Capital Flight, Financial Stability and Nigerian Economic Growth

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Certification

This is to certify that Babatunde ORENUGA with Matric Number LCU/PG/001685 carried out the thesis entitled "Capital Flight, Financial Stability and Nigeria's Economic Growth" in the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University, Ibadan, Nigeria under my supervision for the award of Doctorate degree (PhD) in Finance and that this has not been previously submitted.

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Dedication

This thesis is dedicated to the Almighty God, the giver of life, my Lord and Saviour Jesus Christ and Holy Spirit for the inspiration given to me.

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Abstract

Achieving the projected economic growth rate has remained a critical determining factor of economic prosperity and sustainability for many nations globally. This is because the socio-economic wellbeing of the State-players including the citizen depends on the attainment of the economic growth rate. While developed economies have made it a habit of consistently attaining significant economic growth rate which result in socio-economic benefit for the State and their citizen, Nigeria seems to be struggling in setting realistic economic growth rate and in its' attainment. This weak Nigeria's economic growth rate and its attendant consequences on the citizen raise some contextual issues on capital flight and financial stability. Hence, on the strength of the purchasing power parity theory and debt overhang theory, this study examined the effects of capital flight and financial stability on Nigerian economic growth. The study adopted an ex-post facto research design by utilizing secondary data obtained from the CBN Statistical Bulletin, NBS, IMF and World Bank, using time series data from 2002 to 2021 and annual reports of eight selected financial institutions in the category of international authorization in Nigeria. The study adopted ordinary least square regression analysis to test the hypotheses formulated in the introductory chapter. The findings of the study revealed that capital outflow (CO) has a negative relationship with Nigerian economic growth and the effect is significant (β = -0.289965; P-Value = 0.006). External debt (ED) has a negative correlation with Nigerian economic growth and the effect is insignificant (β = -0.088933; P-Value = 0.7899). External reserve (ER) has negative relationship with Nigerian economic growth and the effect is significant (β = -57032.05; P-Value =0.0329). Exchange rate (EX) has a negative correlation with Nigerian economic growth and the effect is insignificant (β = -0.235292; P-Value = 0.422). Return on asset (ROA) has a negative relationship with Nigerian economic growth and the effect is significant (β = -0.051184; P-Value = 0.0390). Non-performing loan (NPL) has a negative correlation with Nigerian economic growth and the effect is insignificant (β = -0.016001; P-Value =0.4983). This study concluded that capital flight and financial stability when managed appropriately hold potential to enhancing Nigerian economic growth. The study recommended that government at all levels must provide friendly and enabling environment through the availability of infrastructural amenities needed to encourage investments that will bring more capital inflows from foreign countries. Likewise, there must be a limit on foreign borrowing tendencies of government at all levels. In addition, foreign borrowing must be limited to only infrastructural development desires of the country. Moreover, government should establish a steady exchange rate regime capable of encouraging capital inflows into the country and boost Nigeria's financial stability. Nigeria Government should stop importation of petroleum products into the country and fix all the four (4) refineries in the country to reduce foreign currency spent on importation of petroleum products. The current efforts designed at checkmating loan defaults in the banking system through the application of the global standing instruction (GSI) regulations should be improved upon, sustained, and extended to non-individual customers of financial institutions.

Keywords: Capital flight, Capital outflows, External reserve, External debt, Exchange rate, Financial stability, Non-performing loan, Real gross domestic product, Return on asset.

Word Count: 500.

Table of Contents

List of Tables

List of Figure

List of Acronyms

Abbreviation	Meaning
ADB	African Development Bank
ADF	Augmented Dickey Filler
ANN	Artificial Neutral Network
ARDL	Autoregressive Distributed Lag
BRICS	Brazil, Russia, India, China, South Africa
BRICT	Brazil, Russia, India, China, Turkey
CBN	Central Bank of Nigeria.
COVID-19	Corona Virus Diseases 2019
CPI	Consumer Price index
CRR	Cash Reserve Requirement
DOLS	Dynamic Ordinary Least Square
ECCAS	Economic Community of Central African States
ECM	Error Correction Model
ECOWAS	Economic Community of West African States
EFCC	Economic and Financial Crime Commission.
EPU	Economics Policy Uncertainty
ESN	Eastern Security Network
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
FIRS	Federal inland Revenue Services
FIU	Financial Intelligence Unit
FSSI	Financial System Stable Index
GCC	Gulf Cooperative Council

GDP	Gross Domestic Product
GFC	Global Financial Crisis
GMM	Generalized Method of Moments
GSI	Global Standing Instruction
ICPC	Independent Corrupt Practices and other related Offences Commission
IMF	International Monetary Fund
IPOB	Indigenous People of Biafra
KPSS	Kwiatkowski Philip Schmidt and Shin
MPR	Monetary Policy Rate
NBS	National Bureau of Statistics
NCDA	Nigerian Content Development Agency
NCMB	Nigerian Content Management Board
NCP	National Council on Privatization
NIPC	Nigerian Investment Promotion Council
NLG	Liquified Natural Gas
NNPC	Nigerian National Petroleum Corporation
NPL	Non-Performing Loan
OECD	Organization for Economic Cooperation and development
OLS	Ordinary Least Square
OPEC	Organization of Petroleum Exporting Countries
PECM	Parsimonious Error Correction Model
PMG	Pooled Mean Group
PP	Philip Perron
PPP	Purchasing Power Parity
REER	Real Effective Exchange Rate

ROA	Return on Asset
ROE	Return on Equity
SADC	Southern African Development Community
SCFG	Standard Cubic Feet of Gas
SDGs	Sustainable Development Goals
SSA	Sub-Sharan African
SVAR	Structural Vector Auto Regression
VECM	Vector Error Correction Model

Chapter One

Introduction

1.1 Background to the Study

Economic growth implies a rise in the volume or size of a country's economy over a particular period. The size or volume of an economy is usually measured by the total production of goods and services in the economy, which is known as gross domestic product. Economic growth could be quantified in "real terms" or "nominal". Nominal economic growth indicates rise in the dollar worth production over time. This comprises changes in both the size of production and the values of goods and services manufactured. Real economic growth is the increases in the size manufactured only, which takes away the impact of prices changing. This is because, it better suggests how much a country is producing at a point in time, compared with other given times[1].

Economic growth means a rise in production in an economy over time. It could be short run or long run. In the short term, growth signifies a rise in real production, typically noticed from changes in real gross domestic product (RGDP). Meanwhile, in the long time, growth symbolizes a rise in the potential production that can be manufactured by an economy. Economic growth is one of the most extensively alluded economic indicators. When the economy expands, the quantity of goods and services improves. As a result, we can access an array of products and services to meet needs. Consequently, because of economic growth, our standard of living will be enhanced. As the economy develops, customer and enterprise demand grow. Competitive pressure also likely to fall in line with high demand. Organizations utilize additional workers to expand production and generate additional profits. For the household segment, this is a time where their income expectations are brighter. On the other hand, when there is economic contraction, demand for goods and services declines.

The company started to lower production and started to reduce operating costs. If demand drops further, they might lay off employees. Consequently, throughout this period, the unemployment level was high. Also, due to minimal demand, inflationary pressures tend to disappear[2].

The magnitude of capital flight or capital outflow occurring from developing to advanced countries has necessitated attempts to control capital flow from emerging countries, where it influences the limited capital unfavorably. This occurrence has resulted in a dearth of developmental projects and impeded economic growth in such host countries[3]. For example, report revealed that the erstwhile Libyan president, Muammar Gaddafi, hidden over $20 billion in four banks in South Africa. In the same vein, former Tunisian president, Ben Ali, stole and sent about $20 billion to an unknown country between 1987 and 2011. Surprisingly, the issue of capital flight is not unusual in Nigeria. Nigeria is confronted with capital flight; it is therefore a contradictory phenomenon that capital from Nigeria exits to develop countries that are capital-surplus[4]. Capital is required in Nigeria for providing employment opportunities, investment, fighting insecurity challenges, tackling infrastructural shortfalls, fighting poverty, providing an enabling environment for businesses to flourish, improving the socio-economic circumstances of her residents, and driving development mostly among others[3]. For instance, it was shown that capital that left Nigeria amounted to $4 billion between 1993 and 1998 [5]. Likewise, the Economic and Financial Commission recounted that capital flight from Nigeria to the United Kingdom, the United States of America, and South Africa was worth $250 million between 1999 and 2007[3].

Hence, the extent of capital flight happening in Nigeria has significantly impacted economic growth and expansion as examined by various circumstances. The circumstances include political purposes and socio-economic, political uncertainty, weak financial institutions,

economic power, and corruption, amongst others. Capital flight might be in a form of an illicit movement of capital from one country to another. It is indeed bothersome that this unusual movement of capital has considerable effects on the host countries[3].

Additionally, capital transmitted abroad from a host country cannot in any way promote national investment and other creative activities. It is still strange whether the significantly lower levels of investment with matching multiplier outcomes on other aspects of the economy, including the increasing rate of unemployment, hunger, social unrest, starvation, and general economic depression in the country, are primarily because of capital flight[6]. Also, the sum of $1.1 trillion and $8.8 trillion in net capital flight movements in 1999 and 2011 in Nigeria[7], while offshore held assets amounted to $11.6 trillion and income from such assets was $866 billion to another countries. Consequently, about $255 billion is lost in tax revenue consistently by countries experiencing capital flight, the statistics being proof of the influence and the challenge of capital flight[8].

As of 2014, the Nigerian economy was already facing huge financial difficulties and hemorrhage as individuals, corporate organizations and foreign investors were moving their funds and investments massively out of Nigeria as well as converting their funds from Naira to dollar. A total of $22.1billion was moved out of the country in five weeks, an average of $4.5 billion a week[7]. While nearly $3.083billion were moved out in the week ending July 31, 2014, the amount of foreign exchange rolling out of the country rose to $4.2 billion for the week ending August 30, 2014. It nevertheless plummeted to $4.1billion on September 30, 2014, and moved astronomically to $5.29 billion for the week ending October 31, 2014. The foreign exchange outflow moved further up to $5.35billion for the week ending November 30, 2014,[9]. This capital flight has caused the crash of the Naira exchange rate which had remained steady before the crash of the international crude oil price. The trend turns out to be

more visible in July 2014 where in fact, in a matter of weeks, more than a few billions of dollars were bought through the banks and bureau de change. The movement of funds and resources is evident in CBN records of direct remittances, Dutch auction sales of dollars. According to data obtained from CBN in the five weeks, the total amount of foreign exchange that went out through direct remittances amounted to $3.33billion for debt service by the end of July 2014. The largest part of the outflow went through the wholesale at the Dutch Auction market where a total of $18.6 billion was acquired from the CBN. Strangely, foreign exchange purchases supported by Letters of credit in the five weeks amounted to $108.8 million[10].

Capital flight has led to the reduction of Nigeria's foreign reserves, therefore weakening the Naira. Nigeria's foreign exchange reserves which were $5.4 billion in 1999, increased to an irresistible level of $51.3 billion at the end of 2007 and further to $53.0 billion in 2008, but due to the crash in the international price of crude oil in 2008 and the outcome of the global financial crisis, the reserve reduced to $42.4 billion in 2009, which further degenerated from $38.138 billion at the end of April 2014 to $33.04 billion in February 2015[10].

It is largely acknowledged that paucity of funds and resources to finance economic growth and expansion is a major challenge and difficulty facing African continent. Therefore, fostering continuous operation and inflow of foreign capital by way of foreign investment cannot be over emphasized to bridge the existing resource gap in the developing countries. Many developing countries have resorted to external borrowing as a way of bridging their saving-investment gap. It is certainly a contradiction, however, that while the countries are suffering from insufficient resources, huge amount of funds are being siphoned and stashed abroad by wealthy residents and political officeholders of these debtor countries. Nigeria for example, with the rate of almost $10 billion annual loss to capital flight, is the leader in the

group of African countries suffering from this menace. Others are Algeria, Egypt, Morocco, and South Africa. Capital flight, if effectively overturned would not only alleviate the economy of the problem but leave more resources for poverty improvement[11].

Unrestricted capital flight from sub-Saharan African countries will further hinder their economic performance, as capital flight has been seen as wearing down the investment base of these countries. The outcome of a debt burden, which developing countries must cope with, and the flight of capital represents a drain on the accessible resources for investment activities to generate economic expansion. Despite the fundamental significance of economic development, and the limitations that a debt burden and capital flight impose on the growth of an investment base for economic development in Sub-Saharan African countries[12]. The high-level magnitude of capital flight has led to the diversion of inadequate economic resources away from domestic investment and creative activities, which has resulted in poor economic implementation of Sub-Saharan African countries[13].

Essentially, capital flight is the large-scale exodus of financial assets and capital from a nation, at times, due to incidents such as disease (for instance, an outbreak that is pandemic or epidemic in nature), economic or political uncertainty (e.g., unconstitutional change of government such as a coup), currency devaluation or the imposition of capital controls. Flight of capital may be legal, as is the case when foreign investors repatriate lawfully earned capital back to their home country, or illegal, which tend to happen in economies with capital controls that limit the transfer of assets out of the country[14]. Capital flight can levy a harsh burden on poorer nations since the lack of capital hinders economic development and may lead to lower standards of living[15]. However, some Multinational Organizations purportedly bring “capital inflow” into the host nation but turn around and repatriate them along with more than just the trade revenue profit to their headquarters, or some other ‘safe haven’

destination[14]. Normally such 'funneling' of funds simply serves as a channel for "capital flight" particularly where there is "fragile government policy" within the host nations. This type of activity may eventually have a damaging effect on the socio-economic activities and "human development" in the host nation. The capability of host nations in Africa to persuasively manage trade revenues, it is assumed, will substantially contribute to enhance human development. Nevertheless, it is anticipated that Multinational Organizations must serve as vehicles for capital inflow into the host nation since most African nations are disadvantaged and have serious difficulties in retaining trade revenues for continental and human development, they have rather chosen to feed on such nations. Further element that compounds the above position is that nearly all African countries are inspired to operate open and/or mixed economic system that certainly paves way for flight of capital or finance to always take place. This position makes it challenging for host nations to improve the economic and financial framework necessary to keep and tie down trade revenues that will always contribute towards economic expansion and human growth of the host nation[14].

The global financial and economic crisis (GFC) that triggered the collapse of most financial organizations across the world in 2007/2008 awakened financial authorities, economists, and regulators cum the international financial and economic society to two major realities. First, there is inadequate research and empirical confirmation regarding the connection between financial stability and economic growth. Secondly, the global financial crisis of 2007/2008 revealed the susceptibilities of financial organizations across the world because of technological innovations, globalization, and universal integration of domestic financial institutions thereby, growing the extent and possibility of systemic risks in financial systems of the world[16].

The principal role of financial organizations is the movement of financial resources from depositors to investors by promoting investment prospects. A well-developed financial organization not only promotes local investment but also fascinates overseas investment. The inflow of overseas capital will inspire local economic activities and improve labor demand. It will in turn inspire the exposure of overseas banks in local economy. Furthermore, a steady financial segment decreases the risk of financial disasters. The financial disasters of 1990s and global crises of 2007 emphasized the significance of financial stability. The accomplishment of financial stability has become a conspicuous intermediate target in most countries to attain their greatest development objectives. Hence, financial sector stability is required for the effective performance of financial segment, which is indispensable for economic improvement[17].

The stability of the financial structure allows business organizations and household to store value and move a financial resource without worry of failure. This promotes to economic growth and progress in a society. One of the objectives of the Sustainable Development Goals (SDGs) introduced in 2015 is to lessen poverty in all its upshot from all over the world. Current statistics reveal that severe poverty was at the deepest point in history as at the end of 2018 but now concentrated in only one region in the world, and that is sub-Saharan Africa[18].

1.2 Statement of the Problem

Nigeria's RGDP has been on a sluggish annual growth of 3.65% in 2021, -1.79% in 2020 (this was a negative growth), 2.21% in 2019, 1.92%% in 2018 and 0.81% in 2017 with the average growth of 1.36% per annum in the last five years (between 2017 to 2021), when compared to the targeted double digits (of 10% and above) annual economic growth as projected in Nigeria Vision 2020[3]. The country's RGDP increased to 3.65% in 2021 from -1.79% in 2020 and moved to an all-time high of 9.7% in 2010 with a record low of -1.79% in

2020. Despite the growth in the country's RGDP, Nigeria has continued to lose billions of dollars in capital with an estimated loss of over $4billion in capital flight between 1993 and 1998 [5] and a total of $22.1billion was moved out of the country in five weeks, an average of $4.5 billion a week[7], which have affected the country's capacity to achieve annual economic growth of double digits. However, Nigeria has the potential to grow its economy by over 10% and achieve if it can control and minimize capital flight and enhance financial stability.

The increasingly massive capital flight from emerging countries particularly Nigeria in the face of enormous investment deficit and growing unemployment and under-employment rates have become great concern to government and policy makers. Why has Nigeria continued to expand her borrowing abroad while at the same time recording increasing capital flight? As part of the central Bank of Nigeria (CBN) reforms in 2010 over ₦600 billion of bank deposits were kept in the CBN vault at one percent interest rate and the deposit banks reacted by declining to lend. This act triggered the deposit rate to crash to about three percent and the consequence was mass movement of funds to alternative investment destinations including neighboring Ghana and other West African countries. The movement of funds out of the country comes by way of residents purchasing dollars with their naira and moving it abroad (capital flight)[10].

Over the years, there has been a growing concern for capital flight in Nigeria in relation to economic growth and progress, and general research work has been conducted on this problem. At the same time the prospect of resolving this problem remains bleak. Inadequate and poor capital inflows decrease the level of economic progress and would be said to be a discouragement to economic development in any economy, High level of capital inflows inspires capital development, which is very indispensable for economic development, which increases substantial level of investment and in turns inspires high level of returns. When

there is capital outflow, it is money that is "taking off" from the country. In fact, increase capital outflow indicates a possible loss for economic growth and progress particularly in a country that is strongly dependent on external financing and/or international supports or aids[19].

The Nigerian government in the past has commenced policies and programs designed at increasing foreign capital inflows and utilize its proper contribution to the overall economy. These includes, the formation of Bureau of Public Enterprises (BPE), the creation of the Nigerian Investment Promotion Commission (NIPC), the establishment of Economic and Financial Crime Commission (EFCC), setting up of National Council on Privatization (NCP), Independent Corrupt Practices and other Related Offences Commission (ICPC), Due Diligence department and other regulatory agencies and economic/ budgetary reforms are also aiming at encouraging inflows of capital for economic growth and development of the nation's economy. Yet these admirable intentions have turned out to be an illusion. The problem is even more severe today as attention has swung in favour of mono-cultural economy based on oil and gas [19]. On the Nigerian economy and offering workable solution in the face of several government attempts in attracting foreign capital inflows have not performed its anticipated role in economic revolution and economic development of the nation in general[19].

Capital flight could have serious impact on economic growth and development. Money that is moved out of a country cannot add to the growth and development of that country's economy. This is because; it will not add to the domestic creative activities. Every time an investment is hindered in an economy, due to the multiplier effect, the harm turns out to be severe, as it could lead to low output, low savings, unemployment, and adverse exchange rate situation. When there is an indication of too much capital flight in a country, it will prevent foreign

investors from investing in such country. It implies, the damaging effects of capital flight could make any reasonable foreign investor be reluctant in creating credits to the debtor's country. This result could make a country to go into external borrowing because the capital that should remain to complement the economic activities and budgetary shortfalls is taking out; the only available opportunity to meet the budgetary gap becomes external borrowing general[6].

