International Journal of
Advanced Research in Accounting, Economics and Business Perspectives
p-ISSN: 2636-6894 | e-ISSN: 2636-6886

IJARAEBP
Vol. 9, No. 1
October 2025

Foreign Capital Inflows into Nigeria: A Growth Catalyst or Inhibitor?

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Article DOI: 10.48028/iiprds/ijaraebp.v9.i1.07

Abstract

Over time, Nigeria as a country has attracted foreign capital inform of foreign aid, foreign remittances, foreign debt and foreign direct investment (FDI) but the effect of these inflows has been a matter of debate. Hence, there was the need to ascertain if these inflows have been a growth catalyst or inhibitor using real GDP as a proxy for economic growth. Annual time series data on the aforementioned variables between 1990 and 2023 were draw from the World Bank and the data set that emerged was exposed to descriptive analysis, ADF unit root test, Johansen cointegration test, granger causality analysis, Wald test and post estimation tests. Cointegration analysis revealed that there is a long run relationship between capital inflows and economic growth. Granger causality test showed that foreign remittances and FDI granger causes real GDP. Wald test demonstrated that foreign aid and FDI have negative effects on real GDP while foreign remittance and foreign debt have positive effects on real GDP. It also showed that only foreign aid and foreign remittance were statistically significant. The study concluded that generally, foreign capital inflows have not been a significant growth catalyst in Nigeria. Hence, there is urgent need for transparency in the management of foreign aids in Nigeria by way of ensuring that such aids are considered as income during budget preparation. Also, the best hands should be saddled with the responsibility of managing and utilizing borrowed fund. Finally, capital punishment should be melted out on those who embezzle such funds.

Keywords: *Foreign Capital Inflows, Growth Catalyst, Growth Inhibitor, Nigeria*

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Background to the Study

The movement of capital resources into a country for the purpose of investment, trade or business production is known as capital inflows (Chigbu, Ubah and Chigbu, 2015). Such flows are the key components of the movement towards economic globalization/integration by the world economy. It thus has significant role for every national economy, regardless of its level of development. For the developed countries, it is necessary to support sustainable development while for the developing economies; it is used to increase the accumulation and rate of investments to create conditions for accelerated economic growth. However, for the transition countries, it is useful to carry out the reforms to cross to open economy, and to create conditions for stable and continuous growth of GDP (Gross Domestic Product); as well as integration into the world economy (Boskorska, 2016). Hence to realize the potentials that exist in the developing countries, foreign capital is indispensable.

Capital inflow can help developing countries in economic development by furnishing them with necessary capital and technology, which will be used to harness their local resources. According to Edwards (2014), capital inflows contribute in filling the resource gap in countries where domestic savings are inadequate to finance the required investment. Thus, capital inflows allow the recipient country to invest and consume more than it produces when the marginal productivity of capital within its borders is higher than that in the capital-rich regions of the world. As the economy becomes more open and integrated with the rest of the world, capital inflows will contribute significantly to the transformation of the developing economy (Levine, 2011). Added to this, capital inflows are necessary for macroeconomic stability as they affect a wide range of macroeconomic variables such as exchange rates, interest rates, foreign exchange reserves, domestic monetary conditions as well as savings and investments.

Generally, foreign capital inflows consist of the movement of financial resources from one country to another. In this context, capital inflows are a broad term which includes different kinds of financial transactions such as lending by governments, and international organizations; bank lending, short and long-term; investment in public or private bonds; investment in equities; and direct investment in productive capacity (Obadan, 2018). Ekwe and Inyiama (2024) added foreign aid, external debt and remittances to the composition of foreign capital inflow. Each of these has different effects on economic growth and exposes capital market to risks. Nevertheless, Nigeria as a developing economy has received series of development assistance through foreign capital inflows. The introduction of the Structural Adjustment Programme (SAP) in Nigeria in 1986 incorporated and encouraged investment from foreign and international communities in the form of foreign direct and portfolio investments.

