International Journal of Advances in Engineering and Management (IJAEM)
Volume 6, Issue 09 Sep. 2024, pp: 271-281 www.ijaem.net ISSN: 2395-5252

Macroeconomic Indicators and Foreign Capital Inflows

Olatunji Emmanuel, Adejuwon [1] and Olatunbosun Tobiloba, Opefeyitimi[2]

[1&2]*Banking and Finance,University of Ibadan , Oyo*

Date of Submission: 05-09-2024 Date of Acceptance: 15-09-2024

ABSTRACT
Foreign capital inflows play a crucial role in the development of a country, as it helps to create quick and efficient businesses in Nigeria. The study aimed at examining the effect of microeconomic indicators on the foreign capital inflows. Secondary data source was explored in presenting the fact of the situation through the use of the CBN Statistical Bulletinfor the period of 32 years (1990 - 2021). The variables considered for the study include foreign direct investment (dependent variable), and exchange rate, interest rate, inflation rate and economic growth are the independent variables.The study found that exchange rate and interest rate has a negative relationship with remittances while inflation rate and gross domestic product has a positive relationship with remittances. The study also found that only gross domestic product has a significant effect on remittances while others do not. The study recommended that to enhance economic growth, the government should prioritize policies that sustain and enhance growth, such as investing in infrastructure, promoting industrialization, and supporting high-growth sectors.

Keywords: Inflation Rate, Interest Rate, Exchange rate, Gross Domestic Product, Remittances

I. INTRODUCTION

Foreign capital inflows play a crucial role in the development of a country, as it helps to create quick and efficient businesses in Nigeria. With low local savings reserves, it is difficult to move revenue entirely through local savings. Expanding foreign capital inflows can help create fast and flexible jobs in Nigeria, as capital accessibility increases homegrown reserves (Adebayo,Onyibor and Akinsola, 2021; Githaiga, 2020). The private sector is a significant driver of the unregulated economy in Nigeria, and the government is committed to establishing an engaging climate that will allow private sectors to thrive and contribute to the country's growth process. Araoye, (2021) explained that foreign capital inflows are primarily used to move resources from developed countries to emerging nations, where they are more valuable. They contribute to the growth of non-modern countries, which need good financial and capital resources. Developing financial strength is essential, but attracting foreign capital is challenging due to the lack of explicit monetary factors in the target country. Infrastructure development is crucial for attracting foreign capital and should be prioritized for countries with poor infrastructure (Adebayo, Onyibor, & Akinsola, 2022; Dinh, 2019; Hayat, 2019).

Infrastructure development, as estimated by a country's GDP, is considered the most critical and compelling variables in determining how much foreign capital flows into both developed and developing economies. Economies with high GDP and sufficient purchasing power can benefit from foreign capital inflows. Foreign capital inflows are external assets used to meet a country's domestic asset deficit. These can come in various forms, such as direct ventures, settlement inflows, portfolio speculation, guidance, credit, confidential ventures, and global bond offerings. However, if these inflows are not diverted into a financial movement that can support normal development, overabundance liquidity can lead to expansion. The adequacy of foreign capital inflows depends on the beneficiary country's financial attributes, and the results may be inconsistent due to the unpredictable nature of foreign capital inflows. Research on the determinants of global capital flows in countries like Nigeria has been limited, with few studies examining the role of loan cost differentials and conversion scale developments (Okereke and Ebulison, 2016; Leonard, 2018). Therefore, there is no empirical evidence of arbitrage opportunities in the Nigerian economy.

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Microeconomics

Macroeconomics is a subfield of financial studies that focuses on the overall functioning of an economy, including changes such as expansion, joblessness, cash supply, and national output. It is concerned with money-related, monetary, exchange, and swapping scale conditions. Successful macroeconomic strategies aim to make monetary choices safer and more stable, increasing expectations for everyday comforts and improving development opportunities. They also affect how pay is distributed across ages and monetary classes. Macroeconomics is essential for assessing the economy's public pay, predicting financial action, and determining the distribution of pay among various groups (World Bank Improvement Report, 2014). It helps in assessing the assets and capacities of an economy, promoting efficiency, and identifying opportunities for economic growth. It incorporates various theories of use and saving, understanding the role of saving in the public economy and its role in speculation (Hayat, 2019; Williams, 2016).