The extent of capital flight the world over requires efforts to checkmate and control it, particularly in the developing countries where it affects adversely on the meager capital, which promotes deficiency of developmental resources. This abnormality has continued since there is no robust resistance or policies. There are gains and losses connected with capital flight, but the losses far outweigh the benefits, especially in the emerging economies where it is so widespread. The individuals transmitting and the receiving countries benefit while the citizens in the sending economies' living standard are to an extent retarded and deteriorated from huge capital fight. This can account for continuous low living standard and dearth of industrialization[20].

Capital flight in Nigeria is hampering growth and threatening economic progress with destructive consequences on the economy. It could also be seen as a menace to the growth prospects of the Nigerian economy. Supporters of this theoretical framework claim that capital flight has impacted the economy by hampering possible growth because it encompasses the exportation of savings and foreign exchange. In a country like Nigeria with little income, capital flight will reduce growth capacity. Where capital flight occurs, the country suffers macroeconomic uncertainty. This uncertainty manifests itself in various ways which include increase in budget deficits, rise in current account deficits, overestimation of exchange rate, increase in inflation and diminishing terms of trade. As a result, this will lead

to shrinkage in economic activities and absence of opportunities for lucrative investment in the domestic economy. These variables impact investment environment and have an immediate effect on expectations of risks and returns. In fact, this will discourage potential investors from investing in Nigeria which in turn reduces economic growth and development. In most emerging nations such as Nigeria which is exemplified by foreign exchange unavailability, persistent poverty and severe debt burden, capital flight signifies a substantial proportion of resources which are suitable for financing economic development and stabilizing the negative economic trends. Considering Nigeria as a case study, large proportion of individuals that participate in capital flight are political and economic groups who take advantage of the opportunity of their situation to obtain both legitimate and illegitimate funds and siphon them abroad. Such illegitimate funds comprise bribes on private and public sectors contracts, diversion of export revenues that belong to public to private accounts and the likes[21].

Financial and monetary stability are critical significance to the effective and efficient implementation of a market-based economy as they provide the justification for planning and distribution of scarce resources in the real sector. In recent times, policy concerns and emphasis on investigations related to financial stability took an intensified measurement following the outcome of the 2007/08 global financial disaster. The disaster confirmed the significance of ongoing evaluation of the indicators of financial stability by the authorities, while also elevating the cruciality of the functions of liquidity and resource quality in ensuring financial stability[22]. At this point, given the complicated nature of capital flight, financial stability, and its effects on Nigeria's economic growth.

1.3 Aim and Objectives of the Study

The aim of the study is to examine the effect of capital flight and financial stability on Nigeria's economic growth. The objectives are to:

1. investigate the effect of capital outflow on Nigeria's Real Gross Domestic Product.
2. examine the effect of external debt on Nigeria's Real Gross Domestic Product.
3. determine the effect of external reverse on Nigeria's Real Gross Domestic Product.
4. examine the effect of exchange rate on Nigeria's Real Gross Domestic Product.
5. assess the effect of return on asset on Nigeria's Real Gross Domestic Product.
6. evaluate the effect of non-performing loan on Nigeria's Real Gross Domestic Product.

1.4 Research Questions

The following research questions were addressed in this study:

1. What is the effect of capital outflow on Nigeria's Real Gross Domestic Product?
2. What is the effect of external debt on Nigeria's Real Gross Domestic Product?
3. To what extent does external reserve influence Nigeria's Real Gross Domestic Product?
4. How does exchange rate influence Nigeria's Real Gross Domestic Product?
5. What is the effect of return on asset on Nigeria's Real Gross Domestic Product?
6. Does non-performing loan influence Nigeria's Real Gross Domestic Product?

1.5 Research Hypotheses

Ho1: Capital outflow will have no significant effect on Nigeria's Real Gross Domestic Product.

Ho2: External debt will have no significant effect on Nigeria's Real Gross Domestic Product.

Ho3: External reserve will have no significant effect on Nigeria's Real Gross Domestic Product.

Ho4: Exchange rate will have no significant effect on Nigeria's Real Gross Domestic Product.

Ho5: Return on Asset will have no significant effect on Nigeria's Real Gross Domestic Product.

Ho6: Non-performing loan will have no significant effect on Nigeria's Real Gross Domestic Product.

1.6 Significance of the Study

The study is of significant relevance to numerous stakeholders which include governments at all levels (Federal, State and Local), regulatory agencies, bank stakeholders, researchers, scholars, students, and industries. This is of great value to the stakeholders/ players in the Nigerian economy in the following ways:

i. The study provides Nigerian governments at all levels, clear understanding of the effects of capital flight, financial stability on Nigerian economic growth with empirically tested data to help them formulate and improve policy decisions on capital flight and financial stability.

ii. The study is of great importance to regulatory agencies like CBN, EFCC, ICPC, FIU, FIRS, etc. to know the effects of capital flight, financial stability on Nigerian economic growth and how to tackle the menace of capital flight to Nigerian economic growth.

iii. The study is expected to assist in understanding the importance of capital flight and financial stability and its connection with capital outflow, external debt, external reserve, exchange rate, real gross domestic, return on assets (ROA) and non-performing loan (NPL).

iv. The findings of this study are beneficial to foreign and local investors to draw their attention to the effects of capital flight, financial stability on Nigerian economic growth.

v. The findings of this thesis are expected to be of great benefit to researchers, scholars, and students who are planning to carry out further empirical investigation on capital flight, financial stability and Nigerian economic growth.

1.7 Scope of the Study

This study assessed the effect of capital flight, financial stability on Nigerian economic growth. The study utilized data for a twenty-year period between 2002 to 2021. The study employed secondary data drawn from two domestic institutions such as the National Bureau of Statistics, which happens to be the major agency of the Government responsible for collection, analysis, and dissemination of statistical data in Nigeria and the Central Bank of Nigeria (CBN), that is charged with formulation of monetary policies in Nigeria. Two international organizations comprise International Monetary Fund (IMF) and World Bank and annual reports of 8 banks with international authorization.

The proxies utilized to measure capital flight in this study were capital outflow, external debt, external reserve, and exchange rate. The proxies for financial stability employed were return on asset and non-performing loans (NPLs). The proxy for economic growth used was the real gross domestic product as real GDP is the most appropriate measure for economic growth in a country. This is evident in the computation of GDP per capita, where the principle of

purchasing power parity provides a more precise picture of a country's overall standard of living, to indicate its economic growth[35].

The study employed panel data technique for a twenty-year period from 2002 to 2021 to investigate the effect of capital flight and financial stability proxies on Nigerian economic growth. The study utilized the use of Hausman test to ascertain which model was suitable for this study. Annual data involving the entire study period were collected and analyzed using the E-Views 9 statistical package. Furthermore, a correlation analysis was performed to authenticate for highly correlated variables and avert the problem of multi-collinearity and serial correlation. To prevent inappropriate model specification and enhance the confidence of the outcomes, time series properties of the data were examined using the panel root tests. The study will not consider human flight.

1.8 Limitation of the Study

The concept of capital flight and financial stability administration is sensitive to Nigerian economic growth. This study investigated the proxies of capital flight with economic implications and limited to Nigeria. Consequently, these proxies could be a decreased generalizability of the results. This study alleviated this by confirming that the variables chosen to provide as much information as possible to determine the effect of capital flight, financial stability on Nigerian economic growth.

The fundamental data condition in Nigeria was problematic as sufficient data on capital flight, financial stability was not readily available domestically. The guardians of data did not have sufficient data on capital flight and financial stability particularly from earlier years and where they did, the accessible data was scattered in different publications that were available domestically but was not updated online. Inaccessibility of data for the earlier years represented a limitation in choosing the period of 20 years for the empirical analysis. To

overcome these challenges data from two international organizations, comprising International Monetary Fund (IMF) and World Bank were utilized as they provided more accurate measures. Domestically, frequent follow up on emails, telephone, and physical visits to the guardians of data CBN and Nigeria Bureau of Statistics were made to get the publications and dig out the data from their respective libraries.

This research recognized some limitations to the influence of capital flight and financial stability. There is a dearth of lucidity, nevertheless, on the harshness of these limitations, and related constraints have also been noticed in studies of other economic events and global economic interactions that are claimed to have a positive effect on economic development. Some kinds of capital flight and financial stability will add to economic development more than others. To conquer these constraints, there is a critical demand for further research on the impacts of capital and financial stability on economic growth.

1.9 Operationalization of the Research Variables

The variables in this study are classified into two – dependent and independent variables. The first independent variable capital flight is measured by, capital outflow, external debt, external reserve, and exchange rate. The second independent variable financial stability is measured by; return on asset and non-performing loans. The dependent variable is economic growth and it was measured by the real gross domestic product. The real gross domestic product is considered appropriate because it already take into consideration inflation. The operationalization of variable per each independent variable is provided in more details.

Capital Flight Reaction Function

In the capital flight reaction function, real gross domestic product (RGDP) is the dependent variable while capital outflow (CO) in the independent or explanatory variable. However, other variables such as external debt (ED) external reserve (ER), and exchange rate (EX) were included in the

RGDP = CO + ER + ED +EX (1.1)

Where:

RGDP = Real Gross Domestic Product

CO = Capital Outflow

ER = External Reserve

ED = External Debt

EX = Exchange rate

Model (3.1) above can be stated in a stochastic or econometric form below.

$RGDP = \beta_0 + \beta_1 CO + \beta_2 ER + \beta_3 ED + \beta_4 EX + \epsilon_1$(1.2)

Where RGDP, CO, ER, ED and EX are as described in 1.1 above.

$\boldsymbol{\beta_0}$ = Intercept or constant regression parameter

$\boldsymbol{\beta_1 - \beta_4}$ = Slope parameters

ϵ_1 = Stochastic or error terms

Financial Stability Reaction Function

In the financial stability reaction function, real gross domestic product (RGDP) is the dependent variable while Returns on Assets (ROA) and Non-Performing Loans (NPL) are independent or explanatory variable. The functional form of the model is specified thus.

RGDP = ROA + NPL (1.3)

Where,

RGDP = Real Gross Domestic Product

ROA = Returns on Assets

NPL = Non-Performing Loans

Model (3.3) above can be stated in a stochastic or econometric form below.

$RGDP = \alpha_0 + \alpha_1 ROA + \alpha_2 NPL + \epsilon_1$ (1.4)

Where RGDP, ROA, NPL are as described in (1.3) above.

α_0 = Intercept or constant regression parameter

$\alpha_1 - \alpha_2$ = Slope parameters

ϵ_1 = Stochastic or error terms

1.10 Operational Definition of Terms

Capital Flight: The term capital flight means illegitimate movement of capital or funds from one country to another typically from developing countries to developed countries.

Capital Outflow: Capital outflow is the flow or movement of funds or assets out of a country. Capital outflow is considered unattractive as it is often the consequence of economic or political instability.

Exchange Rate: An exchange rate is the value or rate at which two countries' currencies are traded for one another. In other words, it is the rate or value at which one country's currency can purchase another country's currency.

External Debt: External debt is the segment of a country's debt that was borrowed from foreign/ external lenders/ creditors including governments, banks, or international financial institutions.

External Reserve: External reserve refers to the official public sector foreign or external assets that are readily accessible and controlled by the monetary or regulatory authorities of a country.

Financial Stability: Financial stability is a condition in which system is stable. It also means a condition in which the three components of the financial system: financial institutions, financial infrastructure and financial markets are stable.

Non-Performing Loans: A non-performing loan (NPL) is a credit in which the borrower is in default and has not repaid the monthly principal and interest repayments for a specific period.

Real Gross Domestic Product: Real gross domestic product is a macroeconomic indicator that measures the value of goods and services produced and manufactured by an economy in a certain period, adjusted for inflation.

Return on Assets: Return on Assets (ROA) is a financial ratio utilized to determine the extent to which the resources of a company have been employed to generate profits.

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Chapter Two

Literature Review

This chapter encompasses conceptual issues, theoretical framework, and review of previous empirical works. It also contains the synthesis of gaps identified in consonance with the statement of the research problem and the stated objectives. The conceptual issues discussed various concepts relevant to the stated objectives of the study. It also provides theoretical framework underpinnings the study and empirical explanations for the study. While the conceptual issues address the several concepts relevant to the said objectives, review of previous empirical works focuses on empirical works in line with the specific objectives of the study. Also, the theoretical framework focuses on theories that are relevant to the topic. The chapter also contains the gaps highlighted in consonance with statement of the research problem and stated objectives.

2.1 Conceptual Review

2.1.1 Capital Flight

Capital flight, in economics, happens when money or assets swiftly move or flow out of a country, due to an event of economic consequence or as a result of a political activity such as change in government or economic globalization. Such activities could be a rise in taxes on capital or capital holders or the government of the country default on its debt obligation that interrupts investors and causes them to lower their assessment of the assets and resources in that country, or otherwise to lose confidence in its economic power. This leads to the disappearance of wealth, and is typically complemented by a sharp drop in the exchange rate of the affected country and decrease in a variable exchange rate regime, or a compulsory devaluation in a fixed exchange rate regime. This fall is principally destructive when the capital belongs to the people or citizens of the affected country for the reason that not only

are the citizens now troubled by the loss in the economy and devaluation of their currency but their assets have lost much of their nominal value. This leads to dramatic reductions in the purchasing power of the country's assets and makes it more and more expensive to import goods and acquire any form of foreign facilities, e.g. medical facilities[1].

Capital flight is an occurrence exemplified by large outflows of resources and/or capital from a country due to some activities, resulting in adverse economic consequences to that country. Furthermore, the term can be described as the swift withdrawal or removal of resources and capital from specific regions or cities within a country (Note that capital flight may involve the withdrawal or removal of both foreign and domestic capital)[2].

Capital flight refers to the illegitimate movement of resources, money, or financial assets from investments in one country to another to prevent country-specific risks such as political instability hyperinflation and anticipated devaluation or depreciation of currency. It can also be considered as a movement or flow of local saving from less advanced economies away from financing local real investment for a foreign financial investment in developed economies of the world leaving the economic progress and advancement of the less developed economies at base. Capital flight in Nigeria is more severe than it is in different places in Sub-Saharan African countries due majorly to unhealthy economic situation, political instability, and the high scale of corruption at all levels of government in Nigeria. This variable hypothetically is expected to exert a negative effect on the domestic investment of the economy[3].

Capital flight arises through the transfer of a significant percentage of domestic private savings abroad, the persistence of which can lead to a serious harmful effect on domestic savings, thereby constraining banks' capability to provide credit or loan to domestic investors capable of encouraging and improving economic growth and development[3].

It is pertinent to note that there is no universally accepted definition of capital flight, even though its activities have been known for periods dated back to the seventeenth century. Capital flight as used in this study connotes unlawful flow of capital or resources from one country to another usually from developing countries to developed countries. This connotation implies that there may be normal or legal and abnormal or illegal flows[4].

Capital flight is devoid of an accurate and generally accepted definition partially because of the way the term is used between advanced and emerging countries. The outflow of capital becomes capital flight when the gross domestic product (GDP) of the country of origin rises at a lower rate than capital outflow[6]. Capital flight refers to as the illegitimate or unauthorized movement of funds, resources, or assets from developing countries to developed countries due to political instability, economic depression, hyperinflation, and anticipation of currency devaluation with severe economic consequences to those developing countries.

Capital flight can either be legal or illegal in terms of its types. Legal capital flight generally takes the form of repatriation of invested capital by foreign investors. In this case, the capital outflows must be appropriately reported according to extant accounting standards and conform with the country's laws[2]. The legal element is generally after-tax money, correctly documented and remaining in the books of the entity from which it is transferred. There is sufficient evidence that such movements broadly improve economic growth. Such free-market operations are accepted as largely advantageous to investment, trade and development leaving aside the question of the utility of short-term capital controls[4].

On the other hand, illegal capital flight usually appears in the form of illicit financial flows. Fundamentally, illegitimate financial flows fade away from records within a country and do not return to the country. Note that unlawful capital outflows are primarily connected with countries that impose stringent capital control guidelines[2]. The prohibited component is quite

different, almost always tax evading and therefore illegitimate out of the countries from which it comes. It is incorrectly documented or connected to preceding or following falsified transactions and it vanishes from any record in the country of origin. The harmfulness of this cascade for both originating and receiving countries is now gaining long overdue action[4].

The unexpected withdrawal of large sums, resources or assets is a detrimental event that prompts numerous consequences for the affected country. It decreases the potency of the economy and of the government, as it implies a loss of tax revenue. Furthermore, quick capital outflows diminish the purchasing power of citizens or residents in the affected country, and major resources may be devalued. Ultimately, it can trigger a sort of domino influence if other people or citizens become frightened and start withdrawing their capital or money[2].

Capital flight can happen in both advanced and emerging countries. However, developing nations are more susceptible to significant and quick outflows of capital due to less developed political and legal institutions. Similarly, economists and finance experts mostly believe that resource-based economies or natural-resource-based economies can regularly experience outflows of capital or resources. One of the purposes that can explain the phenomenon is the high level of unpredictability in the prices of natural resources that can substantially affect investing environment[2].

The causes of capital flight as considered in the literature are many. This paper does not claim to have an exhaustive list of the causes as only a few of them will be stated and explained here as follows: It is well established that narrowness is a characteristic of the financial markets of emerging countries, Nigeria inclusive. These markets therefore offer only a limited variety of financial instruments in which wealth or capital can be held. There is also in many emerging countries the absence of full or reliable deposit insurance on assets and resources that are held in the domestic banking sector. These constitute limitations in the

Nigerian financial sector which are capable of propelling capital flight from Nigeria to other countries where the financial sectors of the foreign economies are more progressive and more investment friendly[6].

Exchange rate misalignment or exchange rate volatility has supported the growth of parallel market premium in the foreign exchange market which normally exposes the capital holders to wealth losses should devaluation or depreciation occurs[6]. Nigeria is a country that is well-known for political crisis any time elections are conducted. It had always been a matter of "do or die" to get to one political post or the other. Extra judicial killings or jungle justices are rampant in Nigeria before, during and after elections to the point that the political environment is stressed and unpleasant. This brings about insecurity of lives and properties and sending incorrect signs to the outside world. This has the connotation of propelling domestic wealth holders and investors to transfer their capital from Nigeria to the outside world[6].

Security is an important component of economic growth in any nation. Without security, no significant economic activity can take place. Regrettably, insecurity has become widespread in Nigeria for some time now. A lot of mayhem has been done to Nigerian economy because of insecurity which manifests itself in form of Boko Haram insurrection, Rape, Kidnapping, Bandits, Terrorists, and the menace of the Independent People of Biafra (IPOB), Eastern Security Network (ESN), Fulani Herdsmen, to mention but a few. No entrepreneur or investor would want to invest his or her money in a country where insecurity is the order of the day. This kind of situation serves as momentum for capital flight from Nigeria[6].

In the theory of portfolio selection, an investor decides where to hold his/her wealth, either at home or abroad, depending on his/her perception of the risk and returns trade-off and other factors within the economy. A reasonable investor will generally invest where he can get a

higher return from his investment. The Nigerian atmosphere does not offer this kind of opportunity to investors; thus, they invest their capital in foreign lands[6]. Nearly all political leaders in Nigeria are unscrupulous and very corrupt and have uncontrolled/extraordinary access to government funds. Such access to government funds has given them the chance to engage in unwholesome and questionable transfer of funds from Nigeria to foreign countries to escape sanction, penalty and/or seizures by government if detected[6].

It entails very little or no efforts to understand that Nigeria is suffering from critical infrastructural shortage. This has hindered the quick development of the country and its transformation into a developed nation. Nigerian roads are in deplorable and unmotorable conditions, the health care and education systems are longing for attention and the electricity supply is in a pitiable condition and sorry state, while the provision of pipe borne water has become a luxury. Some years ago, Dunlop Nigeria Plc, a tyre manufacturing company left shore of Nigeria for Ghana due to constant epileptic power supply. What the Nigerian economy has lost because of this in terms of its multiplier effects are better imagined than computed[6]. Financial globalization, which allows capital to flow freely from one country to another, has worsened capital flight from Nigeria to other parts of the world. In portfolio investment theory, capitalist seeks the best opportunity where it can earn the highest returns, provided a minimal degree of risks. Since the domestic environment is full of risks for investors, reasonable holders of capital would seek offshore environments which they regard as safe for their investments, thus, the flight of capital from Nigeria to other parts of the world[6].