However, there exist two strands of literature on the nexus between foreign capital inflows and economic growth. The first proponents are of the view that inflows are necessary and sufficient for economic growth in the less developed countries (Chigbu, Ubah & Chigbu, 2015). They claim that there exists a positive relationship between foreign capital inflows and economic growth because it complements domestic resources and supplements domestic savings. In addition, such inflows, assists in closing the foreign exchange gap, provides access to modern technology and managerial skills, and allows for easier access to foreign market (Debbiche, 2020). The second proponents are of the view that external capital exerts significant negative effects on the economic growth of recipient countries. According to this view, rather than compliment domestic resources, foreign capital is fully consumed in non-developed countries. In other words, foreign capital inflows assist such countries to import inappropriate technology, distort domestic income distribution, and encourage a bigger, inefficient and corrupt government (Jawaid & Saleem, 2017).

The forgoing also applies in the empirical space as the debate on the effects of foreign capital inflows on economic growth of developing and transition countries has been ongoing for a long time now. These studies have either submitted that the effects are either significant, insignificant, positive, negative or non-existent (Kutu and Ohonba, 2024; Ozil, 2024; End, 2024; Djalab & Said, 2023; Nkoro & Uko, 2023; Onwuteaka, Echekoba, Amakor & Ananwude, 2023; Akarara & Ouseibai, 2022; Urama, Ezema, Obodoechi, Ukwueze, Eze, Mba, Amuka, Arazu, & Ibrahim, 2022). However, given the divergent views expressed by scholars and the outcome of previous studies on foreign capital inflows and economic growth, the question that motivated this study is: Are foreign capital inflows (foreign aid, foreign remittances, foreign debt and FDI) growth catalyst or inhibitors?

Review of Related Literature

Foreign Capital Inflows

Foreign capital inflows can be viewed from private and public stand points. According to Nkalu, Edeme and Ifelunini (2016), foreign capital inflows from the private stand point can be examined in terms of foreign private/portfolio investment, foreign direct investment and remittances; while from the public stand point, it can be viewed in form of official development assistance from bilateral and multilateral affiliates, as well as foreign commercial bank loans in addition to export credits. However, foreign capital inflows can generally be described as the movement of financial resources from one country (especially developed countries or economies) to another country (under-developed or developing countries). In other words, it is the movement into a country of capital resources for the purpose of investment, trade or business production. It has significant role for every national economy, regardless of its level of development. Nkoro and Furo (2022) stated that the key component of the movement towards economic globalization or integration by the world economy is foreign capital flows. The need for foreign capital to complement domestic resources in the economic growth process has been welcomed as a catalyst of development, since it is considered as the central element of the process of economic growth. In the face of resource deficiency in financing long term development, the capital-deficient economies have heavily resorted to foreign capital as the primary means to achieve rapid economic growth. However, foreign capital inflows depend on a variety of features of the host country which include amongst others; the economic circumstances prevalent in-home country, wage, exchange and inflation rates, socio-political, social-economic and legal environment, cultural and emotional attachments etc.

Foreign Aids

Foreign aid refers to the international transfer of public funds in the form of loans or grants either directly from one government to another (bilateral assistance) or indirectly through the vehicle of a multilateral assistance agency like the World Bank (Mbah & Amassoma, 2024). It also includes bilateral grants, loans and technical assistance as well as multilateral flows or public development assistance. Foreign aid can broadly be classified into two: tied aid and united aid. Tied aid is an aid in the form of bilateral loans or grants which require the recipient country to use the funds to purchase goods and/or services from the donor country-thus the aid is said to be tied to purchases from the assisting country. Aids may be tied by source, project or commodities, or it may be tied both by project and source, and become double tying aid. Double tying increases the cost of aid procurement since the recipient nation is required to pay more than the competitive world market price for its requirements to the donor nation. Aid-tying by source may require the recipient nation to spend the aid on the donor's goods and services or it may be a part of an over-all trade arrangement, or event to be used to finance only those commodities and/or projects where the donor nation possesses a decided advantage in tendering the specific terms (Mbah & Amassoma, 2024). United aid on the other hand is a general-purpose aid known also as programme aid or non-project aid. It is the assistance whose disbursement is tied to the recipient's expenditures on wide variety of items justified in terms of the total needs and development plan of the country rather than any particular project (Roy & Roy, 2016).