Foreign Capital Inflows

Foreign capital refers to money available for hypothesis by governments, organizations, or individuals, combining liquid and non-liquid assets. Inflow refers to cash moving from foreign sources into a country or domain, not only for financial development but also for macroeconomic performance. Capital inflow can alleviate trade deficits, improve living conditions, develop and expand monetary business sectors, and help individual nations with shocks. In developing economies like Nigeria, the need for venture exceeds reserve funds, leading to the need for foreign capital inflow. However, there is growing debate about the benefits of foreign capital inflows (Adebayo, et, al, 2022). Keynes Maynard (1970s and 1980s) and Fisher, Obstfeld, Rogoff, and summers (2000) argue that foreign capital inflows help redistributing assets to low-saving economies, accelerating monetary development. Foreign capital inflows drive monetary development, human resource development, and innovation flexibility. However, they cannot compensate for the significant amount of capital traded from Sub-Saharan African nations annually (Colaco, 2015).

Benefits of Foreign Capital Inflows

Pettinger (2018) highlights the benefits of capital inflows in an economy. These include increased total interest, which leads to financial development and lower joblessness. Internal speculation also increases the useful limit, allowing for expansion in monetary development without expansion. Multinationals can also introduce new working practices, such as 'In the nick of time board' and a less competitive mindset, to enhance work efficiency. Capital inflows from abroad can also support a continuous record deficit by engaging UK families to import more work and items. Without these inflows, a lack of continuous record would lead to a decline in the swapping scale, requiring a reestablishment of equilibrium(Tari, 2021; Williams, 2018).

Inflation Rate

Inflation is a sustained increase in labor and product costs over time, affecting the buying power of cash. The inflation rate is the annualized rate change in the Buyer Value Record. Financial experts generally believe that expansion occurs when the general cost level continues to rise over the long run, as the value of money doesn't stay steady. Expansion can have negative impacts on an economy, such as a decline in the real worth of cash and other financial items, vulnerability to future expansion, and rapid acceptance. In Nigeria, inflation is a complex issue involving various forms such as creeping, walking, running, and hyperinflation. Causes of inflation include excessive money supply, increased public expenditure, budget deficit, rural urban migration, private sector expansion, middlemen activities, supply shortages, industrial disputes, artificial scarcities, and increased exports. These factors contribute to the inflation rate and overall economic situation in Nigeria (Amadeo, 2019).

Inflation And Remittances

Remittances have become a crucial source of foreign currency for individuals and countries, particularly in Africa and developing economies. Settlements help address essential life issues like food, shelter, and medical services, reducing destitution and imbalance in low and middle-income countries. Settlements involve the movement of cash, merchandise, and other items by transients or traveler groups back to their countries of origin(Dinh, 2019). The IMF (1999) defines settlements as merchandise or monetary instruments moved by individuals living and working abroad to their home economies. In 2018, settlement streams to emerging countries reached $350 billion, higher than the total new direct investment, portfolio hypothesis, and too new aid inflows.Remittances are a significant interest side variable of growth, influencing trade rates, cash supply, and balance of payments. Laborers' settlement inflows have a spending impact on

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beneficiary economies, leading to an expansion in family pay and increased interest for labor and products. This overabundance can lead to inflationary strain and increase nontradables' costs. The Salter-Swan-Corden-Dornbusch worldview suggests that an increase in settlement inflows can increase homegrown costs, but the impact depends on the nation's conversion rate system. An overvaluation of the real conversion rate can cause inflationary tension, especially in developing economies where the development of tradable goods experiences market disappointments and powerless establishments(Hammed et, al., 2020).

Interest Rate

Interest rate is the amount a bank charges for the use of resources, typically expressed as a percentage of the loan amount. It is typically calculated on a yearly basis, known as the annual rate (APR). The National Bank loans to financially sound Store Cash Banks at a high rate, known as the base rediscount rate (MRR). The MRR sets the loan fee system in the currency market and influences the stock of credit, investment funds, and speculation. Support expenses are the amount a credit expert charges as income to the borrower, typically given as a yearly rate. There are two types of advance expenses: Net Interest and Gross Interest. Net Interest is solely for capital usage, while Gross Interest is the portion made by borrowers to credit experts. Gross interest is the total amount paid by the borrower to the industrialist as the cost of capital resource obtained (Monogbe et, al., 2021; Ogunseye and Ogunbi 2011).