This is a condition where capital flows into the country in disguise as external borrowing and at the same time flies out of the country as private capital flight. This occurrence is also known as “debt-driven capital flight thesis” or “debt-flight revolving door”. This

phenomenon is both a cause of and a conduit for capital flight in Nigeria[6]. Budget deficit/shortfall which reflects the level of government public sector borrowing obligation may also promote capital flight. Enhanced budget deficit raises expectations of domestic economic agents concerning future tax rises to meet government debt repayment commitments, thereby causing capital flight[6]. Declining terms of trade can lead to a shrinkage in economic events in a country whose terms of trade have deteriorated. This can happen when there is a decline in investment, exchange rate over-valuation which produces fear of devaluation of currency in the minds of people/residents in the country suffering declining terms of trade. As a result, there is macroeconomic disequilibrium which manifests itself in balance of payments problems, fiscal deficit, and decrease in investment[6].

There are countless ways in which capital flight can take place. The channels are numerous, and it is practically difficult to develop an extensive inventory of channels. This segment considers the most important channels for Nigeria. Firstly, transfers can take place through monetary or cash instruments. These are typically in the form of either domestic or foreign currency, traveller's cheques or other cheques. In the early 1970s, stories were flying around about Nigerian currency being carried out of the country and exchanged in big financial centers like New York and London to be exchanged legitimately for other currencies at current market rates. Regardless of the present economic difficulty, there are still some African countries where the naira is exchanged for other currencies during trade[4, 5].

Secondly, capital flight can take place via bank transfers from a local correspondence or affiliate of a foreign institution to a designated beneficiary abroad. This is achievable at the market rate where no limitations or constraints are in place. Transfers can still be feasible in the face of exchange controls but probably at a less satisfactory rate. The history of the development of banking institutions in Nigeria shows the existence of local affiliates or

correspondences of foreign banks. That transfers of the type stated have been taking place in Nigeria cannot be in doubt. It is sufficient to claim, however, that such transfers may not be accessible for incomes that are illegitimately made[4, 5].

Another means of transfer is through collectibles and precious metals, including works of art and artefacts. Local currency is translated into gold, silver or other precious metals, jewelries, precious stones, and related assets and resources that cannot only be abroad but that will also be able to retain their value. The sale values of these are generally high in foreign currency. Generally, governments tend to constrain or ban imports and exports of any such items. Such international transfers therefore typically consist of smuggling, with its inherent risks[4, 5].

Fourthly, the transfer is through false invoicing of trade transactions, where import and export invoices are issued at prices different from agreed prices or faked. The anticipation in the case of capital flight is that exporters will methodically involve in under-invoicing while importers over-invoice and in the manner derive foreign exchange that is outside the power of the foreign exchange authority. The process for doing this is that the foreign supplier/dealer issues an invoice that is greater than the approved price of the product. The importer on receipt of the required foreign exchange submits it to the foreign supplier who then keeps the difference in a bank for the use of the importer. On the export side, the invoice released is for a sum of money in foreign currency that is less than the approved price. The foreign buyer places the difference between the invoice price and the approved price in a foreign bank account of the exporter and pays the invoice amount. It is this sum of money that is relinquished to the Central Bank for local currency at the existing approved exchange rate. To determine the extent of invoice faking, partner country analysis is usually undertaken. Capital flight through fake trade invoicing is usually applicable to the local affiliates or correspondences of international companies, and owners of business participated in

international trade. It is understood in some cases that fake invoicing can be magnified via a practice called round tripping. The process is one in which foreign currency assets are accumulated abroad at the official exchange rate through trade mis-invoicing (through over - or under-invoicing). Some of the assets/resources are repatriated in the form of cash or other monetary instruments which are transformed to local currency at a premium in the local parallel market. Whatever profit is made in local currency can then form the basis for further fake-invoiced transactions[4, 5]. A fifth method of moving money out of the country is through the black market, until lately a flourishing source of moving funds overseas. The amount of money moved this way is not easy to calculate approximately[4, 5]. A sixth way through which capital can be moved abroad is through agents' fees and commissions, which are repaid into the foreign bank accounts of residents by foreign contractors[4].

The damaging effects of capital flight cause governments and policymakers to develop efficient and effective approaches and policies to avert the occurrence of the phenomenon. One of the approaches of averting capital outflows is the introduction of capital control policies. However, the management of such capital control policies is one of the things that can cause capital flight to happen. To prevent both legitimate and illegitimate capital outflows, governments and policymakers must develop a more multifaceted approach to the problem. It may include the formation of well-functioning and effective political and judicial institutions that will ensure political stability within a country. Also, the government must implement steps to reduce the level of corruption and must have political wills to fight corruption that usually contributes to illegitimate capital outflows[2].

Nigeria's economy loses around N960bn ($8billion) yearly to non-implementation of local content by the oil companies working in the country, hence, leading to lost chances for sturdy-bodied Nigerians. Oil specialists at the February 2018 Local Content workshop in Abuja disclosed that with an approximate annual expenditure of around N1.2 trillion ($10billion) going into the Nigerian oil and gas industry yearly, only approximately 20 percent or N240billion ($2billion) of this amount is domiciliated in Nigeria. Nearly $8billion of this amount of money goes out of the economy on things that could typically be done locally and with established oil reserved of nearly 35 billion barrels and 187 trillion standard cubic feet of gas (SCFG). Nigeria is labelled in some quarters as "a gas province with a drop of oil". It is, therefore, no wonder that Nigeria has the largest investment in liquefied natural Gas (NLG) in the world. However, that has not made enough effect on the country's Gross Domestic Product (GDP). This is because most of the engineering, supplies, technical, shipping, insurance and other skilled aspect of the business is either done in a foreign country or carried out by expatriates[5].

Aside from generating thousands of jobs through immediate and indirect engagements of Nigerians, if Nigeria develops the capability to carry out these jobs, a value chain in economic pursuits would lead to additional fortune. It is with this in mind that the federal government introduced the Nigerian content initiative. The focus of government is to meet and surpass the 45 percent of the local content of production of oil and gas by 2006 and 70 percent by 2010 by which time, aside from employment, the same percentage of investment and miscellaneous economic activities will be domesticated. On this note, the Federal Government under President Goodluck Jonathan instructed the Nigerian National Petroleum Corporation (NNPC) to put in place a detailed and workable local content realization strategy in the industry[5].

Insurance shipping companies are at a loss as nearly all the insurance companies and oil liftings are carried out by overseas firms with small or no contributions from Nigerians. However, the passage of the Nigerian Content bill would facilitate the creation of the Nigerian Content Development Agency (NCDA) to be run by the Nigerian Content Management Board (NCMB) that will administer the running and affairs of the Nigerian content "policy"[5].

2.1.2 External Debt

External debt is the percentage of a country's debt that was borrowed from overseas lenders including governments, banks, or international financial institutions. These loans, together with interest, must generally be paid in the currency in which the loan was granted. To earn the necessary currency, the country borrowing loans may export and sell goods to the lender's country[4, 7]. A country's total external debt (or foreign debt) is the obligations that are to be paid to non-residents by residents. The borrowers can be corporations, governments, or citizens. External debt might be denominated in foreign or domestic currency. It involves sum of money to be paid to foreign governments, private commercial banks, or international financial institutions such as the International Monetary Fund (IMF) and the World Bank [8]. External debt measures an economy's obligations to make future repayments and, therefore, is a pointer of a country's susceptibility to liquidity problems and solvency[8].

External debt is referred to money borrowed from a supply outside the country. External debt must be repaid back in the currency in which it is borrowed. External debt can be obtained from international financial institutions like IMF, World Bank, ADB etc., overseas commercial banks and from the government of foreign nations. Generally, these categories of debts are in the form of secured loans, meaning that these must be used for a predefined objective as established by a consensus of the borrower and the lender[9].

External debt is the money borrowed by a country from lenders abroad. These lenders could be overseas government, foreign banks, and international financial organizations like International Monetary Funds (IMF), Paris Club, World Bank, African Development Bank (ADB) etc.

2.1.3 External Reserves

External Reserves refers to the official public sector foreign assets or resources that are eagerly accessible and controlled by the regulatory authorities, for direct funding of payment disproportions, and directly regulating the degree of such disproportions, through intervention in the exchange markets to affect the currency exchange rate and for other purposes[4]. Foreign exchange reserves are assets or resources held on reserve by a supervisory authority in foreign currencies. These reserves are used to back obligations and influence monetary policy. They comprise foreign banknotes, bonds, treasury bills, deposits, and other overseas government securities. These assets or resources serve numerous intentions and are utmost importantly held to ensure that a government or its agency has backup funds/resources if their national currency quickly undervalues. Foreign exchange reserves are also called external or international reserves[10].

Foreign exchange reserves are the cash, money and foreign currency financial assets/resources or equity vouchers of convertible foreign currencies held by a government. In the narrow sense, foreign exchange reserves are an essential part of a country's economic power, a foreign exchange buildup that is employed by a country to stabilize the balance of payments, stabilize the exchange rate, and repay the external debt. Foreign exchange reserves refer to foreign exchange-denominated assets, as well as cash, foreign securities, and foreign bank deposits. Foreign exchange reserves are a significant part of the international clearing power of a country and have a significant effect on stabilizing the balance of payments and

stabilizing the exchange rate[11]. The commonly named foreign exchange reserves are currency authorities kept by the country, can be employed to pay foreign convertible currency. Not all countries' currencies can act out as international reserve assets/resources, and only those currencies that dominate a significant position in the international monetary structure and are easily convertible to other reserve assets/resources can act as international reserve assets/resources. China as well as other countries in the world foreign trade and international settlement frequently utilized foreign exchange reserves that are denominated in the US dollar, the euro, yen, sterling and so on[11].

There are seven ways central banks utilize foreign exchange reserves. Firstly, countries employ their foreign exchange reserves to retain the worth of their currencies at a fixed rate. A good example is China, which hooks/pegs the worth of its currency, the yuan, to the dollar. When China stockpiles dollars, it increases the dollar value compared to that of the yuan. That makes Chinese exports lower than American-made goods, rising sales[12].

Secondly, those with a floating/fluctuating exchange rate system employ reserves to keep the worth of their currency lesser than the dollar. They do this for the same motives as those with fixed-rate systems. Although Japan's currency, the yen, is a floating/fluctuating system, the Central Bank of Japan buys U.S. Treasury to keep its value lesser than the dollar. Like China, this keeps Japan's exports moderately inexpensive, increasing trade and economic growth. Such currency trading takes place in the foreign exchange market.

Third and important function is to maintain liquidity in case of an economic emergency/crisis. For example, a volcano or flood could momentarily suspend local exporters' capability to produce goods. This reduces their supply of foreign currency to pay for imports. In that case, the central bank can exchange its foreign currency for their local currency, permitting them receive the imports and pay for them. Equally, foreign investors will get alarmed if a country

is involved in a military coup, fighting a war, or other blow to confidence. They will withdraw their funds/ deposits from the country's banks, making a severe scarcity in foreign currency. This forces the value of the local currency down since less people want it. This makes imports more cumbersome and expensive, creating inflation. The central bank supplies foreign currency to keep markets stable. It also purchases the local currency to support its worth and avert inflation. This encourages foreign investors, who return to the economy[12].

A fourth purpose is to provide confidence/assurance. The central bank assures foreign investors that it is ready to take action to safeguard their investments. It will also avert an unexpected flight to safety and loss of capital for the country. In that way, a strong position in foreign currency reserves can *avert* economic crises triggered when an event causes a flight to safety. Fifthly, reserves are always desired to ensure that a country will meet its external commitments. These comprise international payment commitments, comprising commercial and sovereign debts. They also comprise financing of imports and the capability to absorb any unanticipated capital movements.

Sixthly, some countries employ their reserves to fund segments, such as infrastructure. China, for example, has employed portion of its foreign exchange reserves for recapitalizing some of its government-owned banks[12]. Seventhly, most central banks want to increase revenues without compromising safety. They know the best method to do that is to spread their portfolios. They will regularly embrace gold and other safe, interest-bearing investments[12].

Foreign currency reserves are hardly adequate to target a certain exchange rate. If investors heavily sell, then a currency will decrease notwithstanding the best efforts of a Central Bank, for example, the UK lost billions trying to safeguard the worth of Pounds when it was in the Exchange Rate Mechanism in 1992. Ultimately, the UK authorities had to acknowledge defeat and undervalue/devalue the Pounds[13]. The difficulty with holding foreign currency

reserves is that they can lose their worth/value. Inflation wears down the worth of currencies not fixed against gold (fiat exchange rates). Hence, a Central Bank will need to keep purchasing foreign reserves to sustain the same purchasing power in markets. Similarly, there might have been numerous better, superior yielding uses of the capital[13]. In theory, a Central Bank can create money through the appreciation of other currencies it maintains. Nevertheless, several Central Banks have been losing money through the long-term deterioration in the worth of the dollars[13].

2.1.4 Exchange Rate

Exchange rate is the amount at which the local currency is substituted for foreign currencies. It is the price at which one currency will be substituted for another, that is, the amount of a country's currency in relations of another. Nigeria has had challenges with exchange rate management for the past four decades. This changing is anticipated to wield a destructive effect on domestic investment in Nigeria[3]. An exchange rate is the worth of one nation's currency against the currency of another nation or economic zone [14]. Exchange rate between two currencies is the ratio at which one currency will be exchanged for another. Exchange rates are defined in the foreign exchange market, which is open to a broad range of purchasers and suppliers where currency exchange is uninterrupted[15].

Normally, exchange rates can be free-floating or fixed. A free-floating exchange rate increases and decreases due to fluctuations in the foreign exchange market. A fixed exchange rate is predetermined to the worth of another currency. For example, the Hong Kong dollar is fixed to the U.S. dollar in a range of 7.75 to 7.85. This implies the worth of the Hong Kong dollar to the U.S. dollar will continue within this range[14]. Exchange rates can have what is known as a spot rate, or cash value, which is the prevailing market value. On the other hand, an exchange rate may have a forward value, which is centered on anticipations for the

currency to increase or decrease versus its spot price[14]. The spot exchange rate refers to the current exchange rate[15].

Forward rate values may rise and fall due to changes in expectations for future interest rates in one country as against another. For instance, let us say that traders have the understanding that the eurozone will improve monetary policy as against the U.S. In this case, resulting in the worth of the euro declining[14]. The forward exchange rate refers to an exchange rate that is quoted and traded today, but for distribution and payment on a particular future date[15].

A Fixed Exchange Rate, also known as the pegged exchange rate, is predetermined, or connected to another currency or asset (usually gold) to drive its value. Such an exchange rate structure guarantees the stability of the exchange rates by connecting it to a steady currency itself. Also, a fixed currency structure is comparatively well secure compared to the quick rise and fall in inflation. Several countries following a fixed rate system consist of Denmark, Bahamas, Hong- Kong and Saudi Arabia[16].

A country with a fixed exchange rate structure is alluring to foreign investors who are persuaded to invest in that country due to the stability it presents. The government of a country going after such a procedure must maintain a huge amount of foreign exchange or gold reserves to retain its worth. This structure thus proves to be a costly one.

Flexible or Floating Exchange Rate structures are ones where the price of a currency is controlled by the market forces of demand and supply. In contrast to the fixed exchange rate, they do not derive their worth/value from any fundamental. Several economists argue that a floating system is better since it absorbs the shocks of a global disaster and automatically adapts to come to an equilibrium. The central bank of the country may intervene in economically extreme circumstances such as the depression or boom to stabilize the currency.

They may purchase or trade an amount of the currency to prevent the rates from going out of hand. This occurrence is known as the Managed float**.**

The rates under this method are defined by a self-sufficient structure. Therefore, the reliance on government or international monetary organizations is minimum. Additionally, the determination of amount by the market forces of demand and supply encourages productivity and robustness of operations. Floating rate methods are susceptible to greater unpredictability since they are defined by the market forces. The increased unpredictability intensifies the risk quotient in such markets thus making it a comparatively costly place for foreign investors.

A forward rate is one that is agreed as per the terms of a forward contract. It specifies the buying or selling of a foreign currency at a predetermined rate at a particular date in the future. A forward contract is commonly entered into by importers and exporters who are subjected to foreign exchange instabilities. The forward rate is offered at a premium or discount to the spot rate. A forward contract restricts the rate of exchange for both participants and thus excludes the component of indecision. Therefore, it gives a comprehensive hedge against all disruptive movements in the market. A forward contract is not supported by any exchange. Therefore, the possibility of default is extremely high. Also freezing the prices may turn out to be a loss-making outcome in some circumstances. For instance, a long forward in a bearish market or a short forward in a bullish market are examples of the forward backfiring.

The spot rate is the prevailing exchange rate for any currency. It is the price at which your currency shall be exchanged if you agreed to execute a foreign transaction “right now”. They represent the day-to-day exchange rate and vary by a few base points every day. Dealing at a spot rate does not necessitate intense mathematical or statistical analysis. It is what it is. It is a straightforward rate without any vagueness. Spot rates can be a confusing indicator in times

of economic disaster, irrational demand or supply patterns or temporary transitional periods in an economy[16].

2.1.5 Financial Instability

Although financial instability was partially an outcome of fiscal deficits and exchange rate policies, in several countries it was also a by-product of financial authoritarianism, that is interest rate fixed below inflation rates, high lawful reserve requirements of banks and other financial institutions, and stiffnesses imposed on the financial systems. Financial repression encouraged capital flight both by lessening returns on domestic investments and sustaining overall financial instability for example through its possible effect on financial disintermediation when inflation rises[5].

Domestic firms that took advantage of comparatively inexpensive foreign credit suffered financial instability after remedial devaluations were implemented. Financial instability also activates what can be considered as a secondary source of capital flight – the stock of assets/resources held by people abroad. Financial instability induced foreign asset holder to re-invest abroad the proceeds on their assets/resources such as dividends, interest, and capital gains. While policy misrepresentations tend to have an instantaneous impact on capital flight, reversing them could only have encouraging consequences in the long run. In the short-run, fiscal reforms and trad might encourage instead of reversing capital flight as they pose a danger to heavily protected segments, privileged tax loopholes and tax evasion. However, a significant reduction of fiscal inequality could quicken the beneficial impacts of removing other policy misrepresentations[5]. Return on asset and non-performing loan are sub-measures of financial stability.

2.1.6 Return on Assets

Return on Asset (ROA) is a profitability ratio that indicates how good an organization is producing from its total assets in an efficient and effective manner. An organization with a high return on assets (ROA) would be better off. Return on Assets (ROA) is a financial ratio utilized to determine the extent to which the resources of a company have been employed to generate profits. Thus, a higher return on assets (ROA) indicates that an organization is more efficient and profitable. Return on assets (ROA) is described as net profit after tax divided by total assets. This ratio is an indicator of management competence and efficiency; it shows how competent the management of an organization has been converting an organization's resources into profits[19].

$$ROA = \frac{\text{Net profit after interest and tax}}{\text{Total Assets}} \times 100$$

2.1.7 Non-performing Loan

A non-performing loan (NPL) is a credit in which the borrower is in default and has not repaid the monthly principal and interest repayments for a specific period. Non-performing loans happen when borrowers run out of money to make repayments or get into circumstances that make it challenging for them to continue making repayments towards the loan[20]. Usually, non-performing loans are deemed bad debts because the possibilities of recouping the defaulted loan repayments are slight. Though, having more non-performing loans in the company's balance harms the bank's cash flows, as well as stock value. Consequently, banks that have non-performing loans in their books could take action to compel the possibilities of the loans they are owing. One of the actions can take ownership of assets used as collateral for the credit[20].