Foreign Remittances

A foreign remittance is a transfer of money from a foreign worker to their family or other individuals in their home countries (Adofu, 2020). IMF (2019) however defined workers remittance as "consisting of goods or financial instruments transferred by migrants living and working abroad to residents of the home economies of the migrants. It is limited to transfers made by workers who have stayed in foreign economies for at least one year while transfer form migrants that are self-employed are excluded". It can thus be deduced that a remittance is a transfer of money by a foreign worker to an individual in their home country. Money sent home by migrants competes with international aid as one of the largest financial inflows to developing countries. Workers' remittances are a significant part of international capital inflows, especially with regard to labour-exporting countries (Al-Assaf & Al-Malki, 2024). In many countries, remittance constitutes a significant portion of their gross domestic product (GDP). The United States is the leading source of foreign remittances, followed by Russia and Saudi Arabia. The top recipients of foreign remittances are India, China and the Philippines. Nigeria is the fifth (5th) highest recipient of foreign remittances (World Bank, 2018). According to many Economists and social scientists, since remittances are so widespread, they have implications that extend beyond an individual's finances. For example, since remitting involves financial institutions, people who send and receive remittance are likely to have bank accounts, which promote economic development. Remittances can be lifesaving in emergencies, such as natural disasters and armed conflicts, when the recipients' other sources of income disappear.

Foreign Debt

The act of borrowing creates debt. Individuals, corporate firms and governments borrow but when a government borrows, the debt is called a public or national debt. Foreign debt can be classified into internal and external debt (Atanda, 2022). According to the World Bank (2018), foreign debt is the amount, at any given time, of disbursed and outstanding contractual liabilities of residents of a country to non-residents to repay principal, with or without interest, or to pay interest, with or without principal. Adding further perspective, external debt is that part of a nation's total debt that is obtained outside the geographical boundaries of the nation. From the view point of the borrowers, external debt has three major component parts, which are: public debts- external obligation of a national or state government; publicity-guaranteed debts, which are debts whose repayment is guaranteed by a government or by an entity of the public sector in the debtor country; and private non-guaranteed debts, which are external obligations that are not guaranteed for repayment by the government. However, from the view point of the creditors, external debts can be classified into two broad categories, viz.: official creditors and private creditors (Mankozi, 2021). Official creditors include international organizations such as the World Bank Group (which give multilateral loans), foreign governments and their agencies (which give bilateral loans).

Foreign Direct Investment (FDI)

Foreign direct investment is a type of foreign investment, which entails investment in the physical assets of a host country by a foreign investor. In other words, it is a form of foreign investment in which the concerns of the investing country is to exercise *de facto* or *de jure* control over the assets created in the capital-importing country by means of that investment. Thus, Obadan (2018) stated that the ownership of at least 10% of the ordinary shares or voting rights is the criterion for the existence of direct investment relationship. Consequently, many LDCs now see the attraction of FDI as an important element in their strategy for economic development. This is most probably because FDI is seen as an amalgamation of capital, technology, marketing and management. As such, countries now have to depend much on FDI because the benefits attached to it are enormous. For developing economies with glaring reoccurring trade imbalances, the inflow of foreign capital may be significant in not only raising the productivity of a given amount of labour, but also allowing a large labour force to be employed (Sjoholm, 2015). The inflow of capital and re-investment of profits increases the total savings of the host country. Government revenues as well increase via tax and other payments. Again, the infusion of foreign capital into the host country reduces the balance of payment pressure of the host country, generates employment and influences income distribution. Hence, based on the motive force that brings such investment into existence, FDI can be classified into export-oriented, market-development, and government-initiated foreign investments (Black, 2023).

Economic Growth

Economic growth is one concept that has been variously defined. Kystan (2015) defined economic growth for any nation as a sustained increase in its population and product per capita. The United Nation's Human Development Report (2016) defines economic growth as simply an increase in a nation's total wealth. It relates to an increase in the productive potential of an economy. Thus, it is both an increase in the potential level of output that an economy can produce and an increase in the income of the citizens of a country. In other words, economic growth is defined as the process by which the supply of goods and services is increasing while improving the quality of life. Ideally, economic growth should be stable as rapid growth may result in issues such as inequality, inflation, current account deficit, and the likes (Ashan, 2022). Economic growth can be measure using either of gross national product (GNP), gross domestic product (GDP), gross national income (GNI), or per capital income (PCI) (Dang & Pheng, 2015).