Interest Rate and Remittances

The macroeconomic effect of remittance can be divided into two categories: macroeconomic effects, which focus on the impact of settlements on imports and exports, and microeconomic effects, which consider family perspectives such as the use of settlements and the sending design. Settlements are a significant source of capital, especially in non-industrial countries, particularly in Africa. Laborers' settlements are used for utilization purposes, compensatory moves between relatives, and for speculation. Settlements are expected to be benefit-driven and increase as the homegrown economy improves. However, the relationship between remittance, conversion rate, and money-related approach remains uncertain and varies across different perspectives. For instance, in the Nigerian economy, financial factors such as conversion rate, conversion rate, and loan fees significantly influence settlement inflows, while homegrown economic growth expands settlements and vice versa(Adeyi, 2017).

Exchange Rate

Exchange rate refers to the exchange rate between one currency and another, with conversion standard representing the difference between a unit of one currency and another. The naira has experienced continuous decline and instability since 1986, leading to decreased investment, increased living standards, and increased production costs. This has subverted the global seriousness of non-oil commodities, making planning and projections difficult at both small and large scale levels of the economy. Foreign Private Investment (FPI) is expected to play a significant role in the future as a source of capital, administrative skills, and innovation for both developing and moving economies. Exchange rate classification is based on factors such as purchasing rate, selling rate, spot conversion scale, forward conversion scale, essential rate, cross rate, balance of payments, financing cost level, expansion element, financial policies, venture capital, government market intervention, and a country's financial strength (Tari, 2021).

Exchange Rate and Remittances

The exchange rate's role in determining shipment decisions depends on the financial framework. In the correct exchange rate system, unpredictability in the exchange rate is eliminated, allowing for global capital inflow. In the flexible exchange rate system, financial professionals adjust financing costs based on monetary conditions, balancing business and result(Calvo and Reinhart 2020). However, the lack of a clear objective for the exchange rate raises concerns about policymakers' responsibility to maintain stable costs. The fixed exchange rate system becomes exogenous, affecting settlement inflows. Exchange rate impacts can also affect settlement levels. Devaluation of the exchange rate can make products in the destination country more affordable, while a decline can lead to increased spending in the home country. The choice of exchange rate also impacts the reason for settlement use, with devaluation potentially reducing settlements and appreciation increasing them(Leonard, 2018).

Economic Growth

Economic growth is a national level measure of aggregate economic progress, focusing on the year-to-year expansion of labor and product value and internal pay. It is typically measured by the real GDP per capita and is a steady cycle.

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Financial development refers to an economy's ability to produce labor and products over time, often measured as the percent pace of growth in the real GDP per capita. It is a significant part of public financial development and is often studied from improvement financial aspects, particularly in low-income countries. Monetary development is typically measured in real terms to minimize the negative impact of expansion on product costs. It is a crucial aspect of public financial development and is often measured in real terms to minimize the negative impact on product costs(Chidimma, Nwannebuike, & Martha-Lucia, 2019).

Economic Growth and Remittances

Remittances significantly impact financial development by providing an alternative source of funding and helping to overcome liquidity requirements. Studies have shown a significant long-term relationship between financial development and settlements, with no short-term causality observed. In Ghana, settlements from Nigerian Diasporas significantly impacted monetary development, suggesting the need for additional settlements. However, some studies suggest that settlements are primarily for investment purposes, with little impact on human development. In Nigeria, settlement inflows have a unidirectional causality from GDP to GDP, and a positive relationship between settlements and monetary development was found between 1980 and 2008 (Araoye, 2021; Colaco, 2015).

II. THEORETICAL REVIEW

Endogenous Growth Theory

This theory was propunded by Romer in 1986, Romer's endogenous development theory suggests that human resources, information, and innovation drive economic growth. It emphasizes the need for government and private sector support to stimulate growth and encourage creativity. Information businesses, such as telecom, technology, and biotechnology, are becoming increasingly significant in non-industrial nations. The high value added information economy can drive global economic growth. However, the theory acknowledges that the pace of technological advancement is not a steady process, and government strategies can increase a country's development rate through competition and product and cycle development. The theory also emphasizes the importance of private sector interest in innovative work, labor force accessibility, and private property rights for attracting and retaining talent(Utomi, 2014).

Relevance to the Study

Endogenous development theory holds that interest in human resources, advancement, and information are huge supporters of monetary development. The hypothesis likewise centers around certain externalities and overflow impacts of an information based economy which will prompt financial turn of events. It contends that upgrades in efficiency can be tied straightforwardly to quicker development and more interests in human resources from state run administrations and confidential area organizations.

Dependency Theory

Dependency theory, developed by Paul in 1957, posits that developed nations influence less developed ones through their financial power. It posits that immature states, disparity, and affluent nations exploit poorer nations through various means, resulting in the expropriation of resources from poorer nations. The theory suggests that immature economies provide opportunities for innovation while also providing basic necessities for developed nations. It suggests that Africans' reliance on developed nations is due to poor governance, institutional systems, and lack of cooperation.