2.1.8 Real Gross Domestic Products

Real gross domestic product is a macroeconomic indicator that measures the value of goods and services produced and manufactured by an economy in a certain period, adjusted for inflation. Fundamentally, it measures a country's total economic output, adjusted for price variations[17]. To ascertain "real" gross domestic product, its nominal value must be adjusted to reflect price changes to permit us to see whether the values of output have gone up because more goods and services are being produced or merely because prices have increased[18].

2.2 Theoretical Framework

The theoretical framework of the study is a structure that can support a theory of a research work or anticipated to guide research in focus. Therefore, the theoretical framework is a set of theories that serves as foundation for conducting research and it assists a researcher to clearly see the variables of the study as well as the general framework for data analysis and research design [21]. This section included the investment diversion theory, debt overhang theory which explain the role of capital Outflow (flight), external debt, and external reserves. The purchasing power parity theory was used to explain the effect of capital flight on economic growth, as well as foreign exchange rate.

2.2.1 The Investment Diversion Theory

The Investment Diversion Theory was propounded by[22]. This theory has appeared to offer the most pertinent justification for the relationship between capital flight and economic growth. They argued that capital flight leads to net loss in the total assets or resources available to an economy for investment and growth purposes. Capital flight is a diversion of domestic savings from domestic real investment, by this means hindering the speed of growth and

development in the economy[23]. Sometimes, the decrease in terms of domestic production is in multiples of the volume of capital flight. Similarly, the dearth of liquidity can trigger a depreciation of the domestic currency if the authorities are running a floating exchange rate method. If efforts are made to protect a specific exchange rate, a loss of reserves will take place. Secondly, income and wealth that is created and taken abroad are outside the control of the domestic authorities and cannot be taxed. Hence prospective government revenue is decreased, and the debt servicing capacity of government is hindered[24]. The push to capital flight because of individual agents responding in the way that is postulated as reasonable by economic theory and accepted as standard in industrial countries.

Consequently, the unfavorable investment environment in the emerging countries encourages investors, individuals, and even corrupt and dishonest government officials to take advantage of promising investment opportunities accessible abroad with unusual interest rates, extensive array of financial instrument, economic and political stability, favorable tax structure and secrecy of accounts. Corrupt, unscrupulous and bureaucrats generally siphon insufficient capital resources from their countries to invest them abroad. These resources/ funds are, therefore, not existing for investment at home leading to decrease in aggregate investment, improve unemployment, low economic growth, and rise in dependency ratio. The scarcity of capital needed for the expansion of the local economy regularly leads to the necessity of obtaining loans abroad, which is sometimes further siphoned or stolen thereby committing external dependency and indebtedness[25].

This theory confirmed that a rise in a country's growth rates, cumulative savings often increase immediately while cumulative investment increases after a time interval, thus producing capital flights, within the interval. This reduces an emerging country's capital as

well as its investment fund, eventually affecting economic growth. This theory thus well examined the possible effect of profit repatriations on economic growth in Nigeria.

2.2.2 Debt Overhang Theory

Myers introduced this theory in 1977 [26]. He concentrated on corporate finance and the theory was first utilized to development economics by Krugman (1988) and Sachs (1989) after the Latin American debt crisis in 1980s[27, 28]. When external debt surpasses the predictable present value of the possible future payments to the creditors, the country no longer has any inducement to implement the essential financial and macro -economic changes to enhance its economic growth and refund the creditors[29].

The debt overhang theory postulates that there is a likelihood that in time to come, external debt will be greater than the country's repayment ability and the estimated debt servicing payments will dissuade both the domestic and overseas investments. The theory demonstrates that the stock of public debt as well as the debt payments influence economic growth and modifies the significances of public expenditure by this means preventing investment in the country[30].

The sitting governments serviced their foreign debt by raising future tax liability, a discouragement to investments[27, 28]. The greater the country's indebtedness, the greater its current sacrifice for the sake of future expansion. High degrees of debt frighten off stockholders[31]. External debt settlements value growth with stock of debt up to a particular limit beyond which more debt reduces return on investments and lower economic growth[32]. Debt overhang appears if the combined stock of foreign debt in a country surpasses a country's repayment capability[33]. The expected debt-service costs will reduce economic growth[30]. External debt might not always be harmful to an economy as dependent on the

borrowing country's usage of its foreign debt programmes, it could benefit the creditor and the debtor together[34].

This theory was pertinent to this study as it explained how enhanced debt burden impedes economic growth. The theory corroborates that if external debt surpasses a country's repayment capability with some likelihood in the future, the anticipated debt service will most possibly be seen to be an increasing function of productivity, and as such, resources likely to develop the economy are indirectly taxed away by overseas creditors in form of debt service settlements[35]. The resulting impact is economic indecision, which discourages overseas investors and decreases the degree of private investment in the economy[36]. The theory explained how emerging countries are closely bound in the debt snare to the extent that almost all their foreign exchange earnings are expected to be expended on servicing their foreign debts. This diminishes a country's external reserves and eventually devalues its external exchange and reduces economic growth.

2.2.3 Purchasing Power Parity (PPP) Theory

Professor Gustav Cassel of Sweden propounded this theory in 1918 and suggested that the nominal foreign exchange rate should consider the purchasing power of one currency compared to another[37]. Each time a nation saves a dollar of revenue, it can utilize it to finance domestic capital or an overseas asset or resources and stimulate its economic growth[38]. This theory shows that the transactions or operations of a country in the form of capital outflows directly and indirectly adjudicate its overseas exchange rates and eventually influences its economic growth[39].

Enhanced returns on overseas resources relative to local resources as well as the uncertainty about whether purchasing power parity promotes capital flight[31]. In the overseas currency exchange market, net capital outflow represents the source of supply of dollars, making it the

changeable that connects the two markets[40]. This theory was beneficial in this study as it endeavored to depict the significance of foreign exchange rate to the effects of capital flight, financial stability on economic growth. It describes that when determining gross domestic product, Purchasing Power Parity provides a more precise picture regarding a country's overall standard of living, which suggests its economic growth.

When capital moves out of a country, it merely offers a purchasing power in contrast to commodities and services in its own country[41]. Virtually exchange rate structures have failed to expunge the occurrences of capital flight and the impetus to sort out the increasing foreign exchange rate has been missing [37]. Finally, when investors expect a real depreciation, they gravitate towards engaging in capital flight to prevent the risk of loss of purchasing power. The consequence of this is that gross domestic product adversely impacts and additionally devalues the domestic currency[40].

2.3 Review of Empirical Studies

2.3.1 Capital Flight, Financial Stability, and Economic Growth

Capital flight happens through the movement of a significant part of domestic private savings out of the country, the steadfastness of which can lead to a grave harmful outcome on domestic saving, thereby averting the bank's capability to provide credit or loan to domestic investors capable of encouraging and improving economic growth and development. In emerging countries, capital flight lowers foreign reserve, aggravates inflation, decreases tax revenue, impedes investment, and weakens free trade. Apart from elimination of domestic asset or resources that could otherwise be employed for poverty lessening and preferment of economic growth and development, it gravitates towards restricting the capability and capacity of affected countries to assemble domestic resources or assets and access foreign

capital essential to finance economic growth and development of developing countries like Nigeria[3].

Capital flight and economic growth have created various inconsistencies in economic belief. Several studies concluded that capital flight decreases economic growth, however others contended that capital flight improves economic growth. A few even claims that capital flight has no considerable impact on economic growth.

On the impact of capital flight on economic development in Nigeria covering the period 1980 to 2020. Time series data within the period were gathered on every of the variables utilized in the model from the Central Bank of Nigeria (CBN) Statistical Bulletin, 2020. The data analysis was performed for both the short run and the long run connections using the ARDL assessment while the ADF tests were employed in testing for stationarity of the time series, Post-test assessment consist of serial heteroskedasticity, autocorrelation, and CUSUM tests. The research used GDP as the predicted/dependent variable while capital flight served as the key explanatory/independent variable. Other sub-variables employed consist of balance of payment, inflation, and exchange rate. The study discovered that there is a negative but significant relationship between the GDP and the explanatory/independent variables over the period. Consequently, it was recommended that deliberate/strategic actions should be implemented to avert potential leaks that trigger enormous capital flights. These actions should be on restricting the financial outflows from the system through the regulatory authorities. The authorities must increase efforts to checkmate the excesses of dishonest/corrupt businesspeople and politicians who act as agents to siphon resources out of the country. There should be the application of the appropriate procedures and laws to guarantee capital flight is curbed as this will improve the economic growth and development in Nigeria[42].

On the study of the effect of capital flight on economic growth and Financial Stability in Palestine covering the period (2000-2020). The study employed the use of time-series data on capital flight, foreign debt, foreign exchange reserves, and real GDP, along with ordinary least squares evaluation technology to evaluate the study data. Johansen co-integration and error correction mechanism was utilized. The research findings signify that there is a co-integration correlation between the study variables, and capital flight has destroyed the Palestinian economic growth. Based on the outcomes, the research suggests that the government should create a favorable investment atmosphere to promote investment and avert capital flight from Palestine. Additionally, because these infrastructural programs/projects will bring down the country's production expenses, the Palestinian government should prevent capital flight. The government should establish a suitable investment environment for overseas investment and promote entrepreneurs and equity owners to invest these resources in the local market. Furthermore, the government should utilize all overseas aid resources to appropriate areas to enhance economic growth and generate job prospects for the unemployed, by this means boosting the national economic growth rate[43].

On the study of the determinants of capital flight in Sierra Leone and the direction of causality between capital flight and key variables, within the context of the autoregressive distributed lag (ARDL) estimation technique and the granger causality framework. The research employs periodical data covering the period 2000: Q1 to 2019: Q1. The bound test outcome validates the presence of cointegration. The long run outcome depicts that real corruption, effective exchange rate, and external debt are the major contributing factor of capital flight in Sierra Leone. Precisely, the finding signifies that high level of corruption, real effective exchange rate, and accumulation of external debt trigger a growth in capital flight. Additionally, the outcome shows that external debt, corruption, lagged capital flight,

and financial deepening are the most important drivers of capital flight in the short run. Whilst corruption, lagged capital flight, and external debt accumulation increase capital flight, the outcome shows that a well-developed financial structure lower capital flight. The research therefore encourages the Government to take actions to strengthen and empower the Anti-corruption Commission and the judiciary with a view to deepen the fight against corruption and minimize capital flight. Furthermore, government should put in place multimodality to guarantee stringent capital controls, strengthen the financial market, and sustain broad macroeconomic steadiness as blueprint to minimize capital flight[44].

In the study of impact of capital flight on the economic growth of Nigeria, data were gathered from the CBN Statistical Bulletin. The study employed ordinary least square (OLS) regression technique for analysis and was complemented by different tests together with Augmented Dickey Fuller (ADF) unit root test, Auto-Regressive Distributed Lag (ARDL) model, C- integration and Bounds (long-run) tests and Granger Causality tests. The report showed a negative and non-significant relationship between capital flight and the economy. Also, overseas direct investment had a negative and statistically significant correlation with economic growth, while foreign borrowing had a positive and statistically significant correlation with the economy. Lastly, overseas reserves and current account balances had positive and no significant correlation with economic growth in Nigeria. Based on the findings, it is concluded that, Capital flight has a damaging impact on the economy with the outflow of much desired financial assets/resources triggering reduction in economic happenings and growth; foreign borrowing is an significant determining factor of economic growth; overseas direct investment is an significant determining factor of long-run economic growth; current account balances has an advantageous consequence on the economy though, the degree of its outcome is rather negligeable. In addition, overseas reserves perform an essential role in economic growth in Nigeria. It is therefore recommended that: a stable

economic, political atmosphere be provided and sustained; it is further recommended that the government should inspire the inflow of foreign direct investment; it is similarly recommended that strong and steady foreign reserves balances be sustained in order to enhance investor confidence; it is important to improve the overseas exchange strategies and policies of the country to eradicate the need to continuously safeguard the domestic currency with the country's stock foreign exchange. Foreign borrowing must be curbed and restricted to only infrastructural development requirements of the country[45].

In the study of the correlation between capital flight and poverty reduction in Nigeria, the study employed secondary data covering the period 1981 to 2017. The study utilised the Augmented Dickey Fuller (ADF) test; Philip Perron (PP) test; Kwiatkowski, Phillips, Schmidt, and Shin's (KPSS) all types of unit root tests; Johansen test for co-integration and Dynamic Ordinary Least Square (DOLS) for long run assessments. The research found that a rise in poverty level in the country would be preceded by increasing capital flight together with rising reliance ratio and reduction in economic growth rate. Therefore, this study recommends that the Federal Government of Nigeria through the appropriate regulatory authorities should compel regulation against unlawful movement of capital and prosecute wrongdoers. The Federal Government must be seen to strengthen the agency attempts against illegal movement of funds in the country. Contracts to overseas countries' companies should be awarded with the requirement of having at least 50 percent of the operation and management staff and manufacture inputs obtained domestically and establishing factories in the country rather than running marketing outfits[46].

On the determinant of capital flight from East African Community countries that comprise Burundi, Kenya, Rwanda, Tanzania, and Uganda, the study utilized panel data for the years 1988 to 2018. The study used real gross domestic product, external debt, interest rate

differential, corruption index, and exchange rate as independent variables. Secondary data were collected from EAC member countries National Bureau of Statistics. Levin-Lin-Chu panel unit root test was conducted, capital flight and Exchange rate discovered to be stationary. The fixed effect regression outcomes revealed that external debt, corruption, and exchange rate had positive and statistically significant impact on capital flight while real GDP had a negative and significant impact on capital flight. Therefore, government and policymakers must strive to achieve a wide investor base for its local and overseas commitments, regarding cost and risk, and should deal with investors in the same way. In addition, there is a need to harmonize the judiciary and the executives in EAC to accelerate the fight against corruption which is a main interest for a capital flight[47].

A study examined capital flight and economic development Nigeria. The study utilized auto regressive distributed lag (ARDL) technique for data analysis and covering the period 1986-2018. The study investigated the cointegrating characteristics of the data as well as the unit root problem. Using the augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) tests, the unit root problem was investigated. A reverse link between capital flight, the real exchange rate, and economic growth was found, according to ARDL findings. This indicates that during the research period, the variables had a significant impact on the level of economic development. However, in Nigeria, there was a strong correlation between economic growth and the adult literacy rate. By connotation, enhancements made in delivering excellence and affordable education gravitate towards a positive effect on the Nigerian economic development. The study concluded that economic development is greatly affected by capital flight, adult literacy rates, real exchange in Nigeria. The study, consequently, recommends that government regulatory policies to curtail capital flight should be implemented and monitored to lead to economic growth in Nigeria[48].

Between 1981 and 2017, capital flight and economic growth in Nigeria were examined. The study made use of time series data on capital flight, external loans, external reserves, and real gross domestic product. While analyzing the study's data involved using the Ordinary Least Squares estimate method. Both the error correction techniques and the Johansen co-integration were used. The study's findings revealed that foreign debt stock and economic growth in Nigeria have a mixed, statistically significant relationship; capital flight has a negative and statistically significant relationship with economic growth in Nigeria; and external reserve has a positive and statistically significant relationship with economic growth in Nigeria. Furthermore, the finding of the study revealed that capital flight and overseas debts have significant negative effect on economic growth rate in Nigeria. Based on these findings, the study recommended government must provide enabling investment and business environment that stimulate ease of doing business in the country. Government to encourage current businesses to thrive and promote foreign direct investments to dissuade capital flight in the country. Also, Government must make sure that overseas loans are invested in specific projects/programmes for which resources were borrowed for in the first place[5].

On the effects of capital flight on economic growth in Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS) and Southern African Development Community (SADC) countries over the period 1984-2015. The experimental outcomes from the pooled mean groups (PMG) regression reveals that in the long run, capital flight has a negative impact on growth in SADC. Unlike ECCAS and ECOWAS where the positive impact is predominant. The collaboration between capital flight and private investment has a positive and significant impact in ECCAS and SADC. It is insignificant in ECOWAS. In the short-run, capital flight has a positive and significant impact on growth only in the ECOWAS. The collaboration between flight and private investment continues to be insignificant in all communities. The study recommends that to

enhance economic growth in these countries, it is important to begin the procedure of repatriation of capital through the strengthening of financial markets, higher local interest rates, and enhanced governance. The efficiency/effectiveness of anti-corruption agencies should be guaranteed by putting in place strong institutions to guarantee the democratic procedure. This would produce a steady atmosphere capable of reducing capital flight, therefore encouraging a better macroeconomic performance[49].

ARDL technique provides fresh data on the relationship between capital flight and economic growth in Nigeria. The analysis used information from the CBN statistical bulletin for the years 1981 to 2017. The study adopted the Autoregressive Distributed Lag (ARDL) bounds test approach. The findings of the analysis indicate that capital flight has a negative but statistically significant correlation with gross domestic product both in the short run and long run. Similarly, inflation rate has a negative connection with gross domestic product and statistically significant in the short run only. Again, money supply has a positive and statistically correlation with gross domestic product in the long run and in short run. Likewise, capital to private sector has positive association with domestic investment and gross domestic product and both are statistically significant. The research concludes that capital flight has a negative effect on economic growth in Nigeria. The research recommends that strategic steps or measures should be embraced in terms of foreign direct investment inflow management to prevent potential leakages of such capital inflows out of the economy as capital flight. There should be the utilization of suitable policy methods that will encourages economic development since rise in economic development is primarily possible going to decrease capital flight. Similarly, since money supply has a positive and statistically significant correlation with gross domestic product, regulatory authorities should embrace expansionary monetary policy to accelerate more economic activities that will ensure economic development. Additionally, as a matter of urgency, government at all levels should empower

and strengthen anti-graft organizations to enhance their attempt in tackling laundering of public resources or funds. This will lessen or probably end the laundering of public resources or funds overseas by government officials. This can be accomplished by terminating all money laundering networks both domestically and internationally. Lastly, more attempts must be made to establish an economic and financial friendly atmosphere that restricts economic uncertainty. This will improve foreign direct investment and possibly reverse capital flight[50].

In the study of the determinants of capital flight in 25 sub–Saharan African countries (SSA) covering 1986-2010. The study uses dynamic panel data estimation technique. The findings reveal that capital flight is principally propelled by corruption, external debt, foreign direct investment, and macroeconomic uncertainty[51].

On the study of preventing capital flight to reach lucrative investment in Indonesia, the study utilized five determinants. The study was achieved by EViews 10, and the ordinary least squares (OLS) as a statistical technique was employed for analyzing the research hypothesis. The five determinants are economic growth, inflation rate, budget deficit, sovereign rating, and exchange rate. The capital flight measurement utilizes the World Bank residual approach. The data were gathered from the Central Bank of Indonesia, BPS-Statistics Indonesia, OECD, and Mood's Investor Service. The finding believes that exchange rate, economic growth, and the sovereign rating will reduce capital flight. Furthermore, budget shortfall and inflation rate will improve capital flight. The sovereign rating diminishes capital flight more than the other determinants. In addition, exchange rate is statistically significant. The most prominent problem of capital flight in Indonesia is non-macroeconomics factor such as corruption, bad regulation, political issue, and others. That is why the investment environment in Indonesia is still not reliable. The study recommend that the government would have to modify the

business rules and regulations for reducing capital, improving the investment environment, and demonstrating the innovative/creative industry[52].