Real Gross Domestic Product (GDP)

Gross Domestic Product is a macroeconomic variable that is used in measuring the strength of every economy in a given period. It measures the total monetary value of all final goods and services produced within the geographical boundaries of an economy, whether the factor inputs are owned by citizens or not within a particular time period which is usually one year (Nwandi & Ngoma, 2024). It is also defined as the sum of all goods and services produced in a county over time, without double counting products used in other outputs. This indicator measures well-being and development based on material wealth. As such, Mo (2021) identified four variables for determining economic growth and they are share of investment in GDP, the rate of population growth, initial level of real GDP per capital, and proxy for human capital. Nevertheless, distinction is often made between nominal and real GDP. The former is GDP obtained based on the current or prevailing prices of goods and services obtainable in an economy over a given period. It is not adjusted to account for price changes from inflation and deflation. The latter is a type of GDP that is adjusted for inflation and deflation. In other words, it the value of GDP that is computed using base year prices of goods and services. Thus, real GDP is the value of GDP obtained by valuing all the productive activity within a country at a specific year's price (Wilkinson, 2017).

Theoretical Framework

The **dependency theory** of growth is the theoretical foundation of this study given that Nigeria remains a developing country and the theory has it that underdevelopment is mainly caused by the peripheral position of affected countries in the world economy (Khan, 2017). This is as a result of the fact that a typical underdeveloped country offers cheap labour and raw materials in the world market. These resources are sold to advanced economies, which have the means to transform them into finished goods. Underdeveloped countries end up purchasing the finished products at high prices, depleting the capital they might otherwise devote to upgrading their own productive capacity. The result is a vicious cycle that perpetuates the division of the world economy between the rich core and a poor periphery. Additionally, the fact that these developing countries are open to foreign inflows like remittances and aids, it makes them lazy and unable to grow organically; thereby depending on the developed nations. Finally, in as much as foreign direct investment encourages skill, knowledge and technological transfer, the interest of multinational countries (MNCs) has remained to make profit at the detriment of their hosts, thereby making the hosts perpetually dependent as they will not be exposed to the core technical workings of these MNCs (Obadan, 2018).

Empirical Review

Studies on foreign capital inflows and economic growth are not lacking in the literature. For instance, Kutu and Ohonba (2024) examined the impact of foreign capital inflows on economic growth in Nigeria between 1984 and 2020 using foreign direct investment, official development assistance and foreign remittances as channels of foreign capital inflow while GDP served as a proxy for economic development. Results revealed that FDI and foreign remittances have long-run impact on economic growth in Nigeria.

In a related study, Ozil (2024) examined the effect of foreign direct investment (FDI) inflows on economic growth in Nigeria from 2010 to 2019. Adopting the Ordinary Least Square (OLS) regression analytical technique, the study showed that foreign direct investment inflows have an insignificant effect on economic growth in Nigeria. In trying to know if foreign capital inflows fueling or follow economic growth and development of countries, End (2024) examined the causal effects of capital inflows on recipient emerging and developing economies by using shift-share instruments and correcting for indirect flows. Results revealed a significantly beneficial effect of loan and bond inflows on economic performance, which materializes after a few years. It also revealed some confirmation that the absorptive capacity of recipient economies depends on their fundamentals.

Djalab and Said (2023) also investigated the effect of international capital flows on economic growth in Algeria for the period 1990 to 2018. Foreign direct investment, official development assistance, personal remittances and external debt stock into Algeria were the channels of international capital flows considered and adopting the ARDL estimation technique, the study revealed that all four channels of international capital flows, except for foreign direct investment, were not statistically significant in the short and long-run.

Nkoro and Uko (2023) examined the nature of causality that exists between foreign capital inflows components and economic growth in Nigeria by using cointegration, variance decomposition, impulse response analysis and block exogeneity tests for data analysis. Results revealed that causal relationship exists between foreign capital inflows and economic growth in Nigeria with causality running from foreign aid, remittance, external debt and foreign direct investment to real GDP (growth); while and only remittance and external debt were significant.