Relevance to the Study

The reliance theory can explain Nigeria's dependence on foreign guidance from the IMF, which is based on the concept of a divided world between the 'Middle' and 'Outskirts'. Despite the IMF's 190 member states, it is controlled by industrialized western powers, and Nigerian administration elites use state power to align their interests with foreign capital's.

Empirical Review

Hammed, Yinka and Okunoye (2023) association between foreign capital and financial development has gotten more noteworthy consideration in monetary writing. The study examines the impact of macroeconomic factors on attracting foreign capital to Nigeria, focusing on homegrown financial arrangement rate, swapping scale, and modern creation list. Results show that modern creation file and swapping scale significantly influence capital flows in Nigeria, both in the short and long run. However, the effect of modern creation record is positive, while conversion scale is negative. The findings suggest that macroeconomic factors should be considered when developing strategies to draw in foreign capital, especially considering option money-related variables. Also, Olaleye (2022) examined

foreign capital inflows meant for a particular macroeconomic variable in Nigeria from 1990 to 2021. One made sense of variable (joblessness rate) and their logical factors (unfamiliar direct venture, outer obligation, and unfamiliar portfolio speculation) were utilized in the review. Mistake revision, the ARDL bound co-joining test, and the unit root test were undeniably done. The discoveries show that unfamiliar portfolio speculation adversely affects Nigeria's joblessness rate, while FDI, outer obligation, and the joblessness rate are decidedly related. Considering the disclosures, the public authority should execute procedures that will attract new monetary sponsor to Nigeria and urge them to offer more; The public authority ought to ensure that its outer obligation is utilized to put resources into basic framework to establish an empowering climate for speculation so the alarmingly high pace of unemployment can be decreased. Morever, Monogbe, Okereke and Ogunbiyi (2021) broke down that degree to which unfamiliar capital inflows advance monetary improvement in Nigeria using time series data got from the World Bank Data base and the Public Bank of Nigeria Genuine Declaration. The audit scope covers the period 1980 to 2019 where new capital inflows is rotted into new direct endeavor, new portfolio hypothesis, new aides, external obtaining and individual repayment while horror record is used as middle person for money related development. The study reveals that the New Immediate Hypothesis negatively impacts Nigeria's monetary improvement, while Outside Buying has a positive relationship with financial development. However, New Portfolio and Eventually Settlement can affect monetary progress if properly directed. Only two of the five deteriorated extents of New Capital Inflows, New Direct Hypothesis and Outside Buying, significantly advance Nigeria's financial improvement. The responsibility of New Direct Dare to Progress is conflicting. Araoye (2021) examined how economic development affects the flow of foreign capital into Nigeria. The study gathered the time series secondary data for the years 1990 to 2019 from the Central Bank of Nigeria Statistical Bulletin, the Nigeria Stock Exchange fact sheet, libraries of journals, and the internet. The review used Expanded Dickey Fuller and Phillip-Perron unit root tests to analyze data and determine fixed time series information. Vector Blunder Adjustment Assessments and Granger causality test were used to determine causality. Results showed significant but insignificant impact of Gross Domestic Product and Market Capitalization on foreign capital inflows into Nigeria. The study suggests that Nigeria should promote capital spending on infrastructure to improve financial development.Tari (2020) examines the impact of interest rate differential and exchange rate movement on the dynamics of Nigeria's international private capital flows from 2010Q1 to 2019Q4. The study uses interest rate parity theory and Markov Switching Time Varying Transition Probability Modelling to show that financing cost differential only makes sense of Unfamiliar Portfolio Venture (FPI) streams, not total capital and Foreign Direct Speculation (FDI) streams. The study suggests that the Central Bank of Nigeria (CBN) should focus on conversion scale adjustment to reduce FPI inversion and improve FDI inflow, using new hold gradual addition measures to protect the Naira. The new strategy drive on settlements could also help external save.Ebele and Jonathan (2017) investigated the impact of monetary policy on international capital inflows in Nigeria for a period of 22 years (1994-2015) using time series data. The autoregressive distributed lag technique reveals that foreign capital inflows are primarily influenced by broad money supply, nominal exchange rate, inflation rate, and interest rate spread, with inflation being insignificant in the long run. A long-run equilibrium relationship was found between the dependent variable and the regressors. The speed of change coefficients (ECM) have a negative sign and are critical at a 1% level, ensuring long-run harmony. The experimental evidence suggests that administration should continue seeking expansionary money-related strategies and foreign trade approaches to attract necessary foreign capital inflows for monetary development.