In the analysis of the impact of illicit money flows and capital flight, Palestine's economic growth throughout the period (2009-2018). Additionally, models of the balance of payments are used in the study. The findings indicated that total illegitimate financial outflows of about $14.42 million yearly, 16.4% of GDP. The Granger causality test reveals that economic growth triggers both the illegitimate financial flows and the capital flight. The research also discovered that there is a negative and significant connection between economic growth and capital flight. Likewise, there is a positive correlation between unlawful financial flows and capital flight. The study revealed negative relationship and significant between economic growth and capital flight. It can be summarized in the research that the procedure of capital flows and capital flight exemplify an essential role in improving the rate of economic revitalization in the country and that the movement of capital within the state is one of the most significant factors for national economic development. The study recommends that government must fight against the occurrence of corruption in Palestine on all stages. Government must foster re-funds, capital flight and work on reducing illegitimate financial flows. Governments should create public registries of certified beneficial ownership information on all legitimate entities, and all banks must understand the true beneficial holder (s) of any account in their financial organization. The policymakers must require multinational companies to openly release their sales, revenues, profits, losses, taxes paid, staff levels and subsidiaries on a country-by-country basis. The government should also promote foreign direct investment (FDI) and foreign investment, as well as portfolio investment, and establish new employment opportunities to enhance production values and improve the state's GDP. Regulatory authorities must embrace and fully implement all the Financial Action Task Force’s (FATF) anti-money laundering suggestions; laws already in

place must be strongly enforced. Emerging countries like Palestine need to proactively reinforce their organizations and systems to avert tax evasion, and to examine and prosecute offenders[53].

On the study of macroeconomic triggers of capital flight from SSA countries covering the periods 1981-2015. The study utilized ARDL, the study indicates that there exists a long-run connection between the variables. The research paper also mentioned that there is a negative association between economic growth and capital flight, and it is statistically significant. The study recommends that the rate of economic growth has an important effect in defining the rate of capital flight from the sub-Saharan Africa countries in the long-run and short-run. Hence, strengthening the perception of the investment diversion theory that highlighted that macroeconomic steadiness performs a significant role in motivating capital flight from emerging countries. Equally, foreign investors would want to plough their profit in the host economy as they are confident of making returns on investment. The research paper also found that interest rate spread, trade openness, inflation, and external debt have no fundamental impact on capital flight in the long run. The study further noticed that there is a negative correlation between trade openness and capital flight in the short run, but it is not statistically significant. The sign of the coefficient is not regular with economic and financial theories, which determined that there is a presence of a positive correlation between trade openness and capital flight. The study recommends that when capital flow into a nation in the form of foreign borrowing, it instantaneously slides out of the country in the form of personal capital flight as most foreign debt is being utilized as a transfer process for capital flight. The result of the study also reveals that other macroeconomic variables such as interest rate spread and inflation are not statistically significant; hence, they do not impact capital flight in the region. The study recommended that governments and policymakers in SSA countries must create reforms geared towards lowering the stock of foreign debt and encouraging stable

economic growth rate to lessening the soaring rate of capital flight from the region. It is also essential that capital inflows, in the form of foreign debt, must be well scrutinized and employed wisely on valuable investment to prevent being siphoned by corrupt and dishonest government officials. The governments and policymakers in the region can also lower the rate of capital flight by producing an appropriate and macroeconomic atmosphere that gets rid of domestic macroeconomic strategy errors such as fiscal shortfall and financial authoritarianism[54].

On the study of the impact of capital flight on economic growth in Kenya for the period of 1986 to 2016. The research paper embraced ex post facto research design. Granger causality tests were performed to determine the presence of a unidirectional, bidirectional, or no causal correlation between the representations of capital flight and economic growth. The possibility value of the F-test was utilized to investigate the null hypothesis. The test findings indicated that there was a negative connection between foreign debt repayments, foreign direct investments, and overseas exchange rate on the economic growth in Kenya, but the impacts were inconsequential. Foreign portfolio investments outflows were discovered to have a positive connection with economic growth in Kenya, but the impact was also inconsequential. Furthermore, profit repatriations significantly affected economic growth adversely, during the study period, the extent of which a small repatriation of 0.48% each year caused a 1% reduction in economic growth. The study discovered that foreign exchange rate did not mediate on the correlation between capital flight and economic growth[55].

The study stated that imports, financial flows, the movement of capital flight distribution have an important part to play in the country's GDP enlargement. They are among the most significant considerations in hastening the economic growth of emerging countries. Capital

flight into the country supports to improve the local economy, decrease domestic unemployment, improve production, boost exports, decrease imports by setting up production and export companies and factories overseas and improve financial movements from overseas into the state. The study also recommended that at the provincial/regional level, the economy as a system of hierarchy, is multifaceted and necessitated to determine its condition and structure specifications in its development and organization[56, 57].

A similar study to examine capital flight and real exchange rate in Nigeria from 1990 to 2014. The tests conducted comprise unit root test, causality test, co-integration test, and ordinary least square. The study showed that: There is positive significant association between foreign borrowing and real exchange rate in Nigeria. There is negative and insignificant connection between capital flight and real exchange rate in Nigeria. There is positive and insignificant correlation between foreign direct investment and real exchange rate in Nigeria. There is negative and insignificant connection between current account balance and real exchange rate in Nigeria. There is positive and insignificant correlation between external reserves and real exchange rate in Nigeria. Based on the findings, the research recommends that real exchange rate fluctuations can trigger a rise in capital flight. There is a serious demand by the fiscal and regulatory authorities to pursue policy that produces less exchange rate uncertainties. Fiscal and regulatory authorities must also make sure that real exchange rate changes are steady, and this can also be supplemented by carefully monitoring the general increase in the price level. Government must put more effort on the real sectors to decrease the high level of importation into Nigeria. Government must produce enabling atmosphere for business to prosper and to boost the security to decrease capital flight from Nigeria to other countries[58].

An autoregressive distributed lag (ARDL) modelling was conducted on to study the relationship between capital flight and economic growth in Nigerian. To accomplish this

undertaking, a model on GDP was given describing capital flight from Nigeria in line with the World Bank residual approach to the measurement of capital flight. The Autoregressive Distributed Lag method and cointegration were utilized to evaluate both short and long run connection between variables. The study findings indicate that there is long run negative connection between GDP and all the capital flight variables used in this study. The study concluded that Capital flight also hinders long term economic growth. For a flight assistance or even reversal of Capital flight to take place, steps must be taken to prevent the triggers of Capital flight, which contains favourable economic strategies, ensuring political stability and institutional improvements. The study recommended a favourable economic strategy to take care of inflation, poor and insufficient infrastructural facilities, high rate of taxation, poor treatment of domestic capital and vulnerable domestic market conditions, among others to dissuade capital flight from Nigerian economy[6].

In the study of the impact of corruption and institutional governance indicators on capital flight from 32 countries in Sub-Saharan Africa covering the period 2000-2012. Employing the Generalized Method of Moment and Fixed Effect Regression within the portfolio choice framework. The findings show that corruption, regime stability and rule of law are the most important variables that affect capital flights in sub-Saharan Africa[59].

On the effect of capital flight on economic growth in Nigeria: An econometric approach. This study investigates time series data which comprises gross domestic product (GDP), exchange rate, capital flight, and foreign debt which was gathered from the national Bureau of Statistics and Central Bank of Nigeria Statistical Bulletin. The model estimated covering the period 1980 – 2012 was evaluated utilizing combined global technique, Artificial Neural Network (ANN) as an analytical method and classical methods like Ordinary Least Square (OLS) and co-integration/error correction methods. The variable in the model was assessed for possible

co-integration. The finding revealed that capital flight has adverse effect on the GDP, while exchange rate affects the GDP which is in accordance with a priori expectation. Based on the findings, the study recommended that government must set-up suitable institutions to verify the volume of capital that is being moved out of the country. There must be restrictions on foreign borrowing tendencies at all levels of governments and agencies together with private sector organizations. Foreign borrowings must be an exercise of last resort/recourse and must be exclusive obligation of the Government. Government must sustain a competitive and steady exchange rate policy[60].

In the study of the effect of capital flight and foreign debt in heavily indebted poor countries. The study investigated the positive correlation between capital flight and external debt in Sub-Saharan Africa. The study utilized the Pooled Mean Group (PMG) estimation and datasets for the periods 1990 to 2012. The outcomes found that foreign debt applied a positive and statistically significant impact on capital flight both in short and long run. The study recommends that if external borrowing remains unrestricted, it will continue to lead to immense capital outflow in heavily indebted poor countries in the Sub-Saharan Africa[61].

In the study of external debt servicing and Current account balance in Kenya, the study examined the association between foreign debt servicing and current account balance in Kenya. The study utilized the secondary annual time series data covering the period of 1980 to 2015. Granger causality together with Vector error correction model (VECM) were employed because there was inadequate theory that unites these variables. The study found that foreign debt service granger causes current account balance in Kenya. The study concluded that policies and strategies on foreign debt management must be meticulously designed not to undermine macroeconomic fundamentals because they take lengthy time before fizzing out[34].

In the study of the short-run and long-run consequences of capital flight on economic growth in Nigeria from 1986 to 2015. The study employed augmented Dickey–Fuller (ADF), bound test, and auto regressive distributed lag ARDL. The finding was that capital flight has lessened the growth of resources of the nation, thereby resulting into embarking on external debt in the economy[62].

On the effect of capital flight and the economic growth: evidence from Nigeria., the study utilized the auto regressive distributed lag (ARDL) technique to evaluate data covering the period of 1981 to 2015. The variables consist of capital flight, current account balance, foreign direct investments, foreign reserve, external debt, inflation rate, and the real gross domestic product. The emphasis of the study focuses around whether a long run connection exists among the variables stated or not. Findings showed that there is presence of a long-run correlation between the variables. Additionally, the finding indicates that capital flight has a negative effect on the economic growth of Nigeria. The research recommended that government should embrace and implement strategies and policies that will encourage and accelerate domestic investment and dissuade capital flight from Nigeria. Government must offer an appealing and conducive atmosphere for investors that will enable them to stay back in Nigeria and invest more. Government officials must also be accountable for their several duties. They must put their responsibilities/duties ahead of their individual advancement[63].

In the study of the correlation between capital flight and domestic investment in Nigeria. The study employed secondary data gathered from Central Bank of Nigeria's Statistical Bulletin of several issues and National Bureau of Statistics. The empirical assessment encompasses the period 1980 and 2015. Augumented Dickey Fuller test, Johansen Cointegration test, Phillip-Perron test, and Ordinary Least Square estimating method (OLS) were used to carry out a comprehensive examination of the exogenous and endogenous variables of the model

which include Gross Domestic Investment (GDINV), Exchange Rate (EXGR), Capital Flight (CAPF), and Inflation Rate (INFR). The whole findings reveal that capital flight has a statistically significant positive correlation with gross domestic investment in Nigeria conflicting to a priori theoretical expectation. The finding further showed that a one naira rise in capital flight would lead to about 13.74 units increase in gross domestic investment. The findings also revealed that there exists a statistically significant positive correlation between exchange rate and gross domestic investment. A one naira rise in exchange rate would lead to about 4.84 units increase in gross domestic investment. Based on the findings, the study recommends that government must intensify its efforts to ensure quick recovery of looted and stolen resources/funds by dishonest and corrupt public office holders from external accounts to inject resources and funds into the economy for investment purposes. There must be substantial improvement in institutional and governance quality to encourage stable political atmosphere required for capital inflows by overseas investors. Government at all levels must offer investment friendly atmosphere through the accessibility of infrastructural amenities such as motorable roads system, continuous power supply, frequent supply of water and effective and efficient communication system. Furthermore, there must be establishment of a steady exchange rate administration capable of decreasing capital outflows and encouraging capital inflows in form of private foreign investment into the country. There must be enactment of law controlling the proportion of domestic profit to be repatriated or send back to parent companies overseas from their subsidiaries or affiliates in Nigeria[3].

On the effect of financial flows and capital flight play very important role in the swiftness of economic growth within the country. In addition to the mechanism of the movement of capital and distribution also play a positive role to increase the GDP of the country. This leads to rise in government budget for the state by imposing high taxes on overseas investment within the country[64, 65].

In the study of the long-run and short-run determining factor of capital flight in the Ghanaian economy covering the period 1986-2015. The study employed the auto regressive distributed lag ARDL model. The consequence of the research revealed that greater domestic real interest rate in relation to overseas interest rate, financial development, good governance, real GDP growth rate, and strong property right have a significant impact in decreasing capital flight in both the long-run and short-run. The finding further showed that the proportion of foreign debt to gross domestic product (GDP) resulted in a rise in capital flight. Additionally, the research noticed that lagged foreign debt to GDP and financial expansion had a negative and a positive effect on capital flight, respectively, in the short run[66].

On the study of the dynamic relationships of capital flight and macroeconomic fundamentals in Malaysia from 1992 and 2012. The study employed co-integration and vector autoregression methods of estimation. The macroeconomic fundamentals take into consideration were exchange rates, gross domestic products, consumer price index, and interest rates. The findings revealed that macroeconomic fundamentals and capital flight are related in the long run. In terms of short-run dynamics and relationships between capital flight and macroeconomic fundamentals, changes in capital flight are primarily ascribed to its own changes and exchange rate changes[67].

In the study of how capital flight is affecting determinants in Bangladesh: an econometric estimation from 1973 to 2013. The study employed Ordinary Least Squares (OLS) technique that is linear in Regression was used to assess the determinants of capital flight. This research recognizes foreign debt, foreign direct investment flows, external reserves, interest rate differentials, current account surplus are main measures of capital flight. This study discovers some other causes of capital flight that comprise financial crimes, political instability that produced massive illegitimate incomes, export under invoicing and import over invoicing,

corruption in tax management, illicit financial deals in the administration of public-owned enterprises, default nature of bank loans by the big industrial organizations, manipulation of stock exchanges, dishonest nature of amassing illegitimate money. This analysis also finds that there is strong positive correlation between interest rate differential and capital flight and between change in foreign debt and capital flight. The research recommended that government and policy makers in Bangladesh must concentrate on steadying economic and political environment. They must apply strong and accurate policies regarding foreign debt and foreign direct investment, as well as regarding monetary policies concerning interest rates[68].

On the study of the effect of capital flight from beautiful places: The case of the small open economy of Trinidad and Tobago from 1971 to 2011. The study employed Ordinary Least Square and the Generalized Method of Moments (GMM) method of evaluation. The findings revealed that capital flight is correlated with a decline in domestic investment and gross domestic products (GDP). The financial bleeding/hemorrhage of capital flight is a fundamental challenge which is affecting both the degrees of domestic investment and economic growth. The research recommended that the rationale for enhanced capital flight must be recognized before suitable strategies/policies should be applied. Similarly, capital management techniques might be needed to restrain the continuous outflows of capital from such an economy[69].

In the study of the effect of corruption and family and capital flight on economic growth in China, the study covering the period from 1984 to 2014. The study used both the Cuddington's balance of payments and residual measures to examine this connection by regulating and reflecting the legal resources of the Chinese banking industry, mis-invoicing of China's trade with its main trading associates, exchange rates, and the weakness of the

official debt data among others. The study noted that capital control had small or no long-term effect on the level of capital particularly the capital flight route in Hong Kong. The study also noted that corruption, migration facilitation process, transaction costs were the most important drivers of capital flight from inland China[70].

On the study of the relationship between capital flight, labour migration and economic growth. Time series data was used from 1983-2014 for variables like capital outflow, unemployed labor, unemployment, and political instability. Various procedures such as unit root test, granger causality test, ordinary least square and two stages least square were used. Granger causality test revealed that capital flight and economic development have bidirectional causality, while labour migration and economic growth revealed unidirectional causality. Two stage least square revealed that political instability, capital flight, labour migration and unemployment have negative effect on the economic development of Pakistan. Political and security condition should be enhanced for better economic development[71].

On the impact of foreign debt service on foreign direct investments inflows in Kenya. The study utilized time series data covering the period of 1980 to 2014. The research embraced gross fixed capital formation, exchange rate, inflation rate, and real GDP as the controlled variables. The study assessed long run cointegrating equation and the findings revealed that foreign debt service had a negative effect on country's foreign direct investments. The study recommended that government must not heavily depend on foreign borrowing to finance economic development but must significantly decrease its expenditure on development to prevent plummeting in more budget deficit/shortfall crisis[72].

In the study of the long-run impact of inward and outward foreign direct investment on economic growth: evidence from 28 developing economies covering the period 2005-2014. The research utilized the Ordinary Least Squares (OLS) and Generalized Method of Moments

(GMM) based on macroeconomics panel data in emerging economies. The research paper found that there is a positive and significant effect on foreign direct investment outflows and inflows on economic development in the long run among emerging economies. Furthermore, the positive and significant impacts of foreign direct investments inflows and outflows on economic development were exceedingly vigorous when several econometric methods were employed[73].

On the study of the impact of foreign portfolio equity outflows on stock returns of listed financial institutions in Kenya covering the period 2008 to 2014. The research paper population was 21 financial institutions listed in the Nairobi Securities Exchange. The study embraced a causal research design and panel data regression utilizing the Ordinary Least Squares (OLS) technique. The study found out that foreign portfolio equity outflows have no impact on stock returns of listed financial institutions, and as such on economic development in Kenya. The research recommended implementation of strategies and policies that would curtail foreign portfolio outflows in financial institutions and lessen reversals of foreign portfolio investments[74].

In the study of the drivers of portfolio inflows and outflows for Jamaica. The study utilized a Structural Vector Auto Regression (SVAR) model on quarterly data covering the period 2003: Q1 to 2016: Q4. Furthermore, impulse response functions and variance decompositions were employed to examine the fundamental shocks that impact portfolio movements. The findings revealed that while both pull and push factors are crucial in describing the behavior of portfolio movements for Jamaica, domestic factors perform a predominant role. The findings revealed that economic development, external and domestic interest rates together with the exchange rate are more powerful in driving portfolio inflows whereas the fiscal balance,

domestic inflation and foreign interest rates are perceived as having a stronger influence on portfolio outflows for Jamaica[75].

In the study of financial system stability and economic growth in Nigeria, the investigation principally seeks to assess the impact of financial system stability on economic growth in Nigeria from 1986 to 2016. The research employed the usage of Principal Component Analysis (PCA), this study creates Financial System Stability Index (FSSI) as measurement for financial stability. The Johansson Cointegration test, granger causality test, and Vector Error Correction Model (VECM) are the evaluation methods engaged in attaining the objectives of this study. The Johansson Co-integration test revealed that long-run co-integration correlation exists between financial stability and economic growth. The granger causality test showed a uni-directional causality between financial stability and economic growth in Nigeria. Lastly, the VECM discovered that financial stability exhibits a negative correlation with economic growth and shows no significant effect on economic growth in Nigeria. The results reveal that financial stability in Nigeria might be high and has resulted in the underutilization of financial resources therefore hindering sustainable economic growth in Nigeria. In conclusion, the conclusion of the findings indicates that while financial stability might be required for instigating economic growth, it is not enough for nurturing economic growth in Nigeria. This study recommends that FSSI be utilized as a supplementary device for determining the state of financial stability in Nigeria and in forecasting the onset of a possible financial crisis. The research work further suggests that financial experts must consider other aspects of financial growth to facilitate sustainable economic growth in Nigeria[76].

On the study of the impact of bank competition and financial stability on economic growth, the study employed panel-data from 38 European countries covering 2001 to 2017. Bank

competition is determined with the Boone indicator, and bank stability with non-performing loan ratio and Z-scores, all at the country level. This research work utilizes a fixed-effect estimator, as well as a system generalized method of moment (GMM) estimator to manage unobserved heterogeneity, the dynamic effect of economic development, endogeneity, and reverse causality in its estimation. Findings indicate that bank stability considerably promotes economic development in Europe. Economic growth plunges during crisis periods, emphasizing the significance of a strong banking system during crisis periods. Findings of the research paper encourage the idea that reducing competition in banking sector enhances economic growth. Experimental results of this study reveal that market capacity in banking might encourage economic growth and strengthens financial stability. The research paper recommends that regulatory agencies must adopt a comparatively careful approach for evaluating and authorizing mergers and acquisitions at the local level. Policymakers should promote financial innovation on the principle that efficient risk management enhances the distribution of assets in the economy. Entry barriers are needed for new domestic and foreign participants to keep the financial system stable. Additionally, overseas bank acquisitions in European countries must be more analyzed. Findings suggest that having formal strategies around competition enhance economic growth. Likewise, specific strategies that ensure higher economic growth must be put in place[77, 78].

