

4.2 Empirical Data Analysis

The analyses of the data were done in two phases. The first phase is the descriptive statistics to ascertain the stationarity of the variables. Secondly, the analyses of further results were done based

on each of the models. That is, output model, unemployment model, poverty model and inflation model.

4.2.1 Descriptive Statistics Test Results

Table 1- presents the result of the descriptive statistics of the variables employed in the estimations in this paper.

Table 1: Descriptive Statistics Results

	UNP	FDI	FPI	PRR	ODA	EDI
Mean	11.18194	1.628611	-0.538611	3.005556	0.734722	37.41028
Median	11.85000	1.415000	-0.165000	2.525000	0.505000	37.76000
Maximum	23.90000	5.790000	1.000000	8.330000	4.890000	120.8400
Minimum	1.900000	0.180000	-3.940000	0.000000	0.110000	4.950000
Std. Dev.	6.664729	1.244203	1.081573	2.463443	0.939922	31.23049
Skewness	0.197383	1.710097	-1.511819	0.302442	3.607475	0.718425
Kurtosis	1.781167	5.873580	5.017247	1.829172	15.22534	2.806331
Jarque-Bera	2.462092	29.93279	19.81752	2.605084	302.2715	3.153071
Probability	0.291987	0.000000	0.000050	0.271840	0.000000	0.206690
Sum	402.5500	58.63000	-19.39000	108.2000	26.45000	1346.770
Sum Sq. Dev.	1554.651	54.18143	40.94303	212.3993	30.92090	34137.02
Observations	36	36	36	36	36	36

Source: Authors' Computation (2023)

UNP has a mean value of 11.18194 with a standard deviation 6.664729. The skewness value of UNP is positive (0.197383), meaning that UNP has a long-right tail while the kurtosis value of UNP is 1.781167 (i. e. less than 3), meaning that it is platykurtic. This means that the series has a lower value below the sample mean, that is, it has a flat distribution or surface.

FDI has a standard deviation of 1.244203 with a mean value 1.628611. The skewness value of FDI is positive (1.710097), meaning that FDI has a long-right tail while the kurtosis value of FDI is 5.873580 which is greater than 3, meaning that it is leptokurtic. This means that the series has more values higher than the sample mean, that is, it has a peak distribution or surface.

FPI has a mean value of -0.538611 with a standard deviation of 1.081573. The skewness value of FPI is negative (-1.511819), meaning that FPI has a long-left tail while the kurtosis value of FPI is 5.017247 (i. e. greater than 3), meaning that it is leptokurtic. This means that the series has more values higher than the sample mean, that is, it has a peak distribution or surface.

PRR has a mean value of 3.005556 with a standard deviation of 2.463443. The skewness value of PRR is positive (0.302442), meaning that PRR has a long-right tail while the kurtosis value of PRR is 1.829172 (i. e. less than 3), meaning that it is platykurtic. This means that the series has a lower value below the sample mean, that is, it has a flat distribution or surface.

ODA has a mean value of 0.734722 with a standard deviation of 0.939922. The skewness value of ODA is positive (3.607475), meaning that ODA has a long-right tail while the kurtosis value of ODA is 15.22534 (i. e. greater than 3), meaning that it is leptokurtic. This means that the series has more values higher the sample mean, that is, it has a peak distribution or surface.

EDI has a standard deviation of 31.23049 with a mean value of 37.41028. The skewness value of EDI is positive (0.718425), meaning that EDI has a long-right tail while the kurtosis value of EDI is 2.806331 which is less than 3, meaning that it is platykurtic. This means that the series has a lower value below the sample mean, that is, it has a flat distribution or surface.

Again, one important observation in this table is the Jarque-Bera statistics of the variables. It shows that the values of FDI, FPI, and ODA are greater than 5.99, meaning that they do not have a normal

distribution while UNP, PRR and EDI has a value less than 5.99, suggesting that they have a normal distribution.

Based on these observations, it is therefore necessary to test for the stationarity of the variables and the long run relationship since using the variables at level might give a spurious result. The unit root test is conducted so as to make the variables stationary. The paper adopts the Augmented Dickey Fuller (ADF) unit root test procedure.

4.2.2 Empirical Analysis:

(i) Unit Root Test

Tables 2 present the results of the stationarity test for unemployment; it shows the unit root result using the Augmented Dickey Fuller (ADF) test. The results were conducted with intercept only.