In a similar study, Onwuteaka, Echekoba, Amakor and Ananwude (2023) examined the effect of international capital flow on economic development of Nigeria for thirty-six years (1986 to 2021) by using human development index as a measure of economic development. Using the Auto-Regressive Distributed Lag (ARDL) and granger causality techniques, the study revealed that foreign direct investment, external borrowing and foreign remittance from diaspora have negative insignificant effects on human development index, while foreign portfolio investment has insignificant positive relationship with human development index in Nigeria.

Akarara and Ouseibai (2022) examined the nexus between foreign capital inflows and economic performance in Nigeria between 1981 and 2020 by using the Ordinary Least Square (OLS) econometric technique. The study relied on World Bank's time series database and revealed a negative and negligible link between foreign direct investment and GDP; while the association between remittances, net official assistance and GDP was favorable but negligible. However, GDP and gross capital formation have a positive and substantial link.

Urama, Ezema, Obodoechi, Ukwueze, Eze, Mba, Amuka, Arazu, Ibrahim (2022) investigated the effect of foreign capital inflows and some selected macroeconomic variables on economic growth in Nigeria between 1981 and 2020. They applied the ARDL analytical properties and results showed that foreign capital inflows have significant impacts on real gross domestic product in Nigeria. Awad (2021) investigated the long-run impact of selected foreign capital inflows like aid, remittances, FDI, trade and debt on the economic growth of 21 low-income countries in the Sub Saharan Africa region between 1990 and 2018. The study adopted the dynamic ordinary least squares (DOLS) and the fully modified ordinary least square (FMOLS) techniques. Results revealed that in the long run, trade and aid affect the growth rate of per capita income in these countries in a positive way, while external debt had an adverse influence on economic growth.

Nguyen (2021) examined the impact of foreign capital inflows on economic growth in Vietnam by using yearly time series data for a period of 24 years (1995-2018). Foreign direct investment, foreign aid, foreign loans and exports were the components of foreign capital inflows considered. Data for the study were collected from the World Bank and relevant agencies in Vietnam. Adopting ARDL regression technique, it was revealed that FDI (net inflows), foreign aid, foreign loans, exports and GDP (current), have a positive effect on economic growth at 1% significance level.

Gap in Literature

Given the studies reviewed on the subject matter investigated, it was observed that little has been done with respect to foreign remittances as a component of foreign inflows. Secondly, the most recent of these studies was done in 2024, which creates a currency gap. This study attempted to bridge these major identified gaps in a bid advance knowledge.

Methodology

The quasi-experimental research design was adopted in the study. This is because the study was concerned with establishing the actual cause-effect relationship between foreign capital inflow variants and economic growth (real GDP) in Nigeria. Thus, secondary data were used in the study and they were time series in nature. These data were sourced from the World Bank (online). However, following preliminary unit root tests, the study adopted the Johansson Cointegration analytical technique for data analysis. This statistical tool is used to determine if variables with stochastic trends share a common trend, indicating a long-term relationship where at least variable granger causes the other (Hendry & Juselius, 2000). Put differently, a cointegration test is used to establish if there is a correlation between several time series in the long run. The test identifies scenarios where two or more non-stationary time series are integrated together in a way that they cannot deviate from equilibrium in the long run. Thus, the test is used to identify the degree of sensitivity of two variables to the same average value over a specified period of time. In addition, there were descriptive analysis, granger causality test, Wald test and diagnostics tests like normality test, heteroscedasticity test, autocorrelation test, and Ramsey RESET test.

Model Specification

To depict the relationship between foreign capital inflows and economic growth, a multiple regression model was adopted. This model in a regression form is functionally and econometrically given as:

RGDP = f (FAD, FRS, FDT, FDI) ………………………..…… (1)

RGDP = $b_0 + b_1FDI + b_2FPI + b_3FOD + b_4FOR + \mu$ …………………….. (2)

Where:

RGDP = Real Gross Domestic Product,

FAD = Foreign Aids,

FRS = Foreign Remittances,

FDT = Foreign Debt,

FDI = Foreign Direct Investment,

b_0=

Constant Term,

b_i = Slopes of the model, and

e = Error Term

A priori Expectations

$b_1, b_2, b_3, b_4 > 0$; this implies that the study expected foreign aid, foreign remittances, foreign debt and foreign direct investment (FDI) to have positive effects on real GDP.