In the study of an analysis of the financial stability of Kazakhstan's economy, it was established that in Kazakhstan, the existence of rich common assets and steady economic strategy led to the establishment of a favourable investment formation in the country and, consequently, to the swift expansion of the country's economy and the industrial sector. The study also believes that the key risks and projections of the economic and social development of Kazakhstan for the future years and their development forecasts for the further improvement of the republic. In general, the kinds of industry in Kazakhstan are also

mirrored: gas industry, chemical industry, textile industry (0,2%), non-ferrous metallurgy (12%), ferrous metallurgy (12.5%), engineering (8%), food industry, fuel, and energy complex, production of building materials, oil and oil refining industry, light industry (4%)[79].

On the effects banking performance on financial stability in Southeastern European countries. GMM method was applied in the assessments of the panel data covering the period 2000-2015 for Southeastern Europe. The results show the existence of significant positive long-run correlation among return on assets (ROA), return on equity (ROE), human capital, and trade openness while government expenditures have negative effect on financial stability. Human capital, trade openness, and government expenditures can keep the financial system steady. The Granger causality analysis reveals the major hypothesis where the banking organization in this part of Europe accounts for more than 80% of the financial organization[80].

`In the study of the connection between financial stability and entrepreneurship development in sub-Saharan Africa, thus climbing up the achievement of SDGs 1, 5, 8, 9, 10 and 12. The research used pooled data from 24 sub-Saharan Africa countries over the period of 2004 to 2017. The technique of analysis adopted is the pooled ordinary least squares (OLS) and random effects methods. The results showed that financial stability, which determines the financial strength of banks, real economic stability and the extent of financial market expansion in the region, has a significant positive impact on entrepreneurship growth at one per cent (1 per cent) significance level. The results of the study suggest that stability in the financial world accelerates the establishment of credit facilities for entrepreneurship and advancement of new businesses. The result also reveals that East African countries make a significant positive contribution to entrepreneurship expansion in terms of sensitivity to changes in financial stability, strong institutions, governance, economic growth, and human capital improvement than other regions in the continent. The strategy implication of the

research emphasizes the need to build solid institutions in sub-Saharan Africa and the necessity for inclusive development which has a direct impact on the citizens in terms of alleviation of poverty, generation of employment, good health, and improvement in standard of living. Human capital improvement must be the major focus for governments in the region since national growth depends on the level of the human capital development[81].

On the empirical investigation of the sustainable economic growth support through credit transmission channel and financial stability: in the context of the COVID-19 Pandemic. All countries worldwide faced Corona Virus Diseases (COVID-19) pandemic and had to take activities to lower the economic shock. Financial specialists play a specifically important function in economics and can assist to manage the negative outcomes. The study concentrates on European central bank monetary strategy and aims to recognize important factors influencing the long-term loans for enterprises' credit circumstances in an advancing-looking method and determine the effect of the spread of COVID-19 pandemic on banking segment credit risk, lending growth, financial distress, and financial dependability indicators. The study employed panel data regression models. Results depicted that banks' risk tolerance is a primary factor affecting long-term loan credit standards. The research work also acknowledged that the spread of the COVID-19 pandemic has a significant negative consequence on banking segment credit risk, banking sector profitability, financial distress, and solvency. The research results display the mixed impact of the COVID-19 pandemic on financial stability: whereas the general financial distress reduced, and banking sector liquidity improved, the profitability and solvency diminished to some extent[82].

In the study of the effect of banking competition on economic growth and financial stability: an empirical investigation. Based on economic research, it is established that the sustainability of the banking segment encourages economic development in the long run.

Because of increase in banking stability, the quality of competition in the banking sector is growing. The banking segment is extremely competitive in countries where the degree of transparency in the banking segment is encouraged. At the same time, banking competition and banking stability reinforce each other. The stability of banking organization could lead to a well-systematized investment in resources. Efficient investment contributes to additional growth of savings, which could enhance banking competition. Since banks show an essential function in supporting the economy, banking competition impacts the growth of the economy. It is anticipated that a greater degree of competition in the banking industry will ensure prosperity by decreasing the cost of financial services and hence fast-tracking investment activity. This result is due to two circumstances. on one hand, advanced degrees of banking competition should lead to lesser degrees of monopolistic control in banks and therefore, reducing bank prices. In turn, improved competition must aid banks to cut their costs, which will have a positive effect on their processes. Hence, it is important to have a sustainable, steady and competent banking organization to facilitate the effective distribution of funds and risks throughout the economy[83].

A study was conducted on the relationship between economic growth and exchange rate, remittances, trade, and agricultural output covering 1980 to 2018 for 10 chosen African economies. Both the Croux and Reusens frequency domain and the Dumitrescu and Hurlin time-domain Granger causality tests were used in the investigation. Findings from the time domain test recommends that causality only exists between economic growth and trade and both exchange rate, with no significant correlations between economic growth and both agricultural output and remittances. The research work then suggests that policymakers must ensure that remittance inflows are directed towards the productive segment by producing a conducive investment environment, or else remittance inflows will be expended on

consumption. Offering a conducive investment environment to support agriculture, small and medium-scale enterprises, for example, will lead to an upsurge in economic development[84].

In the study of external debt and economic growth in the CFA Countries: Political institutions matter. The key contribution of this study is the endogenous resolve of the threshold for quality of establishments beyond and beyond which overseas debt impact economic development differently. The methodology concentrates on the estimation of a Panel Smooth Transition Regression (PSTR) model. The example comprises 10 countries covering the period 1985- 2015 on annual occurrence. From the experimental analysis, the following conclusions were derived: in countries with lesser corruption and a high degree of democracy, the degree of debt for which the impact of debt on development becomes negative is greater. This entails that poor institutional quality averts a country from taking a full advantage of its credit opportunities. Therefore, only countries with good institutions can completely benefit from the advantages of overseas debt for economic development[85].

On the investigation of external debt and economic growth in emerging economies: Panel causality analysis. The study is conducted to obtain information about the clarification power of GDP, consumer price index, and trade openness variables on total overseas debt and correlation between these variables for six developing countries: Argentina, Brazil, Philippines, Russia, South Africa, and Turkey. Panel data on six emerging economies for the period 1990-2019 was utilized. Panel unit root tests, panel cointegration tests such as Gengenbach, Urbain and Westerlund, and Pedroni's PDOLS, DOLSMG, and Heterogenous Dumistrescu & Hurlin Causality Test and Heterogenous VAR Model used. The study tried to determine which factors affect overseas debt and how in some developing market countries. The results display that GDP, CPI, and trade openness variables affect external debt in the long run. The panel DOLSMG estimator shows that a 1% rise in the GDP reduces External

Debt by -0.86% and 1% rise in CPI and Trade openness respectively stimulate External Debt by 0.10 and 1.06%. GDP impact total external debt negatively in Philippines and South Africa, trade openness impacts external debt positively. In Russia, GDP, CPI, and trade openness positively impact external debt. In Turkey, trade openness impacts external debt positively, while inflation (CPI) impacts external debt negatively. According to the VAR technique outcomes for the units, the lagged external debt variable is substantial in explaining inflation in the Philippines, South Africa, and Turkey[86].

On the investigation of the impact of financial stability on economic growth in Nigeria, the study employed Autoregressive Distributed Lag (ADRL) method covering a period from Q1, 2006-Q4, 2020. Real GDP is the empirical variable and proxy for economic growth, while financial stability is proxied by capital adequacy, liquidity ratios, non-performing loans, and return on assets of the banking segment as well as the All-share Index of the stock market. The findings show that non-performing loans, capital adequacy, and liquidity ratios influence economic growth negatively. The All-share Index, nevertheless, discloses a positive and significant relationship with growth. The implication is that financial stability strategy needs to be accompanied by other financial growth objectives to inspire economic development. The study suggested that financial system supervisory authorities should try to strike a balance between capital adequacy ratio requirements essential to ensure financial organization stability and the necessity to free more capital to enable the increase of credit to the private sector at low-interest rates. Banks should be advised to improve their credit risk management practices, while the regulatory authorities should work with the appropriate government ministries and agencies to set up dedicated commercial courts to enable the swift adjudication and implementation of loan contracts between banks and their customers. Furthermore, the existing efforts designed at checkmating loan defaults in the banking organization via the execution of the global standing instruction (GSI) rules should be

improved and sustained. The CBN must make its monetary policy more accommodating via downward modification in Monetary Policy Rate (MPR) and the transmission mechanism must be reinforced so that modifications in MPR will positively impact lending rates in banks. Additionally, the Cash Reserve Requirements must also be reduced to allow more funds for lending. The high lending rates prevailing in the banking industry are unfavorable to sustain real sector productive activities and, thus, unable of motivate economic growth[87].

On the examination of the effect of foreign exchange reserves accumulation on economic stability measured by inflation, unemployment, exports, and GDP for an example of 49 sub-Saharan African countries covering the periods 2009- 2018. The study used panel fixed model. Results from this study show that foreign exchange reserves have a significant negative impact on unemployment and inflation; nevertheless, it displays a significant positive outcome on export and gross domestic product (GDP). To enhance the general economy of the itemized sub-Saharan countries, the study consequently suggests that sub-Saharan African countries to implement a combination of investment friendly and direct unemployment reduction strategies by ploughing investible surplus into inflationary controllable and productivity enhancing strategies that will inspire economic competence rather than keeping this huge volume of resources redundant[88].

On the study of the relationship between external debt and economic growth in the South Asian region. Panel ordinary least square (OLS), Quantile regression, fixed effect, and robust output regression were utilized to evaluate the World Bank data from 2000 to 2018. South Asian countries, Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka were involved in the evaluation. The investigation displayed that external debt has a negative effect, on the other hand, external debt stock has a positive effect on economic growth. This research work also displayed that gross capital formation and trade openness

have a positive effect on economic growth. Therefore, the research serves as a sordid for government officials and policymakers to increase economic growth while plummeting the external debt of the economy. Though the occurrence of high borrowing costs, improved institutional quality can aid to alleviate the hostile effect of foreign borrowing on growth[89].

On the impact of external debt on economic growth in Ghana. A time-series data, covering 1991 to 2019 was examined. The results of the study recommended a statistically significant and inverse connection between foreign debt and economic growth. It is also claimed in the study that, Ghana's inflation regime has a significant effect on the growth of Ghana's economy. The study further substantiated the connection between foreign direct investment and economic growth in Ghana. Findings of the study displayed a significant and direct connection between foreign direct investment in Ghana and the growth of the country's economy. An assessment on granger causality found no causal connection between foreign debt and economic growth in Ghana[90].

On the examination of external debt and economic growth nexus for policy analysis on public finance and public debt management. The study utilizes the methodology of group unit root test, auto-regressive distributed lag (ARDL) bounds testing and co-integrating long-run tests for strong policy recommendations. The findings displayed that the debt overhang variable and crowding-out impact variable reduce the degree of investment. This unfavorably impacts economic growth in Nigeria. The study suggests that Nigeria must embark on stringent debt management strategy, follow efficient debt reduction policies, and enhance investment drives for economic growth and sustainable development[91].

On the study of the impact of real effective exchange rate volatility on economic growth in the Central and Eastern European countries. The study utilizes annual data for fourteen CEE countries spanning the period 2002–2018 to investigate the nature and spreads the effect of

such movements on growth. The empirical discoveries using the fixed effects estimation for panel data display that the unpredictability of the exchange rate has a significant negative influence on real economic growth. The findings seem strong with alternative measures of exchange rate unpredictability such as standard deviation and z-score. The study recommends that government officials and policymakers must adopt different strategies to keep the exchange rate steady to foster economic growth[92].

In the 2005–2018 study on the impact of currency rates on inflation and economic growth in Vietnam. The study examines the impact of exchange rates on endogenous variables in the model and considers how inflation and economic growth will respond to different shocks. The VAR model includes six endogenous variables: bilateral real exchange rate (Er), money supply (M2), exports (X), imports (IM), GDP at 2010 comparative prices (GDPR), and the consumer price index (CPI). It also includes two exogenous variables: the US Federal Reserve interest rate and international price (Pw). Based on the quantifiable outcomes, the study recommended some deliberations to contribute for the development of Vietnam's macro environment, inflation control, trade balance, and economic growth support; implementing the objective of macroeconomic stability to suit the period of improving national competitiveness and international economic integration[93].

On the effect of foreign exchange rate on economic growth of Nigeria, the study employed Autoregressive Distributed Lag model (ARDL) on time series Data, covering the period 1981-2017. The data set on inflation rate, real effective exchange rate, lending interest rate, money supply, foreign direct investment, real GDP, oil revenue and trade openness were tested for stationary using ADF and PP tests and established stationarity at I (1) for five variables and I (0) for two variables. The relationship test result reveals that the highest relationship is between money supply and oil revenue while the lowest relationship is

between inflation rate and foreign direct investment. The ARDL Co-integration test displayed the presence of long-run correlation among the variables. ARDL test results show that real effective exchange rate is negatively and significant in elucidating economic growth in Nigeria in the long run. In the short run, the lag value of real effective exchange rate is insignificant in illuminating the changes in the current rate of economic growth. in the same period, the lag value of money supply is negative and significant in elucidating GDP. The results of the study indicate that interest rate in Nigeria is inflationary, which means that a rise in interest rate will lead to a rise in inflation rate. Consequently, the study concludes that the effect of foreign exchange rate on the economic growth of Nigeria is negative and significant and that the regulatory authorities should adopt flexible exchange rate in Nigeria[94].

On the examination of finance-economic growth nexus in Poland, the study used a time series approach. The findings reveal that when utilizing the share of households and companies in total credits, the long run experimental connection in VECM is statistically significant and greater. Experimental studies utilizing total private credit share in the GDP, or the value/ volume of total credits tend to underestimate the effect of financial expansion on economic growth. In the case of Poland, experimental evidence that supports this hypothesis was found, and consequently governments and policymakers should take bank lending structure into account. Additionally, the study reveals that financial series might probably have long memory properties and that researching the financial expansion-growth nexus might necessitate using slight integration approaches. The described evidence recommends financial expansion plays a significant function in both economic growth and credit growth[95].

A study was conducted to examine a near relationship between the real exchange rate and economic growth in India, spanning the period from Q1 2005 to Q4 2017. The variables such as Consumer Price Index, Nominal Exchange Rate, Balance of Payments, Gross Domestic

Product, Imports, Inflation, Exports, Foreign Exchange Reserves, International Reserves and Money Supply were considered. This study utilized the Johansen cointegration test, Granger Causality and ADF stationary tests, for the purpose of evaluation. The study discovered that Real Exchange Rate did have a linear correlation with all other variables of Economic Growth, except Inflation and Balance of Payments. The Granger Causality Test showed that the Real Exchange Rate recorded unidirectional connection with Exports, Foreign Exchange Reserves and Money Supply. There was long-run connection between Real Exchange Rate and Economic Growth. Thus, the policymakers in India must pay special consideration to these variables, to formulate suitable strategy, for the economic growth of India in the long run[96].

Another study on the relationship between government external borrowing and economic growth, prompted by continual rises in Oman's foreign debt to finance its annual budget. Time series data spanning the period 1990-2015 were gathered from the World Bank and the Central Bank of Oman. The study utilized the Autoregressive Distributed Lag cointegration method elucidate the error correction mechanism to determine the short-run dynamic nature of foreign debt and economic growth. Consistent with some current experimental evidence, the study discloses a negative and significant influence of external debt on economic growth in Oman. Additionally, gross fixed capital was discovered to be positively significant in determining growth performance in Oman. The study, consequently, recommends a more productive use of the foreign debt fund to affect growth[97].

On the investigation of the key indicators of financial stability and financial development: a review of financial service sector, covering the period from 1991 - 2015. The findings of the study show that there is the existence of mixed proxies/pointers of financial development and financial stability in the literature of financial services segment. A private credit to GDP ratio

is the variable that has drawn the most attention in the experimental literature on financial development. The common methodological movements are Granger causality tests and show the existence of unidirectional, bidirectional or no causality[98].

In the study of the effect of monetary policy on Pakistan's economic growth. The study utilized time series data spanning the period 1972-2015. The variables of the research work include real gross domestic product, gross capital formation, employed labour force, broad money, foreign direct investment, exports, and GDP deflator. Multiple regression technique was employed to evaluate the data and draw the outcomes. Correlation method was also utilized to study nature of correlation among variables. The study explored long run correlation between monetary strategy and the designated variables. The study found out that monetary policy has significant influence on inflation rate, employment, money supply, foreign direct investment, gross capital formation, saving and other macroeconomic variables. The study recommended that central banks must be given free hand to formulate and implement monetary strategy and have coordination with fiscal policy. In this way, the economy can be managed efficiently by economic managers[99].

In the study of the nexus between monetary policy and economic growth. Though there have been extensive studies on relationship between monetary policy and economic growth, the nexus between the two remains inconclusive. Overall, this research paper indicates that the findings support the relevance of monetary policy in encouraging economic growth, mostly in financially advanced economies with impartially independent central banks. The relationship tends to be weaker in emerging economies with structural weaknesses and underdeveloped financial markets that are feebly combined into worldwide markets. This study concluded that monetary strategy matters for development both in the short-run and long-run despite the predominant vague correlation. The study recommended rigorous

financial growth measure for emerging countries as well as operational improvements to address supply side deficiencies[100].

On the study of Nigerian government's debt and its impact on economic growth from 1982-2017 utilizing the two-stage least square regression. For the initial equation, both domestic and foreign debt and their lags were regressed against gross domestic product (GDP), the finding revealed foreign debt negatively affects the economy while domestic debt positively affects the economy. For the next equation, gross domestic product (GDP), capital expenditure, and total bank's deposits in Nigeria were regressed against domestic debt, the finding revealed that all the variables have significant correlation with domestic debt. The study, therefore, suggested that first; dishonesty and corruption of borrowed resources/funds must be tackled at all costs and likewise, government must minimize foreign borrowing, since it affects the economy negatively[101].

A study investigated the effect of exchange rate volatility on economic growth, a pragmatic examination based on a sample of 45 emerging and developing nations spanning the period of 1985~2015 is performed employing the difference and system generalized method of moments estimators. Results recommend nominal and real exchange rate volatility has a negative effect on economic growth. Similarly, the impact of exchange rate unpredictability depends on the financial openness, and exchange rate regimes, that is, unpredictability is more dangerous when countries implement adjustable exchange rate regimes and financial openness[102].

On the study of the general economic growth impact when the growth in finance and real sector is disproportionate relying on panel data for 29 sub-Saharan African countries covering the period 1980-2014. Results from the system generalized method of moments (GMM) depict that, while financial growth encourages economic development, the degree to which

finance aids development depends fundamentally on the concurrent development of financial and real sectors. The elasticity of development to changes in either extent of the financial sector or real sector is greater under balanced sectoral development. The study therefore depicts that swift and unrestrained credit expansion comes at an enormous cost to economic development with outcomes stemming from financing of dangerous and untenable investments coupled with unnecessary consumption driving inflation. Nevertheless, the pass-through surplus finance-economic development impact through the investment channel is stronger[103].