Table 2 ADF Unit Root Test Result

Variable	ADF at Level	ADF at 1 st Difference	Status	Remark
UNP	-1.682755	-5.666128	I(1)	Stationary
FDI	-3.943004	-	I(0)	Stationary
FPI	-5.353153	-	I(0)	Stationary
PRR	-1.866826	-6.098002	I(1)	Stationary
ODA	-4.307771	-	I(0)	Stationary
EDI	-1.111567	-6.032861	I(1)	Stationary
Critical Values				
1% level	-3.639407	-3.639407		
5% level	-2.951125	-2.951125		
10% level	-2.614300	-2.614300		

Source: Authors' Computation (2023)

The result of the unit root test in Table 2 reveals that FDI, FPI and ODA variables were stationary at level while UNP, PRR, and EDI were stationary at 1st difference. The result depicts that the independent variables used in model one were integrated of both order zero and one, that is I(1) and I(0) and the dependent variable is integrated of order one, that is, I(1). Since the ADF results indicate that the series are of mixed order of integration, we cannot use the Engle-Granger and Johansen co-integration tests but rather the appropriate test to use in this paper is the Bounds co-integration test. According to Giles (1975), Perasan, Shin and Smith (2001), Jawaid and Waheed (2016) and Salisu (2016), when the series used in any paper are of different order of co-integration, the appropriate test to use is the bound co-integration test.

(ii) Bound Test Co-integration Result

The result of the Bound Co-integration test is presented in Table 3 for unemployment model.

Table 3 ARDL Bound Test Co-integration Result

F-Statistics	4.550683
% Critical Levels	Critical Value for Bond Test

Significance	1(0) Bond	1(1) Bond
10%	2.26	3.35
5%	2.62	3.79
2.5%	2.96	4.18
1%	3.41	4.68

Source: *Author's Computation using E-view Software*

From Table 3, the result of the bound co-integration test shows that the calculated f-statistic value of 4.550683 falls higher than the theoretical critical value for the upper bound I(1) at 5 percent level. This means that there is a co-integration, hence, a long run relationship exists between FDI, FPI, PRR, ODA, EDI and UNP in Nigeria within the period under review.

Since there is a long run relationship among the variables, we now proceed to estimate the short run dynamics and long run models based on the ARDL approach.

(iii) Long Run Estimation Results

Table 4 shows the estimated coefficients of the long run relationship of unemployment.

Table 4: ARDL Long Run Estimation Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FDI	-2.104584	1.883145	-1.117590	0.2777
FPI	7.141027	2.708183	2.636833	0.0163
PRR	3.955491	1.425760	2.774304	0.0121
ODA	-8.614351	2.973726	-2.896821	0.0092
EDI	0.037856	0.098869	0.382892	0.7060
C	11.734274	5.688664	2.062747	0.0531

Source: *Author's Computation (2023)*

From Table 4, the result of the long run estimation shows that FDI has a negative (-2.104584) relationship with UNP, suggesting that a unit increase in FDI decreases UNP by 2.104584 units in Nigeria. The negative sign of FDI on UNP confirm to a priori and therefore is in line with economic theory. The negative sign of FDI on UNP is not statistically significant at 5 percent level. The paper therefore accepts the null hypothesis that there is no significant relationship between FDI and UNP.

FPI has a positive (7.141027) relationship with UNP, suggesting that a unit increase in FPI increases UNP by 7.141027 units in Nigeria. The positive sign of FPI on UNP do not confirm to a priori and therefore not in line with economic theory. The positive sign of FPI on UNP is statistically significant at 5 percent level. The paper therefore rejects the null hypothesis that there is no significant relationship between FPI and RGDP but do not reject the alternative hypothesis.

PRR has a positive (3.955491) relationship with UNP, suggesting that a unit increase in PRR increases UNP by 3.955491 units in Nigeria. The positive sign of PRR on UNP does not confirm to a priori and therefore not in line with economic theory. The positive sign of PRR on UNP is statistically significant at 5 percent level. The paper therefore rejects the null hypothesis that there is no significant relationship between PRR and UNP but do not reject the alternative hypothesis.

ODA has a negative (-8.614351) relationship with RGDP, suggesting that a unit increase in ODA decreases UNP by -8.614351 units in Nigeria. The negative sign of ODA on UNP confirm to a priori and therefore is in line with economic theory. The positive sign of ODA on UNP is statistically significant at 5 percent level. The paper therefore rejects the null hypothesis that there is no significant relationship between ODA and UNP but do not reject the alternative hypothesis.