Data Analysis and Interpretation of Results

Table 1: Descriptive Analysis

	RGDP	FAD	FRS	FDT	FDI
Mean	268.5547	1.997059	11.41706	43.16588	2.952941
Median	258.3550	1.725000	17.07000	34.35000	1.985000
Maximum	574.1800	11.43000	24.31000	98.34000	8.840000
Minimum	52.06000	0.150000	0.010000	18.58000	-0.190000
Std. Dev.	168.5769	2.318288	9.761870	22.01882	2.594004
Skewness	0.108377	2.187685	-0.154670	1.453250	0.916915
Kurtosis	1.559084	9.215471	1.142200	3.883384	2.694164
Jarque-Bera	3.007896	81.84927	5.025074	13.07315	4.896666
Probability	0.222251	0.000000	0.081062	0.001449	0.086438
Sum	9130.860	67.90000	388.1800	1467.640	100.4000
Sum Sq. Dev.	937799.3	177.3571	3144.706	15999.34	222.0523
Observations	34	34	34	34	34

Source: E-Views 10 Output

The above table 1 contains result of the preliminary analysis carried out in this study. The table shows descriptive statistics of the variables RGDP, FAD, FRS, FDT and FDI. Accordingly, the mean of these variables is: $268.5547 billion, $1.997059 billion, $11.41706 billion, $43.16588 billion and $2.952941 billion; and their respective standard deviations are: $168.5769 billion, $2.318288 billion, $9.761870 billion, $22.01882 billion, and $2.594004 billion. This shows that between 1990 and 2023, foreign debt attracted the most foreign capital inflow into Nigeria. Nevertheless, all the variables, except FRS were positively skewed.

Table 2: Unit Root Test

Variables	ADF Test Statistic	Test Critical Value (5%)	Probability Value	Order of Integration I(n)
RGDP	-4.303856	-2.957110	0.0019	I(1)
FAD	-6.014989	-2.960411	0.0000	I(1)
FRS	-4.859664	-2.957110	0.0004	I(1)
FDT	-4.183181	-2.957110	0.0026	I(1)
FDI	-7.115141	-2.957110	0.0000	I(1)

Source: Extract from E-Views 10 Output

Using Augmented Dickey Fuller (ADF) technique, unit root test results showed that all the variables were stationary at first difference. This informed the decision to basically adopt the Johansen cointegration analytical technique.

Table 3: Johansen Cointegration Test

Trace Criterion				
Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.880059	122.3819	69.81889	0.0000
At most 1 *	0.625113	54.51773	47.85613	0.0104
At most 2	0.391853	23.12157	29.79707	0.2401
At most 3	0.184279	7.206725	15.49471	0.5538
At most 4	0.021298	0.688891	3.841466	0.4065
Maximum Eigenvalue Criterion				
Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.880059	67.86413	33.87687	0.0000
At most 1 *	0.625113	31.39615	27.58434	0.0154
At most 2	0.391853	15.91485	21.13162	0.2299
At most 3	0.184279	6.517834	14.26460	0.5477
At most 4	0.021298	0.688891	3.841466	0.4065

Source: Extract from E-Views 10 Output

Johansen cointegration test results (Trace and Maximum Eigen value criteria) indicated a presence of two cointegration equation (values with asterisks). This implies that the variables are cointegrated. In essence, there is a long run relationship between the variables.

Table 4: Granger Causality Test

Null Hypothesis:	**Obs.**	**F-Statistic**	**Prob.**
FAD does not Granger Cause RGDP	32	0.62060	0.5451
RGDP does not Granger Cause FAD		0.97267	0.3909
FRS does not Granger Cause RGDP	32	4.47690	0.0209
RGDP does not Granger Cause FRS		0.15673	0.8557
FDI does not Granger Cause RGDP	32	3.92578	0.0319
RGDP does not Granger Cause FDI		1.73838	0.1949
FRS does not Granger Cause FAD	32	8.91826	0.0011
FAD does not Granger Cause FRS		0.07765	0.9255
FDT does not Granger Cause FAD	32	2.03687	0.1500
FAD does not Granger Cause FDT		0.66013	0.5249
FDI does not Granger Cause FAD	32	0.67990	0.5151
FAD does not Granger Cause FDI		1.41870	0.2595
FDT does not Granger Cause FRS	32	0.01545	0.9847
FRS does not Granger Cause FDT		7.38612	0.0028
FDI does not Granger Cause FRS	32	0.88260	0.4253
FRS does not Granger Cause FDI		0.25788	0.7746
FDI does not Granger Cause FDT	32	0.29891	0.7440
FDT does not Granger Cause FDI		1.29283	0.2909