On the study of the effect of real effective exchange rate (REER) on economic growth of Nepal. The study employs annual time series data for the period of 1975 to 2015. Engle Granger residual-based test and error correction model have been applied to identify the effect of REER on real gross domestic product (GDP) of Nepal. The independent variables utilized in the study are real effective exchange rate, trade openness, broad money supply, and gross fixed capital formation. The findings of the study show that real effective exchange rate has positive effect on the real GDP of Nepal. Based on the results, the research work concludes that the transmission mechanism of REER via cumulative demand stand in case of Nepal and this result is consistent with the conventional approach to exchange rate. Lastly, it is suggested that wide-range money supply remains to be appropriate to monetary policy for Nepal. Additionally, Nepal should apply the real exchange rate as one of the macroeconomic policies[104].

Using panel data at the bank level from 1,481 banks across 24 countries from 2005 to 2019, the study examined the effects of economic policy uncertainty (EPU) on bank stability. The primary indicator of financial stability used in the study is the banking Z-score. The findings show that EPU decreases bank stability, although the effect varies depending on each bank's

and the market's makeup, and it is significantly more pronounced during financial crisis periods. The research also probes the functions of institutional quality and bank competition in shaping the EPU-bank stability connection. The findings show a considerable threshold influence on the EPU-bank stability connection based on the threshold estimation method, taking into consideration the nonlinearity of the correlation between the variables. Countries with institutional excellence beyond the specific threshold level reduce the adverse influence of policy uncertainty on bank stability, while smaller bank competition reinforces the unfavorable effect. Furthermore, EPU has harmful outcomes for bank stability in all countries in the sample notwithstanding their degree of improvement and per capita GDP. The results restate and promote the significance of institutional excellence in lessening bank instability and have certain policy implications for banks, supervisory bodies, and government organizations for decision making[105].

On the investigation of the interaction between monetary policy and financial stability in the Gulf Cooperation Council (GCC) countries, specifically, Bahrain, Kuwait, Saudi Arabia, and the United Arab Emirates. By adding a new complex financial stability index to examine financial susceptibilities and crisis periods happening over the period 2006-Q4 to 2020-Q2. The sample period includes some significant economic and financial happenings (for example, the 2008 global financial crisis, the 2011 Syrian civil war; the 2014-2015 oil price drop, 2020 COVID-19 pandemic lockdown). The study utilizes the Nonlinear Autoregressive Distributed Lag Model. The data on financial stability indicators are short-term money market rate, real GDP, inflation rate, and real effective exchange rate. Experimental results suggest that monetary authorities' reaction to the variation of inflation from their goal level, production gap, or exchange rate change fluctuate in terms of extent, sign, and importance across the GCC countries. The findings further clarify that monetary authorities respond drastically to adverse or helpful surprises in financial stability, but their responses vary in the

short-run and the long-run. The findings also reveal that an augmented Taylor rule, which encompasses financial stability as a supplementary monetary strategy objective has improved price stability and growth possible for the GCC countries[106].

On the investigation of the trade-off between financial stability and economic growth and the effect of macroprudential policy in a small open economy. The finding recommends that optimum macroprudential strategy such as greater capital to risk-weighted assets ratio decreases the occurrence of disaster but has a small adverse impact on development as it lowers borrowings by businesses and households. The result of the OLS regression and system GMM also revealed that macroprudential strategies promote a larger buildup of bumpers, which alleviate the adverse development impacts of unpredictable capital flows and limit financial susceptibility[107].

On the study of the relationships among financial stability, monetary policy and economic growth based on a sample of 40 advanced and emerging countries employing yearly data from 1993 to 2015. Fixed and random effects panel data regression models were adopted to assess the effects of financial stability and monetary policy on economic growth. The dependent variable is economic growth, measured by real GDP per capita and the independent variables comprise a collection of financial development and stability indicators as well as the traditional monetary stability measures across the chosen countries. The study indicates that financial crisis, non-performing loans and bank liquid reserves are damaging to financial stability, financial development and economic growth. The effect depends, nonetheless, on the susceptibility and frailty of the banking system. The essential results reiterate the complementarity and the significance of real, financial, monetary variables and banking segment dependability and strength as well as their substantial effects on financial stability and economic growth[108].

On the impacts of banking system stability on economic sustainability in the context of 37 developing economies from 2000 to 2016. The study utilizes fixed effects and random effects models for panel data estimation based on the results of the Hausman test of endogeneity. Firstly, the results indicate that banking system Z-scores have positive impacts on the economic sustainability of emerging countries, while banking system supervisory capital and bank credit have adverse impacts on economic sustainability among selected economies. Secondly, while banking system Z-scores, bank liquid assets and bank credit have positive impacts on the economic sustainability in the developing economies of Brazil, Russia, India, China and South Africa (BRICS), bank liquid assets and bank credit have adverse impacts on the economic sustainability of non-BRICS. Additionally, banking system Z-scores have encouraging impacts on the economic sustainability of Asian and non-Asian economies. On the other hand, NPLs and bank credit have damaging impacts on the economic sustainability of Asian economies while banks' supervisory capital requirement has a harmful impact on the economic sustainability of non-Asian economies. The research work, then, confirms that banking system stability plays an important but diverse position in the economic sustainability of emerging countries as the impacts of banking stability on economic sustainability differ noticeably between the economies of Asia and non-Asian countries as well as between the BRICS economies and non-BRICS economies[109].

On the investigation of the linkages between assets bubbles, banking stability and economic growth from both the experimental and theoretical dimensions. The research work employs the Bayesian Model Averaging and Panel Vector Autoregression model to evaluate the soundness of the theoretical claims based on data from 26 distinctive economies over the period 2000 to 2014. The investigation is based on a partial equilibrium model where it is believed that all credit facilities in the economy are supplied by the banks and bankers are risk neutral. Three crucial variables utilized for the research to determine asset bubbles and

banking stability are supervisory capital to risk-weighted assets ratio, stock market volatility as a substitution of equity bubbles which is considered as the average of the regular stock indices in one year and Z-score banking index, which measures the banking stability. Z-score gives an indicator of a bank's exposure at risk of default. The better the Z-score, the more stable the banking segment is believed to be. Additionally, the development of real GDP per capita is employed as the endogenous variable in the model as a measure for economic growth. The experimental findings strengthen the theoretical results that equity bubbles reduce banking stability and that banking instability is dangerous to economic growth[110].

On the investigation of the effect of banking system stability on the Nigerian economy during the period 1986 to 2016 based on yearly data. The variables employed in the investigation to capture banking system stability are the banking stability index, financial depth, return on assets, and interest rate, while real GDP is utilized to measure economic growth. The banking stability index established for the study concerned assessment of the arithmetic average of the sum of the standard deviations of three banking segment variables namely: credit to the private sector, bank deposits and foreign liabilities of banks. The correlation was modelled applying the ARDL Bounds test to cointegration. The findings of the ARDL model discloses that for both the long and short-run, the banking segment stability index, financial depth and return on assets have positive but inconsequential impact on economic growth, while interest rate has a harmful long, short-run and inconsequential impact on economic growth. The findings also show that there occurs a long-run correlation among the variables[111].

On the study of the switching effect of financial stability and economic growth. The study employed Vector Error Correction Model with structural breaks for the period 1980Q1–2013Q4. The research paper assesses two different requirements by utilizing real GDP and non-oil real GDP and creates a new variable real loan provisions as a measurement of

financial stability. The findings reveal that GDP expansion has a long-run adverse effect and a mild short-run positive effect on financial stability. This adverse correlation implies that a rise in the real GDP growth rate could lead to reduce defaults on loans in the Qatar banking sector[112].

In the study of a set of variables that are assumed valid measurements of financial instability in emerging countries, applying panel data for 17 emerging countries spanning the period 2000 to 2017. Credit expansion determined by local credit was employed as a proxy for financial instability in the research. Other variables comprise GDP growth rate, broad money supply, inflation rate, lending rate, stock market index and return on equity. Standard techniques such as the pooled OLS, random effect model and fixed effect model are engaged in the econometric methods to ensure sturdiness. The findings of the research paper depict a positive correlation between credit growth and the variables. The outcomes of the panel data regression assessment with country-fixed effects also indicate powerful resemblance between the findings obtained from the pooled OLS regression and the random effects regression. In these two regressions, all explanatory variables were statistically substantial and had a definite correlation with credit growth. The results on the effects of GDP expansion, inflation rate and base money growth on the credit growth are unwavering with the instinct of post-Keynesians. The authors expostulate that uncomplicated access to credit, in turn, triggers lending organizations to participate in more precarious projects and combined with increasing asset prices, banks are expected to be exposed to great credit risk and low asset quality due to high non-performing loans[113].

In the evaluation of the connection between financial system stability and economic growth in Turkey. The study applied the Autoregressive Distributed Lag (ARDL) method. The investigation covering the period 2002-2017, during which the country executed inflation-

targeting monetary policy regime. Financial leverage, asset quality, capital adequacy and liquidity ratios were variables employed as essential components of financial stability. Findings attained from the research reveal a positive connection between financial stability and economic growth as the key indicators of financial stability, especially financial leverage, capital adequacy, asset quality and liquidity influence economic growth. Therefore, indicating that a progressively functioning financial scheme is required for economic growth. The study emphasizes the significance of understanding the circumstances that impact financial stability in formulating strategies to strengthen economic development[114].

In the study of the relationship between financial stability and economic development in five South Asian economies; namely Bangladesh, India, Nepal, Pakistan, and Sri Lanka covering the period 1980 to 2012. The investigation utilizes the panel cointegration method to ascertain long-run relationships between the selected variables of financial stability and economic growth. Human Development Index is employed as a substitution for economic growth and is calculated utilizing the goalposts based on South Asian data, while financial stability is measured by creating a cumulative financial stability index that integrates several measurements relating to financial segment growth, susceptibility, and banking system reliability. Other variables developed are public and private sector investments in the selected countries. The findings reveal that financial stability is positive and statistically important for economic growth and conclude that a steady financial structure is important for the economic growth of South Asian economies in the long-run[115].

On the study of the effect of financial instability on economic growth in Brazil, Russia, India, China and Turkey (BRICT) economies and discovered experimental evidence that financial instability contradicts economic growth. Their approach includes the implementation of non-stationary dynamic panel data analysis to examine not only the heterogeneity of the variables

but also to contemplate cross-section dependency between cross-section units based on yearly data for the period 2000-2016. After the evaluation of the long-term regression coefficients, the panel causality analysis was utilized to establish the direction of causality between economic development and financial instability. The findings strengthen the hypothesis, which recommends that financial instability has devastating impacts on economic growth[116].

In the study of the impact of credit in financial stability at the disaggregated level for the developing market economy of Malaysia over the period 2009 to 2013. The methodology includes formulating a financial stability index to determine financial stability, employing a wide range of market-based and financial variables. Based on the dynamic factor model, a negative or positive estimated coefficient signifies that the Malaysian financial organization either strangulates or enlarges. Fifteen variables are employed for the establishment of the financial stability index and include risk-weighted capital ratio, and non-performing loans which estimate the performance of the banking organization; stock market index, which estimates the performance of the share market; money market rate, money supply, and interest rate spreads which replicate the situation in the money market. Others are the real effective exchange rate, which encapsulate the situations in the foreign exchange market; local credit to the private sector, which reflects the movement in the credit market; house price index, which encapsulates the movement in the housing market; private capital fund that signifies the capital market; crude oil price, which reproduces the movement in the oil market; and finally net foreign reserve, which estimates the capability of the central bank to encompass financial pressures, especially external exchange volatility. Based on the concordance index, generalized method of moment (GMM) and ordinary least square (OLS) evaluations, the experimental findings show that the impact of household credit on financial stability in Malaysia is indecisive. On the other way round, the findings recommend that business credit performs an important responsibility in establishing financial stability in

Malaysia. A development of business credit supply triggers the financial circumstances to stiffen, which could lead to financial instability. In other words, business credit development is harmful to Malaysian financial stability[117].

On the evaluation of the relationship between financial stability and economic performance in the Organisation of Petroleum Exporting Countries (OPEC). The study utilized the system Generalized Method of Moments (GMM) based on annual time series and panel data from 2000 to 2013. The response variable in the study is economic performance, and the manipulated variables which are financial stability and financial liberalization, are the percentage of liquidity to GDP and net capital inflow to GDP, respectively. The findings reveal that the impact of the manipulated variable of financial stability on the response variable of economic performance in OPEC countries is positive and important. Also, the impact of financial liberalization on economic performance in OPEC countries is positive and important[118].

2.4 Conceptual Framework

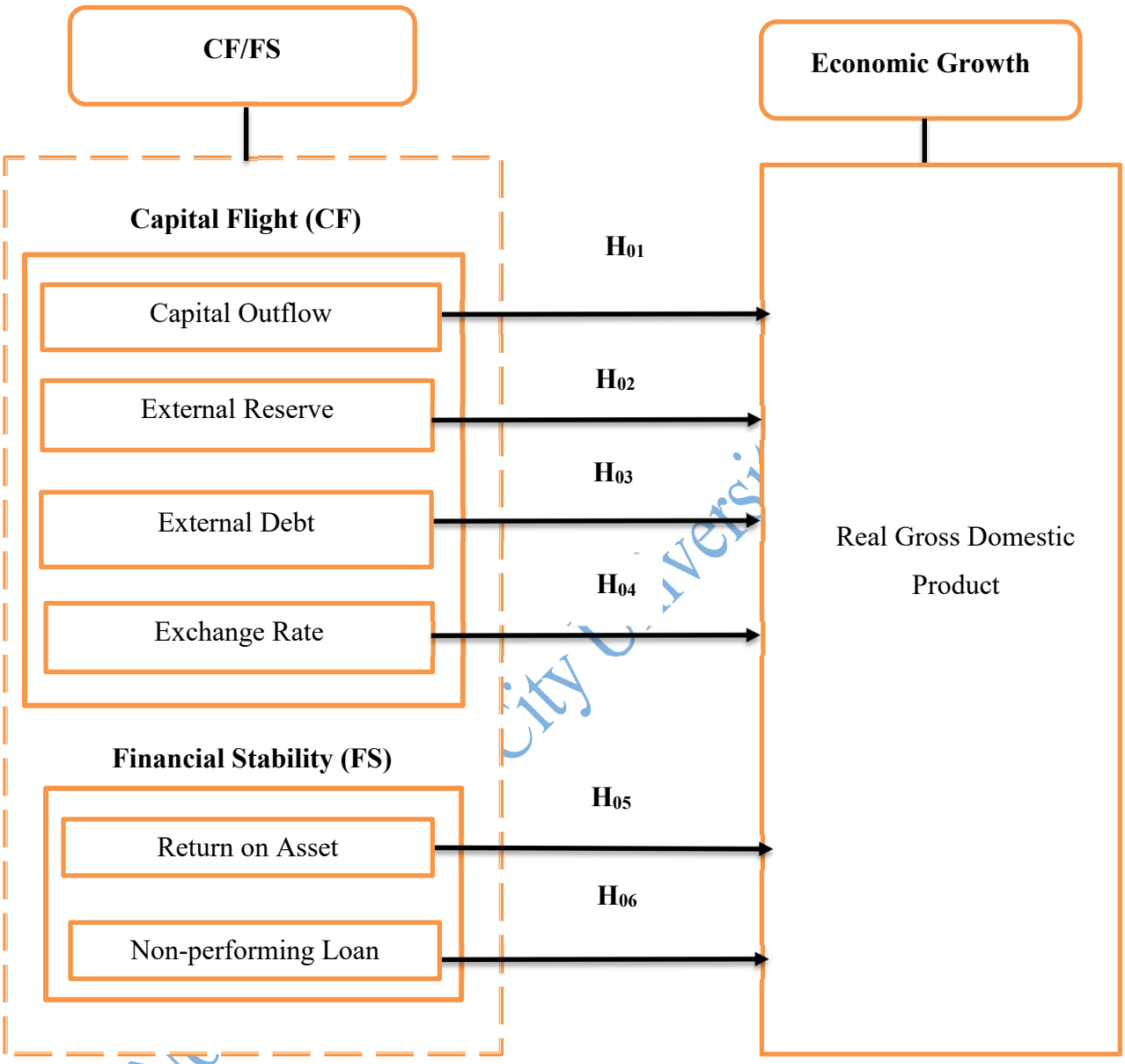

Figure 2.1 Research Conceptual Model Studying Capital Flight, Financial Stability, And Nigerian Economic Growth.

Source: Researcher's Conceptual Model, (2023)

The conceptual model of this study is developed based on purchasing power parity theory and debt overhang theory. The theories provided a theoretical basis for the interaction between capital flight, financial stability and economic growth. The conceptual model thus summarizes the study; capital flight, financial stability and Nigeria's economic growth.

Capital flight been the first independent variable is measured by: capital outflow, external reserve, external debt, and exchange rate. The second independent variable financial stability is measured by: return on asset and non-performing loan. The dependent variable is economic growth measured by real gross domestic product. Therefore, the six null hypotheses will be linked as follows: Capital outflow and real gross domestic product; External reserve and real gross domestic product; External debt and real gross domestic product; Exchange rate and real gross domestic product. Also return on asset and real gross domestic product, and non-performing loan and real gross domestic product. Overall, these formulated null hypotheses were subjected to statistical tests to determine the direction of results, conclusion, and possible recommendation for this study.

2.5 Summary of Gaps in Literature Reviewed

This chapter contained the conceptual issues, theoretical framework, review of previous empirical works, synthesis of gaps identified and conceptual framework. The theoretical framework considered the theories supporting the phenomenon under study. The literature review indicated that the Nigeria's economy experienced momentous financial and non-financial damages due to the destructive capital flight tendencies and the overall economic growth. Empirical investigations also discovered that despite the supervisory and regulatory measure and policies undertaken by the government to regulate capital flight, the country is still confronted with numerous challenges. Additionally, it indicated economy is greatly influenced by financial stability while financial instability negatively affects economic growth generally.

On the correlation between foreign debt servicing and current account balance in Kenya, the study found that policies on foreign debt administration must be carefully designed not to deteriorate macroeconomic essentials because they take long time before fizzing out, and that

there exists a negative connection between GDP and foreign debt in Kenya. The choice of the model in utilizing the Granger causality as well as time series was inadequate. More well-defined outcomes on the extent and impact of the correlation would have been achieved if panel data model was employed[34]. Furthermore, the justification by the study that there was inadequate theory that links foreign debt and current account balance variables was not correct. There are several models such as debt overhang theory that clearly explains debt servicing[34].

On the study of the investigation of drivers of portfolio inflows and outflows in Jamaica, the findings disclosed that economic growth, external and local interest rates as well as the exchange rate were more powerful in driving portfolio inflows. A more comprehensive analytical technique to show the outcome of the drivers would have combined more worth/value to the study as opposed to the usage of structural vector auto-regression (SVAR) model[75].

On the study of the long-run effect of inward and outward foreign direct investment on economic growth: evidence from 28 developing economies covering the period 2005-2014 yearly. The study utilized the Ordinary Least Squares (OLS) and Generalized Method of Moments (GMM) based on macroeconomics panel data in emerging economies. Even though the study found that there was a positive and significant effect on foreign direct investment inflows and outflows on economic growth in the long run among developing economies, the findings should not be generalized in a particular country as numerous countries are affected by varying macroeconomic effects[73].

Numerous studies were carried out by some researchers and the data in these studies was longitudinal in nature, a more accurate technique such as panel data could have been applied to measure the significant impacts. As most of these experiments evaluated numerous

countries and organizations, the generalized discoveries may not be individually appropriate in specific countries, due to the dynamic environment of each country's economic variables. The scholars in some of these studies would have arrived at a more precise conclusion by applying more contemporary information for the research. Furthermore, more dependable findings could be accomplished if the researchers categorized the countries into emerging, advanced, or underdeveloped, and evaluated them independently, or have a separate measure of each country[60], [61], [72], [74].