EDI has a positive (0.037856) relationship with UNP, suggesting that a unit increase in PRR increases UNP by 0.037856 units in Nigeria. The positive sign of EDI on UNP does not confirm to a priori and therefore not in line with economic theory. The positive sign of EDI on UNP is not statistically significant at 5 percent level. The paper therefore accepts the null hypothesis that there is no significant relationship between EDI and UNP.

(iv) Short Run Estimation Results

The results of both the short run dynamics and long run estimation of unemployment is presented in table 5

Table 5: ARDL Short Run Estimation Result for Model Two (Unemployment Model)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(FDI)	0.951416	0.709794	1.340412	0.1959
D(FDI(-1))	1.036260	0.559298	1.852787	0.0795
D(FPI)	-1.394075	0.592761	-2.351831	0.0296
D(FPI(-1))	-1.936820	0.660857	-2.930770	0.0086
D(PRR)	1.156116	0.684336	1.689397	0.1075
D(ODA)	-2.686427	1.096643	-2.449681	0.0242
D(ODA(-1))	1.647016	0.887695	1.855384	0.0791
D(EDI)	-0.087986	0.073864	-1.191184	0.2482
ECM (-1)	-0.510576	0.140527	-3.633299	0.0018

**Adj-R² = 0.358459; F-Stat. = 9.605173 (F-probability Value = 0.0036);
DW = 2.233091**

Source: Authors' Computation (2023)

From Table 5 the result shows that the ECM included in this model has the right sign (i. e. negative) and is statistically significant at 5 percent level. The coefficient indicates a low adjustment speed of about 51 percent. This adjustment implies that 51 per cent of errors are corrected within one year since that data were annual series. The ECM also reveals that a long run relationship exists between the regressors (FDI, FPI, PRR, ODA and EDI) and the response variable (UNP) in this model. The findings confirmed that a short run relationship exist among the variables in model two, that is, unemployment model.

Furthermore, the calculated Adj-R² is 0.358459. This means that about 36 per cent of the total variations in UNP are caused by the explanatory variables FDI, FPI, PRR, ODA and EDI. Thus, the remaining 64 per cent of variations is caused by exogenous factors to the model but covered by the error term. Also, the F-statistics calculated of 9.605173 with an F-stat probability value of 0.0036 which is less than 0.05 level, means that the overall model is significant at 5 per cent level. The value of the D.W is 2.233091 suggests that there is minimal serial autocorrelation in the model.

From Table 5 the result of the short run estimation shows that both current and past lag 1 of FDI has a positive (0.951416 and 1.036260, respectively) relationship with UNP, suggesting that a unit increase in FDI increases UNP in Nigeria. The positive sign of FDI on UNP do not confirm to a priori and therefore not in line with economic theory. The positive sign of FDI on UNP is not statistically significant at 5 percent level. The paper therefore accepts the null hypothesis that there is no significant relationship between FDI and UNP in the short run. From these outcomes, the short and long run estimation using the autoregressive distributed lag (ARDL) estimation shows that, foreign direct investment (FDI) increases unemployment (UNP) in Nigeria in the short run while it reduces unemployment (UNP) in the long run, suggesting that foreign direct investment (FDI) has an unstable effect on unemployment (UNP). The positive sign of foreign direct investment (FDI) on

unemployment (UNP) in the short run agrees with previous studies like the work of Obi (2017) who found to be positively related to unemployment (UNP) while the negative sign of foreign direct investment (FDI) on unemployment (UNP) agrees with the findings of Irpan, Saad, Shaari, Noor, and Ibrahim, (2016), Bayar and Sasmaz, (2017) who found that foreign direct investment (FDI) is negatively related to unemployment (UNP) and on the economy.

The negative and insignificant effect of foreign direct investment on Nigeria's unemployment suggests that the positive content of foreign direct investment, which includes knowledge spillover, technological transfer and so on, has not been fully utilized in Nigeria. This may be attributed to the fact that most FDI in Nigeria are concentrated in the oil sector, which employs a very few parts of the labour force. Although there has been some diversion of FDI into the communication sector, the positive effect of this step on the living standard of Nigerian, are yet to be seen as indicated by our findings. Hence, if the government should encourage FDI inflows by offering tax incentives, infrastructure subsidies, import duty exemptions and other measures will make FDI to boost economic growth in Nigeria.