III. METHODOLOGY

Ex post facto research design is adopted by the current study because it can be used to test hypotheses about cause and effect between independent and dependent variables, microeconomics indicators and foreign capital inflows in this case. Generally, quantitative research design which includes ex post facto design provides an opportunity for objective testing or verification of a theory thereby induce a framework for answering research questions or hypotheses and procedures for data collection (Creswell, 2014; Simon & Goes, 2013).The population of the study is assumed to be the Nigeria economy because the current research focuses on the entire economy of Nigeria. However, sampling is impractical in this context due to the aggregation of Nigerian economy data for analysis.Secondary data source was explored in presenting the fact of the situation through the use of the CBN Statistical Bulletinfor

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the period of 32 years (1990 - 2021). The variables considered for the study include foreign direct investment (dependent variable), and exchange rate, interest rate, inflation rate and economic growth are the independent variables. The model is specified as follows:

REM = F (EXR, INTR, INFR, EG)…… (1)

To hold firm the influence of the random variable, the equation is explicitly transformed into mathematical form as:

$REM = b_0 + b_1 EXR + b_2 INTR + b_3 INFR + b_4 EG$…… (2)

Hence, the econometric form of the model is:

$REM = \beta_0 + \beta_1 EXR + \beta_2 INTR + \beta_3 INFR + \beta_4 EG + \mu$……...…… (3)

Where:
REM = Remittances
EXR = Exchange Rate
INTR= Interest Rate
INFR= Inflation Rate
EG= Economic Growth
B0= Constant intercept β_0 = Constant term;
β_1-β_4= Coefficient of explanatory variables
μ = Error term representing factors other than those specified in the model

The data was analyzed by the researcher using a number of statistical methods, such as regression analysis, correlation analysis, and descriptive statistics. The E-view 9 software was used to carry out these methods.

IV. DATA ANALYSIS AND INTERPRETATION

Table 1: Descriptive Statistics

	EXR	INTR	INFR	GDGR	REM
Mean	130.1761	18.69806	18.42290	25.03516	7.321680
Median	128.6516	17.98000	12.20000	21.55000	7.814057
Maximum	381.0000	29.80000	76.80000	57.78000	10.56074
Minimum	8.037800	11.50000	0.200000	1.290000	2.791165
Std. Dev.	98.98754	3.518189	17.29882	15.36467	2.486149
Skewness	0.757429	1.060058	2.119393	0.528146	-0.424985
Kurtosis	3.054049	5.102402	6.655470	2.333858	1.790474
Jarque-Bera	2.967882	11.51519	40.46762	2.014353	2.913870
Probability	0.226742	0.003159	0.000000	0.365249	0.232949
Sum	4035.460	579.6400	571.1100	776.0900	234.2938
Sum Sq. Dev.	293956.0	371.3297	8977.475	7082.188	191.6091
Observations	32	32	32	32	32

Source: Author's Computation from E-View Output, 2024

Table 1 reports the descriptive statistic of the variables employed, the average mean, median and standard deviation. Also, the Jarque Bera normality test indicates the normality distribution of the variables. However, the null hypothesis here means that the variables are normally distributed. It can be deduced that foreign direct investment, exchange rate and gross domestic product are normally distributed but interest rate and inflation rate are not normally distributed.