Source: Extract from E-Views 10 Output

The table 4 above revealed that there is a bidirectional relationship between foreign remittances and real GDP; real GDP and foreign debts; FDI and real GDP; foreign remittances and foreign aids; and foreign remittances and foreign debts. This is because their probability values are less than 0.05 (5% level of significance).

Table 5: Wald Test Result

Variables	Value	Std. Error	t-Statistic	Degree of Freedom (n-5)	Prob.
C1	95.86847	40.08239	2.391785	29	0.0235
C2	-15.20361	6.416868	-2.369320	29	0.0247
C3	19.10567	2.677251	7.136300	29	0.0000
C4	0.269428	0.874863	0.307966	29	0.7603
C5	9.045844	8.484052	-1.066217	29	0.2951

Source: Extract from E-Views 10 Output

Given the probability values above, it follows that foreign aid and foreign remittances have significant effects on real GDP while foreign debt and FDI have insignificant influences on real GDP in Nigeria. However, only foreign aid has a positive effect on Nigeria's real GDP.

Table 6: Post Estimation (Diagnostic) Tests

Test Type	Criterion	Test Statistic Value	Prob. Value
Normality	Jarque-Bera	2.139028	0.343175
Heteroscedasticity test	Breusch-Pagan-Godfrey	1.962429	0.1268
Autocorrelation	Q-Stat.	>4	>0.05
RESET	Ramsey	1.186871	0.2858

Source: Extract from E-Views 10 Output

Diagnostic test results revealed that the adopted model was properly specified ($p = 2858$); the errors of the model were normally distributed ($p = 0.343175$); there is no presence of heteroscedasticity in the model ($p = 0.1268$); and the errors are not correlated ($p > 0.05$).

Discussion of Findings

Four major findings emanated from the study. First, it was revealed that foreign aid has a negative but significant effect on real GDP. This was also reported by Nkoro and Uko (2023) who submitted that a causal relationship between foreign capital inflows and economic growth in Nigeria with causality running from foreign aid to economic growth. The implication of this is that the more the inflow of foreign aids, the lesser the real output of Nigeria; though a positive effect was expected. The negative outcome may be because a significant part of these aids is used for consumption expenditures and not for capital expenditure. Again, it is possible that a significant part of these aids ends up in private pockets due to corruption and poor accountability system. Nevertheless, the effect of foreign aid on real GDP was positive which implies that the assistance Nigeria as a country gets from bilateral and multilateral arrangements end up having significant influences on the growth achieved by the Nigerian economy (Obodoechi, Ukwueze, Eze, Mba, Amuka, Arazu & Ibrahim, 2022).

Second, foreign remittance has a positive and significant effect on real GDP in Nigeria as expected because naturally, every inflow is an addition which should enhance the output of a country. This position was reported by Kutu and Ohonba (2024) who quipped that foreign remittances have long-run direct and meaningful impacts on economic growth in Nigeria. Urama, Ezema, Obodoechi, Ukwueze, Eze, Mba, Amuka, Arazu and Ibrahim (2022) reported something similar with respect to the relationship between foreign remittances and economic growth in developing countries.

Third, foreign debt which attracts the highest foreign capital inflow into Nigeria has the desired positive but insignificant influence on real GDP, a proxy for economic growth. This positive effect was fully expected because other things being equal, funds borrowed are supposed to increase the productive capacity of a country which ordinarily should metamorphose into growth in economic activities (Boskorska, 2016). However, the positive effect of foreign debt appeared to be insignificant and this is not unconnected with poor utilization of borrowed funds and the tendency for the government not to be transparent.
Finally, the effect of FDI on economic growth (real GDP) in Nigeria is not only negative but also insignificant which runs contrary to the study's a priori expectation. This result was not anticipated because investment generally is a growth propellant. Thus, when foreign investors develop business interest by way of being directly involved in the day to day running of a business concern just as in the case of MTN, Coca Cola etc., the economy expands as technology will be transferred, employment opportunities will increase, foreign exchange will be saved etc. However, the massive decline in FDI inflow into Nigeria may account for the negative and insignificant result (Ozil, 2024).