In the short run, both current and past lag 1 of FPI has a negative (-1.394075 and -1.936820) relationship with UNP, suggesting that a unit increase in FPI decreases UNP in Nigeria. The negative sign of FPI on UNP confirm to a priori and therefore is in line with economic theory. The negative sign of FPI on UNP is statistically significant at 5 percent level. The paper therefore rejects the null hypothesis that there is no significant relationship between FPI and UNP but do not reject the alternative hypothesis.

In the short run, PRR has a positive (1.156116) relationship with UNP, suggesting that a unit increase in PRR increases UNP by 1.156116 units in Nigeria. The positive sign of PRR on UNP does not confirm to a priori and therefore not in line with economic theory. The positive sign of PRR on UNP is not statistically significant at 5 percent level. The paper therefore accepts the null hypothesis that there is no significant relationship between PRR and UNP in the short run.

In the short run, ODA has a negative (-2.686427) relationship with UNP, suggesting that a unit increase in ODA decreases UNP by 2.686427 units in Nigeria. The negative sign of ODA on UNP confirm to a priori and therefore is in line with economic theory. The negative sign of ODA on UNP is statistically significant at 5 percent level. The paper therefore rejects the null hypothesis that there is no significant relationship between ODA and UNP but do not reject the alternative hypothesis in the short run.

In the short run, EDI has a negative (-0.087986) relationship with UNP, suggesting that a unit increase in PRR decreases UNP by 0.087986 units in Nigeria. The negative sign of EDI on UNP not confirm to a priori and therefore not in line with economic theory. The negative sign of EDI on UNP is not statistically significant at 5 percent level. The paper therefore accepts the null hypothesis that there is no significant relationship between EDI and UNP.

(vi) Post Estimation Tests

The researcher also conducted a diagnostic test to ascertain whether or not the series are free from autocorrelation (Breusch-Godfrey Serial Correlation LM Test), heteroscedasticity (Breusch-Pagan-Godfrey Test).

The result of the diagnostic test is presented in Table 6

Table 6 Serial Correlation LM Test and Homoscedasticity Test Results

	F-Statistic	Prob. Value
Ramsey RESET Test	0.073711	0.7891
Breusch-Godfrey Serial Correlation LM Test	0.561876	0.4632
Breusch-Pagan-Godfrey Heteroskedasticity Test	0.294503	0.9881

Source: *Authors' Computation (2023)*

From Table 6 above, the results of the diagnostic test shows that the serial or autocorrelation test using Breusch-Godfrey Serial Correlation LM Test shows that the f-statistic is 0.561876 with a Chi-Square probability value is 0.4632. This indicates that the probability value of about 53 percent (0.4632) is greater than 5 percent (0.05) critical value; hence we confirm no serial correlation in the model.

The result of the heteroscedasticity test using Breusch-Pagan-Godfrey test shows that the f-statistic is 0.294503 while the Chi-Square probability value of 0.9881. The result suggests that there is no evidence of heteroskedasticity in the model since the probability Chi-square value is more than 5 percent ($P > 0.05$). So, residuals do have constant variance which is desirable in regression meaning that residuals are Homoscedastic.

5. Concluding Remarks

The paper examines the effect of external resources inflow on the performance of Nigeria's unemployment from 1986 to 2021. In order to achieve this objective, annual time series data of the dependent variable –unemployment (UNP), and independent variables – foreign direct investment (FDI), foreign portfolio investment (FPI), personal remittances (PRR), official development assistance (ODA) and external debt inflow (EDI) were collected from secondary sources and analyzed using the econometrics technique of Autoregressive Distributed Lag (ARDL) method of analysis. The findings revealed that foreign direct investment reduces unemployment in the long run but increases unemployment in the short run in Nigeria while foreign portfolio investment increases unemployment both in the long run and short run in Nigeria. Again, personal remittances increases unemployment both in the long run and short run in Nigeria while the reverse was observed in the case of official development which reduces unemployment both in the long run and short run in Nigeria. External debt inflow reduces unemployment in the short both increases unemployment in the long run in Nigeria. The paper therefore concludes that external resources inflow has not really tame the rising pace of unemployment in Nigeria the period under review. The policy implication is that external resources inflow have not attracted appreciable level of economic prosperity in Nigeria. The paper recommends that external resources inflows be targeted at the enclave sector like agriculture, manufacturing and sorts to create jobs and skills in Nigeria.

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