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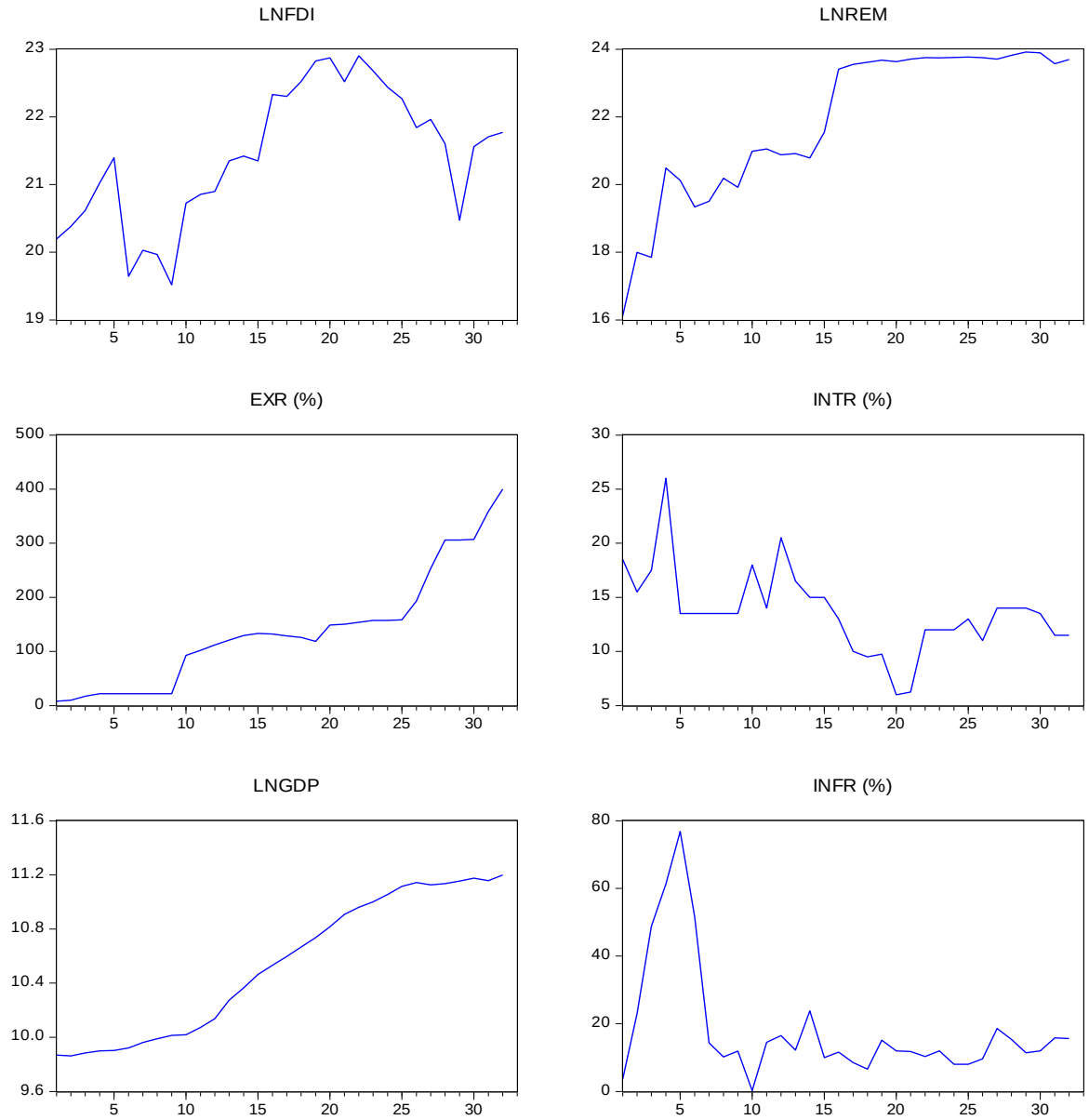
Figure 2



Source: Author's Computation from E-View Output, 2024

Figure 1 indicate that the foreign direct investment in Nigeria grow at a very little rate in 2012, 2013 and 2014. It was in 2015 that the remittance in Nigeria started to increase their FDI but at very slow rate. In 2016, the interest rate started to increase drastically. It was in 2019 that the rate increase of exchange rate in Nigeria growing and eventually stop making a unique way for the foreign direct investment to grow in 2020. The 2018 recorded very high increase in inflation rate. The value of GDP in Nigeria increase at an increasing rate from 2013 to 2014. It was in 2015 that the value of GDP decreased but eventually increases in 2015 with an increasing rate. The 2016 and 2017 recorded an increase in the value of GDP in Nigeria. There was downward increase in the GDP in Nigeria. The 2014 recorded increase in INFR but a little decrease in the INFR in 2015.

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Table 3: Result of Unit Root Test