Conclusion and Recommendations
The primary objective of this study was to investigate the effect of foreign capital inflows on economic growth in Nigeria between 1990 and 2023. Real gross domestic product (GDP) was used to proxy economic growth for the period while foreign aid, foreign remittances, foreign debt and foreign direct investment were the channels of foreign capital inflows considered in the study. Adopting a quasi-experimental research approach, yearly secondary data on the aforementioned variables were collected from the World Bank and these data after preliminary analysis were exposed to Johansen cointegration test, granger causality analysis, Wald test and diagnostic tests. Basically, results demonstrated that: foreign aid has a negative but significant effect on real GDP; foreign remittance has a direct and significant effect on real GDP; foreign debt has a positive but insignificant influence on real GDP; and FDI has a negative insignificance influence on real GDP. Thus, the study submitted that on a general note, foreign capital inflows have not been a significant growth catalyst in Nigeria as the components of foreign capital inflows considered have mixed effects on economic growth in Nigeria. Hence:

1. There should be transparency in the management of foreign aids in Nigeria by way of considering these aids as income during budget preparations.
2. The current measures adopted in the management of foreign remittances should be upheld as the effects are positive and significant on the growth of the Nigerian economy.
3. The best hand should be hired when it comes to the management and utilization of borrowed fund. Thus, these funds should be used in consonance with best international practices.
4. In order to enhance the inflow of foreign direct into the country, there is urgent need to address the current sorry state of security in the country as investments tend to flow away from environments saddled with instability, uncertainty and insecurity.

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APPENDIX

Data on Real Gross Domestic Product (RGDP), Foreign Aids (FAD), Foreign Remittances (FRS), Foreign Debt (FDT) and Foreign Direct Investment (FDI) in Nigeria (1901 – 2023)

YEAR	RGDP ($'Billion)	FAD ($'Billion)	FRS ($'Billion)	FDT ($'Billion)	FDI ($'Billion)
1990	54.04	0.26	0.01	33.46	0.59
1991	59.53	0.26	0.07	33.53	0.71
1992	52.06	0.26	0.06	29.02	0.90
1993	56.72	0.29	0.79	30.70	1.35
1994	80.40	0.19	0.55	33.09	1.96
1995	140.92	0.21	0.25	34.09	0.34
1996	185.73	0.19	0.30	31.41	0.50
1997	200.85	0.20	0.59	28.47	0.47
1998	218.42	0.20	0.45	30.31	0.30
1999	59.15	0.15	1.30	29.10	1.00
2000	69.17	0.17	1.39	33.51	1.14
2001	73.56	0.17	1.17	34.98	1.19
2002	95.05	0.30	1.21	36.78	1.87
2003	104.74	0.31	1.06	41.86	2.01
2004	135.76	0.58	2.27	45.91	1.87
2005	175.67	6.40	14.64	34.61	4.98
2006	238.45	11.43	16.93	18.58	4.85
2007	278.26	1.96	18.01	21.95	6.04
2008	339.48	1.29	19.20	22.66	8.19
2009	295.01	1.64	18.37	25.06	8.56
2010	366.99	2.05	19.74	28.26	6.03
2011	414.47	1.81	20.62	32.38	8.84
2012	463.97	1.92	20.54	36.98	7.07
2013	520.12	2.52	20.80	38.77	5.56
2014	574.18	2.48	21.00	41.80	4.69
2015	493.03	2.43	20.63	41.54	3.06
2016	404.65	2.50	19.70	41.36	3.45
2017	375.75	3.36	22.04	62.79	2.41
2018	421.74	3.30	24.31	66.57	0.78
2019	474.52	3.28	23.81	77.71	2.31
2020	432.20	3.38	17.21	82.83	2.39
2021	440.84	3.53	19.48	90.89	3.31
2022	472.62	4.44	20.13	98.34	-0.19
2023	362.81	4.44	19.55	98.34	1.87

Source: The World Bank (Online)