

Remittance Inflows, Financial Sector Development and Economic Growth in Nigeria

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Certification

This is to certify that this Thesis titled “Remittance Inflows, Financial Sector Development and Economic Growth in Nigeria” was carried out by Matthew Chima AMADI with Matriculation number LCU/PG/000164 in the Department of Economics, Faculty of Management and Social Sciences, Lead City University, Ibadan, under my supervision.

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Dedication

This research work is dedicated to God Almighty, the Father of Light who has made it possible for me to complete this programme successfully.

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Abstract

The influx of remittances to poor nations has fluctuated substantially in recent years as a result of the COVID-19 epidemic and other stumbling blocks imposed by the recipient economy. Besides, the rising trend in remittance inflows has piqued academic researchers' interest and sparked a vast corpus of empirical research exploring their influence on many elements of macroeconomic variables. The study looks at the link between remittances, financial development, and economic growth in Nigeria from 1996 through 2020. The estimators used for the study are autoregressive distributed lag (ARDL) and Granger causality techniques. The World Bank Development Indicator statistics was utilized to collect data for each variable considered in this analysis. The study's findings show that, in the short run, financial development interacts positively with remittance inflows to influence economic growth. This implies that financial development is a predictor of remittance inflows. All else being equal, a percentage rise in the interplay between financial development and remittances will result in approximately 19.2% of economic growth in Nigeria. However, at 5%, the beneficial effect of interaction between financial development and remittance on economic growth is not statistically significant. The data also show that a positive GDPGR lag coefficient exists, despite the fact that it is anticipated to be negative. Our findings show that remittance is negatively related to economic growth. In accordance with goal two, which seeks to establish the causal relationship between remittance inflows, financial development, and economic growth in Nigeria. The pairwise Granger test result shows a unidirectional causality originating from remittance inflows to financial development. Foreign direct investment to GDP has a bidirectional causality with investment. Furthermore, there is no correlation between remittance inflows and economic growth, FDI and economic growth, investment and economic growth, and financial development and economic growth. Furthermore, in keeping with goal four, which seeks to identify the link between remittance inflows and financial growth in Nigeria, the ARDL bound test findings show that no long-term association exists between the variables between 1996 and 2020. In contrast, the short-run finding reveals that remittances are negatively connected to Nigeria's financial progress. According to the data, a 1% rise in remittances reduces financial development by 6%. Our findings demonstrate that foreign direct investment (FDI) is connected to financial development in a beneficial way. All things being equal, the more Nigeria's financial integration with the rest of the globe, the greater its financial progress. Finally, the index of institution quality and economic growth is reported to be positively related. The study concludes that a certain degree of financial development might stifle long-term economic progress, and the combined effect of financial development and remittances should be of concern to policymakers. Given the study's conclusions that remittances are negatively contributing to Nigeria's economic growth, a significant policy consequence is that efforts to encourage remittances and those to improve the banking system should be undertaken concurrently. However, adequate monitoring of such accounts is required to guarantee that they are not used for or enable money laundering operations.

Keywords: Remittance inflow, investment, economic growth, Nigeria.

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