Null Hypothesis: the variable has a unit root

	At Level					
		LNREM	LNGDP	EXR	INTR	INFR
With Constant	t-Statistic	-3.0231	-0.9187	1.8429	-3.1234	-2.1218
	Prob.	**0.0437**	**0.7682**	**0.9996**	**0.0351**	**0.2379**
		**	n0	n0	**	n0
With Constant & Trend	t-Statistic	-2.9672	-1.7353	-0.3118	-3.5584	-2.7007
	Prob.	**0.1570**	**0.7102**	**0.9866**	**0.0505**	**0.2431**
		n0	n0	n0	*	n0
Without Constant & Trend	t-Statistic	1.5966	2.0725	3.9162	-0.8156	-1.9540
	Prob.	**0.9702**	**0.9890**	**0.9999**	**0.3542**	**0.0498**
		n0	n0	n0	n0	**
		d(LNREM)	d(LNGDP)	d(EXR)	d(INTR)	d(INFR)
With Constant	t-Statistic	-6.5011	-2.5410	-3.7656	-8.0386	-4.1364
	Prob.	**0.0000**	**0.1163**	**0.0079**	**0.0000**	**0.0031**
		***	n0	***	***	***
With Constant & Trend	t-Statistic	-6.7911	-2.5140	-4.1646	-7.8920	-4.0350
	Prob.	**0.0000**	**0.3196**	**0.0136**	**0.0000**	**0.0182**
		***	n0	**	***	**
Without Constant & Trend	t-Statistic	-6.1125	-1.3045	-2.9219	-8.1572	-4.2156
	Prob.	**0.0000**	**0.1731**	**0.0049**	**0.0000**	**0.0001**
		***	n0	***	***	***

Notes:

a: (*)Significant at the 10%; (**)Significant at the 5%; (***) Significant at the 1% and (no) Not Significant
b: Lag Length based on SIC
c: Probability based on MacKinnon (1996) one-sided p-values.

Source: Author's Computation from E-View Output, 2024

The table one above present the given group unit root test applying ADF as the requirements for determination. The analysis's findings demonstrated that the model's variables weren't stationary at their initial values. More adjustments are required because this could result in erroneous or meaningless estimates. However, the purpose of the ADF test was to determine whether the variables were stationarity. The findings demonstrated that following the initial difference, all of the variables became stationary suggesting that there were no unit roots. The outcome clue is derived using the given p value against that of 5% and 10% level of significance as shown above. However, foreign direct investment, remittance, exchange rate was found to be stationary at first difference, interest rate and inflation rate are stationary at first difference while gross domestic product is not stationary at level and first difference. This means that all the variables have no unit root at level but at first and second difference.

Table 4: Regression Result for Second Model on LREM

Dependent Variable: LNREM
Method: Least Squares
Date: 10/12/23 Time: 07:39
Sample (adjusted): 1 32
Included observations: 32 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-19.10051	9.281999	-2.057801	0.0494
EXR	-0.001683	0.003662	-0.459632	0.6495
INTR	-0.061359	0.060110	-1.020776	0.3164
LNGDP	3.985459	0.875185	4.553846	0.0001

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INFR	0.004445	0.011747	0.378440	0.7081

R-squared	0.823121	Mean dependent var	21.89527
Adjusted R-squared	0.796917	S.D. dependent var	2.198102
S.E. of regression	0.990569	Akaike info criterion	2.961526
Sum squared resid	26.49311	Schwarz criterion	3.190547
Log likelihood	-42.38441	Hannan-Quinn criter.	3.037440
F-statistic	31.41174	Durbin-Watson stat	0.799485
Prob(F-statistic)	0.000000		

Source: Author's Computation from E-View Output, 2024

Data must be fitted reasonable well. That is value of R^2 should be reasonable high at least more than 60 percent. The higher the R^2 better the fitted data. In this model we observed that R^2 is 82% which is good because 82% is greater than 60%, which means that the model is fit. The remaining 18% are factors or variables that were not included in the model but been capture by error term which are capable of influencing the dependent variable. The adjusted R^2 which is 79% could be further explained that after adjusting for the degree of freedom, the predictors can only explain 79% variation of remittance. The independent variables should be individually significant. This could be checked by using probability value of t-test. If the p-value of t statistics is less than 5% (0.05) we can reject the null and accept alternative hypothesis. If otherwise, we do the inverse. The result shows that only gross domestic product isstatistically significant with the p value of 0.0001 while interest rate, exchange rate and inflation rate are statistically insignificant with p value of 0.3164, 06495 and 0.7081 respectively.

Coefficient of variables

The sign of the coefficients should follow economic theory or expectation, experiences of others or intuition. The column labeled "Coefficient" depicts the estimated coefficients. The least squares regression coefficients b are computed by the standard OLS formula.For the simple linear models considered here, the coefficient measures the marginal contribution of the independent variable to the dependent variable, holding all other variables fixed. The other coefficients are interpreted as the slope of the relation between the corresponding independent variable and the dependent variable, assuming all other variables do not change. The coefficient of exchange rate which is -0.001683 depicts that for every unit increase in exchange rate, there will be decrease in the remittance. Remittances have an indirect stabilizing effect of exchange rate volatility in times when other kinds of capital flows are fluctuating drastically by offering a regular source of foreign currency into the dollarized economy. Exchange rate volatility has positive but insignificant effect on economic growth contrary to negative effect posited by theory but which could be justified by the level of financial development prevalent in Nigeria in line with the findings of (Aghion, 2005). Interest rate with the coefficient of -0.061359 means that for every unit increase in interest rate, there will be decrease in the remittance. It is observed that interest rate is insignificant to influence remittance. If remittances are instead expressed in terms of the host country good, the substitution effect will still be associated with larger remittances, but the income effect may work in the opposite direction because the lower interest rate at home may cause remittances to decline, thereby enabling the migrant to enjoy. Also, the coefficient of inflation rate which stands at 0.004445 indicates that for every unit increase in inflation rate, there will be increase in the remittances.The inflationary effect of remittances occurs through a change in both aggregate demand and aggregate supply. Larger remittances increase net foreign assets, monetary base, and money supply unless the central bank engages in a sterilization policy to offset monetary expansion. The coefficient of gross domestic product growth rate which is 3.985459 depicts that for every unit increase in gross domestic product growth rate, there will be increase in the remittances. Remittances are a large part of a country's GDP due to billions being sent back to home countries by migrant workers. Inflation causing a rise in goods and services can impact the amounts of remittances being sent home. Domestic investment has been recognized as an essential component to facilitate economic growth and employment (Overseas Development Institute, 2016). Regarding the share of GDP, we expect a positive effect of this variable on GDP growth since the increase of fixed capital investments increases the domestic GDP. Savicevic and Kostic (2020) found that REM played a positive role in economic growth. Analysis from

this study revealed that there is no significant impact of inflation rate, exchange rate and interest rate on remittances in Nigeria**.** This means that the inflationary effect of remittances occurs through a change in both aggregate demand and aggregate supply. Larger remittances increase net foreign assets, monetary base, and money supply unless the central bank engages in a sterilization policy to offset monetary expansion.The prevailing high inflation in Nigeria is eroding the value of money, which may likely reduce investment and the real GDP growth rate in 2022. All items' prices shift upward on the other market day. Nigeria's prices do not obey the law of gravity as prices keep rising instead of falling. The study of Shalizad and Zahid (2012) on foreign direct investment and inflation rate among other variables show a positive and insignificant relationship. It was found that gross domestic product growth rate has significant impact on the remittances in Nigeria. Remittances are an enormous piece of a country's Gross domestic product because of billions being sent back to home nations by traveler laborers. Expansion causing an ascent in labor and products can influence the measures of settlements being sent home. Homegrown venture has been perceived as a fundamental part to work with monetary development and business (Abroad Improvement Organization, 2016). With respect to portion of Gross domestic product, we expect a constructive outcome of this variable on Gross domestic product development since the increment of fixed capital ventures builds the homegrown Gross domestic product. Savicevic and Kostic (2020) found that REM assumed a positive part in monetary development.The analysis reveals that GDP has a significant effect on remittances, suggesting that the overall economic performance of a country plays a crucial role in attracting remittances. A growing economy creates more opportunities for investment, business expansion, and consumption, which in turn attracts more remittances from abroad. Traditional economic variables, such as exchange rate, inflation, and interest rate, may not be primary drivers of remittance flows. Remittance flows may be relatively stable and less sensitive to fluctuations in these variables, making them a more stable source of foreign capital.

V. RECOMMENDATIONS

Based on the findings of this study, the following recommendations were drawn;

i. The analysis reveals that GDP significantly impacts remittances, while exchange rate, inflation, and interest rates do not. To enhance economic growth, the government should prioritize policies that sustain and enhance growth, such as investing in infrastructure, promoting industrialization, and supporting high-growth sectors.
ii. Improving the business environment can create a more favorable environment, reducing bureaucratic red tape and providing incentives for investments. Leveraging remittances for economic development can be achieved by encouraging recipients to invest in productive activities, such as housing, education, or small business ventures.
iii. Strengthening economic confidence can be achieved by promoting transparency and governance, which can boost the confidence of migrants and encourage them to send more remittances back home.
iv. Supporting the diaspora community can be achieved through creating platforms for national development projects or providing incentives for investment.
v. Remittance-friendly policies can be developed to make it easier and cheaper to send remittances.
vi. Diversifying economic strategies can reduce dependence on remittances and encourage domestic savings and investment through financial inclusion initiatives.
vii. Continuous monitoring and data collection are essential to ensure the effectiveness of policies in maximizing the positive impact of remittances on economic growth.

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