A few studies investigated the role of capital flight and economic growth. A study examined the determinants of capital flight in post war Sierra Leone: an empirical analysis from 2000 to 2019[44]. Another study considered empirical investigation of capital flight on economic growth in Nigeria[45]. Similarly, a study examined the interplay between capital flight and poverty reduction in Nigeria from the period between 1981 and 2017[46]. This study investigated the determinant of capital flight from East African Community from the years 1988 to 2018[47]. The study examined capital flight and economic development: evidence from Nigeria from the period 1986 to 2018[48]. The study ascertained the effect of capital flight on economic growth in Nigeria covering the period 1981 to 2017[5]. The study investigated the relationship between capital flight and external debt in Sub Saharan African (SSA)[61]. However, no study tested the impacts of capital flight, financial stability on Nigerian economic growth.

Numerous studies failed to investigate the effects of capital flight, financial stability on economic growth. There is an investigation of capital flight, foreign direct investment, and natural resources in Africa covering the period 1970-2015[119]. Another study evaluated the impact of external debt, domestic debt on the economic growth: the case of Nigeria from the period of 1980 to 2016[120]. This study assessed the effect of capital flight on exchange rate in

Nigeria from 1990 to 2014[58]. The study explored competitions to catch capital flight[121]. This study explored macroeconomic determinants of capital flight: Evidence from the sub-Saharan African countries covering the period of 1981 to 2015[54]. There is evaluation of multinational enterprises and capital flight from host African nations: An x-ray of the challenges of retaining trade revenues for continental development[122]. This study analyzed the effect of capital flight from beautiful places: the case of small open economy of Trinidad and Tobago[69]. There is, how financial stability affects economic development in South Asia: A panel data analysis[115].

The research evaluated averting capital flight to reach lucrative investment in Indonesia[52]. This study explored the dynamic correlations of capital flight and macroeconomic fundamentals in Malaysia from 1992 to 2012[67]. The research assessed how capital flight was affecting determinants in Bangladesh: an econometric estimation covering the period of 1973 to 2013[68]. This study examined the effect of foreign debt service on foreign direct investments inflows in Kenya from the period 1980 to 2014[72]. The research paper examined linking bank competition, financial stability, and economic growth[77]. There is analysis of the financial stability of the Kazakhstan's economy[79]. This investigation explored the dynamic impact of banking performance stability: fresh evidence from Southeastern Europe[80]. Similarly, this study investigated financial stability and entrepreneurship development in sub-Saharan Africa: implications for sustainable development goals[81].

Some of the studies conducted in Nigeria included: Evaluation of the impact of capital flight and economic development in Nigeria[42]. Investigation of the effect of capital flight on the economic growth in Nigeria[45]. Assessment of the impact of foreign debt, domestic debt, and economic growth: the case of Nigeria[120]. Exploration of the effect of capital flight and economic growth in Nigeria: A new evidence from ARDL approach[50]. Examination of the

effect of capital flight and economic growth in Nigeria covering the period 1981 to 2017[5]. Analysis of the nexus between capital flight and economic development: evidence from Nigeria[48]. Evaluation of the effect of capital flight and the growth of Nigerian economy: an autoregressive distributed lag (ARDL) modeling[6]. Assessment of the effect of capital flight on exchange rate in Nigeria[58]. Empirical investigation of capital flight and domestic investment in Nigeria[3]. Assessment of the effect of capital flight on economic growth in Nigeria: an econometric approach[60]. Examination of the effect of capital flight and the economic growth: evidence from Nigeria[63]. Financial system stability and economic growth in Nigeria[76]. Impact of financial stability on economic growth: evidence from Nigeria[87]. External debt and economic growth nexus: empirical evidence from Nigeria[91]. The effect of public debt on economic growth in Nigeria: an empirical investigation[101]. Financial development, financial stability, and economic growth in European Union: a panel data approach[123].

This study discovers that inadequate or no attention has been paid to the impact of capital flight, financial stability, and Nigerian economic growth. Prior experiments concentrated more on the capital flight and economic growth, determinants of capital flight with limited attention to financial stability. This research would like to find out the effect of capital flight, financial stability on Nigerian economic growth for the period 2002 to 2021. The proxies for capital flight employed in the study consist of capital flight, external reserve, external debt, and exchange rate and proxy for financial stability is non-performing loan (NPL). While the proxy for economic growth is real gross domestic products (real GDP). This study therefore meets the existing knowledge gap and adds value and benefit to existing literature by examining the impact of capital flight, financial stability on Nigerian economic growth.

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Chapter Three

Methodology

This chapter presents the research design and methodology employed in this study. This comprises the research design, study population, sampling structure, sample size and sampling technique, data collection instruments, data collection procedures, data analysis and processing. This chapter also explains the model and estimation techniques utilized in the study to investigate the impact of capital flight, financial stability on Nigerian economic growth.

3.1 Research Design

The study embraced an *ex-post facto* research design which is a form of descriptive research in which an explanatory variable has already transpired. The selection of ex-post facto research design was adopted because the research paper applied secondary data acquired from the Central bank of Nigeria (CBN) Statistical Bulletin, National Bureau of Statistics, International Monetary Fund and World Bank, using time series data from 2002 to 2021. The choice of *ex-post facto* design is premised on scholar with similar study but in different research context[1,2,3].

3.2 Population of the Study

The research concentrated on two domestic and two internationally registered and established financial data collection organizations. Domestic institutions from where data was gathered comprise the National Bureau of Statistics, which happens to be the major agency of the Government responsible for collection, analysis and dissemination of statistical data in Nigeria and the Central Bank of Nigeria (CBN), that is charged with formulation of monetary policies in Nigeria. International organizations comprise International Monetary Fund (IMF) and World Bank which gathers data on development indicators. Annual reports data gathered

form these four organizations on capital outflow, external debt, external reserves, exchange rate, real gross domestic product. Return on assets and non-performing loans of eight (8) banks with international authorization which are Access Bank Plc., Fidelity Bank Plc., First City Monument Bank Limited, First Bank of Nigeria Limited, Guaranty Trust Bank Plc., Union Bank of Nigeria Plc., United Bank of Africa Plc., and Zenith Bank Plc., to represent all deposit money banks in Nigeria covering the period of 2002 to 2021.

The study intends to test the effect of capital flight, financial stability on Nigerian economic growth. Recognizing this study population paved way for the sample size population of four organizations aimed to generate some knowledge about population of interest, especially for the purposes of statistical inference.

3.3 Sample and Sampling Techniques

This is a list of study/target population from which the sample is selected. The Central Bank of Nigeria (CBN) and National Bureau of Statistics (NBS) were selected because they are the official guardians of data in Nigeria. Additionally, two globally distinguished financial organizations: International Monetary Fund (IMF) and World Bank were carefully chosen for their constant provision of dependable data used globally to draw inferential analyses.

This research paper applied purposive sampling to choose secondary data in Nigeria. The sample data covered a period of twenty years from 2002 to 2021. Purposive sampling was employed due to accessibility and reliability of data to measure capital flight, financial stability and Nigerian economic growth for the period of the study. This technique was embraced because it permitted the researcher to choose samples that gave sufficient information about explanatory and dependent variables. The target population consists of local data collection agencies.

In the study of effects of capital flight on economic growth in Kenya, the research paper employed purposive sampling technique[2].

Table 3.1: Sample Size

Study Population	No of Agencies	Percentage	Proportion Taken
Local Agencies	2	**7**	**7**
International Agencies	2	7	7
Deposit Money Banks	26	86	27
Total	**30**	**100**	**41**

Source: CBN, 2022

3.4 Description of Research Instrument

The study employed secondary data acquired from the Central Bank of Nigeria (CBN), Nigeria National Bureau of Statistics, International monetary Fund (IMF) and World Bank. The data was applied to evaluate capital flight, financial stability and Nigerian economic growth.

3.5 Administration of Research Instruments and Methods of Data Collection

Data was obtained online from the Central Bank of Nigeria (CBN), Nigeria National Bureau of Statistics, International monetary Fund (IMF) and World Bank. Additionally, it involved manual reviews of available data form the National Bureau of Statistics and the Central Bank of Nigeria publications. Data gathered for this study was in secondary form.

3.6 Measures of Variables

Table 3.2: Table of Measures of Variables

SN	Variable	Type of variable	Measurements
1.	Nigerian Economic Growth	Dependent Variable	Real Gross Domestic Product
2.	Capital Flight	Independent Variable	Capital Flight, External Debt, External Reserve, Exchange Rate
3.	Financial Stability	Independent Variable	Return on Asset, Non-Performing Loan

Source: Researchers compilation

3.7 Method of Data Analysis

Statistical analyses cover a comprehensive range of techniques from simple processes such as computing an average to complex and sophisticated methods which requires use of computer applications. This research paper utilized panel data techniques for a twenty-year period (2002 to 2021) to explore effect of capital outflows, external debt, external reserve, exchange rate, return on assets, non-performing loan on economic growth. Annual data covering the entire study period was collected and analyzed using the E-Views 9 statistical package. Specifically, the following data were employed for the study.

1. Real Gross Domestic Product (GDP) from 2002 – 2021.
2. Capital Outflow (CO) from 2002 – 2021.
3. External Reserve (ER) from 2002 – 2021.
4. External Debt (ED) from 2002 – 2021.
5. Exchange Rate (EX) from 2002 – 2021.
6. Returns on Asset (ROA) from 2002 – 2021.

7. Non-Performing Loans (NPL) from 2002 – 2021.

3.7.1 Justification for the Use of Panel Data Techniques

Panel data also referred to as pooled or combined data due to the existence of time series and cross section data elements in it. By getting data accessible for numerous units, panel data reflects all cross-section units as heterogeneous and provides unbiased estimations of time invariant and state invariant variables which we observe or not. This reduces biasness that could result if the study combined individuals into broad aggregates. These benefits enrich panel data empirical assessment in ways that might not be feasible if only cross-section or time series data is utilized.

3.7.2 Correlation Analysis

Multicollinearity is a statistical occurrence in which two or more predictor variables in a model are highly correlated. Serial correlation is where the error term in a time series move from one period to another[4]. A bi-variate analysis was performed to test for extremely correlated variables to prevent the problem of multicollinearity and serial correlation in the model, which is normal in time series data.

3.7.3 Model Specification, Estimation and Rationale of Variables

This study embraced a panel data regression model using the Ordinary Least Squares (OLS) technique where data consist of time series and cross-sectional data was pooled into a panel data set and assessed utilizing panel data regression. Regression analysis is a statistical instrument for the analysis of connections between variables. The researcher seeks to determine the underlying effect of one variable upon another. A univariate assessment was performed, and the data transformed to their natural logs to address the dilemma of large numbers and eradicate heteroscedasticity. Multiple regression analysis requires combination

of various control variables in a single regression equation. With many regressions analysis, we evaluated the impacts of many control variables on the dependent variable.

3.7.4 Choice of Model: Testing for the Validity of the Fixed Effects Model

Panel data evaluation has three independent methods. Pooled panel presumes that there are no unique characteristics of individuals within the magnitude set and no universal impacts across time. Fixed effects model presumes that there are distinctive characteristics of individuals that are not the outcomes of random variation and that do not differ across time. Random impacts model presumes there are distinctive time continuous characteristics of individuals that are the outcomes of random variation and do not relate with the individual regressors. This model is sufficient if we want to draw conclusions about the whole population.

3.7.5 Research Equations

From the study objectives and research questions, we formulated two (2) separate equations to empirically analyzed and test the stated hypotheses.

Capital Flight Reaction Function

In the capital flight reaction function, real gross domestic product (RGDP) is the dependent variable while capital outflow (CO), external debt (ED) external reserve (ER), and exchange rate (EX) were the independent or explanatory variables. The functional form of the model is specified thus.

RGDP = CO + ER + ED +EX (3.1)

Where:

RGDP = Real Gross Domestic Product

CO = Capital Outflow

ER = External Reserve

ED = External Debt

EX = Exchange Rate

Model (3.1) above can be stated in a stochastic or econometric form below.

$RGDP = \beta_0 + \beta_1 CO + \beta_2 ER + \beta_3 ED + \beta_4 EX + \epsilon_1 (3.2)$

Where RGDP, CO, ER, ED and EX are as described in (3.1) above.

$\boldsymbol{\beta_0}$ = Intercept or constant regression parameter

$\boldsymbol{\beta_1 - \beta_4}$ = Slope parameters

ϵ_1 = Stochastic or error terms

Financial Stability Reaction Function

In the financial stabilization reaction function, real gross domestic product (RGDP) is the dependent variable while Returns on Assets (ROA) and Non-Performing Loans (NPL) are independent or explanatory variable. The functional form of the model is specified thus.

RGDP = ROA + NPL (3.3)

Where,

RGDP = Real Gross Domestic Product

ROA = Returns on Assets

NPL = Non-Performing Loans

Model (3.3) above can be stated in a stochastic or econometric form below.

$RGDP = \alpha_0 + \alpha_1 ROA + \alpha_2 NPL + \epsilon_1$ (3.4)

Where RGDP, ROA, NPL are as described in (3.3) above.

α_0 = Intercept or constant regression parameter

$\alpha_1 - \alpha_2$ = Slope parameters

ϵ_1 = Stochastic or error terms

3.7.6 Unit Root Tests

A series is stationary if it has a steady mean and a steady finite variance. On the opposite, a non-stationary series comprises a clear time trend and has a variance that is not steady overtime. If a time series is non-stationary, it will display a high degree of persistence.

Though the Pooled Mean Group Estimation renders panel unit-root tests of the variables under study needless if they are I (0) and I (1), the research accomplished these tests nonetheless to ensure that no variable surpassed the I (1) order of integration, which would result in unpredictable estimations.

3.7.7 Co-integration and Error Correction Model

The Johansen co-integration and error correction model were employed since most time series data are non-stationary thus, will likely produce spurious or non-sense regression if estimated absent property diagnosis and correction. Hence, the use of Johansen co-integration and error correction model.in this work.

Endnotes

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Chapter Four

Results and Discussion of Findings

This study examined the effect of capital flight and financial stability on Nigerian economic growth. Precisely, the research investigated the effect of capital outflow, external reserve, external debt, exchange rate, return on asset and non-performing loan have on Nigerian economic growth as shown by the real gross domestic product (RGDP). Similarly, the outputs of the various statistical analysis employed in the study shall be presented and discussed accordingly. The statistical models and methodology stated in previous chapter shall be adopted. The overall aim of this chapter is to provide empirical evidence with which to either accept or reject the stated hypotheses in chapter one.

4.1 Presentation of Data

The aim of this study is to empirically ascertain the relationship between capital flight and economic growth on one hand, and financial stability and economic growth on the other. Interdependent models were formulated for the study namely, the capital flight reaction model and the financial stability reaction model.

For capital flight reaction model, the dependent variable is the real gross domestic product, while the independent variable capital flight was measured by capital outflow, external debt, external reserve and exchange rate. As stated in the operational definition of concepts in section 1.10, non-performing loans and return on assets of commercial banks were used as a measure of financial stability of the Nigerian Banking Sector. In the financial stability reaction function, real gross domestic product (RGDP) is the dependent variable while non-performing loans (NPL) and return on assets (ROA) are independent or explanatory variables.

As stated earlier, there are two (2) separate model specifications designed for this study, each with respective dependent and independent variables. Thus, this section shall be dichotomized. The capital flight reaction function and financial stability reaction function shall be dealt with in the first and second section respectively.

4.1.1 Descriptive Statistics of Variables

This section reports the result of the descriptive statistics of the variables. As reported in Tables 4.1 & 4.2, variables: RGDP, CO, ED, ER, EX, ROA and NPL were used in achieving the study objectives, The result of the descriptive statistics shows that 56132149 was the average of RGDP with a corresponding maximum and minimum of 73382770 and 31064270 respectively during the study period. 4425939 was the average of capital outflow with a corresponding maximum and minimum of 16980208 and 9235 respectively. 4017673 was the average of external debt with a corresponding maximum and minimum of 15855231 and 438891 respectively. 6816875 was the average of external reserve with a corresponding maximum and minimum of 14473752 and 931469 respectively. 196.988 was the average of exchange rate with a corresponding maximum and minimum of 399.96 and 118.57 respectively. 13.4305 was the average of return on asset with a corresponding maximum and minimum of 22.71 and -19.53 respectively. 568148.3 was the average of non-performing loan with a corresponding maximum and minimum of 1416203 and 52265 respectively during the study period.

Table 4.1: Descriptive Statistics for Capital Flight Reaction Function

	CO	ED	EX	ER	RGDP
Mean	4425939	4017673	196.988	6816875	56132149
Median	3080720	2403291	155.585	5875568	59425200
Maximum	16980208	15855231	399.96	14473752	73382770
Minimum	9235	438891	118.57	931469	31064270
Std. Dev.	4616795	4330399	89.3984	3993154	14594119
Skewness	1.593702	1.455803	1.041597	0.543301	-0.388316
Kurtosis	4.889349	4.281172	2.615235	2.335357	1.6402
Jarque-Bera	11.44099	8.432373	3.739787	1.352046	2.043512
Probability	0.003278	0.014755	0.15414	0.508636	0.359962
Sum	88518786	80353464	3939.76	136000000	1120000000
Sum Sq. Dev.	405000000000	356000000000	151849.40	3030000000	4050000000
Observations	20	20	20	20	20

Source: Author's Computation from E-view 9

Table 4.2: Descriptive Statistics for Financial Stability Reaction Function

	ROA	NPL
Mean	13.4305	568148.3
Median	15.685	458194.5
Maximum	22.71	1416203
Minimum	-19.53	52265
Std. Dev.	9.409862	486823.6
Skewness	-2.421055	0.52191
Kurtosis	8.829805	1.858851
Jarque-Bera	47.86055	1.993151
Probability	0	0.369141
Sum	268.61	11362966

Sum Sq. Dev.	1680	4500000000000
Observations	20	20

Source: Author's Computation from E-view 9

4.2 Presentation of Test of Hypotheses

The hypotheses tested were reported in alignment with model specifications for capital flight reaction function and financial stability reaction function respectively.

4.2.1 Analysis of the Capital Flight Reaction Function

In the capital flight reaction function, real gross domestic product (RGDP) is the dependent variable, while capital outflow, external reserve, exchange rate and external debt are the explanatory variables. Based on section 1.6, the earlier stated hypotheses are recast in the null forms and tested at 5% level of significance.

(i) There is no significant effect between capital outflow (CO) and real gross domestic product (RGDP).

(ii) There is no significant effect between external debt (ED) and real gross domestic product (RGDP).

(iii) There is no significant effect between external reserve (ER) and real gross domestic product (RGDP).

(iv) There is no significant effect between exchange rate (EX) and real gross domestic product (RGDP).

The short run and long run analysis of capital flight reaction function is shown below.

Short Run Analysis of Result

The linear regression result is analyzed in table 4.3 below.

Table 4.3: Analysis of Short Run Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11789482	5681632.	2.075017	0.0556
CO	-0.902895	0.447943	-2.015647	0.0621
ER	325249.5	67666.46	4.806657	0.0002
ED	-4.384546	0.892098	-4.914869	0.0002
EX	0.276411	0.970359	0.284854	0.7797

R-squared	0.861067	Mean dependent var	56132149
Adjusted R-squared	0.824018	S.D. dependent var	14594119
S.E. of regression	6122261.	Akaike info criterion	34.30508
Sum squared resid	5620000000	Schwarz criterion	34.55401
Log likelihood	-338.0508	Hannan-Quinn criter.	34.35367
F-statistic	23.24142	Durbin-Watson stat	1.023797
Prob(F-statistic)	0.000003		

Source: *Computed Result from (E-Views 9)*

Table 4.3 shows the short run multiple regression results of the capital flight reaction model. The coefficient of determination depicted by an R^2 value of 0.86 or 86% indicates that 86% of changes in the independent or explanatory variables (capital outflow, external reserve,

external debt and exchange rate) account for the change in real gross domestic product. Put differently, the explanatory power of the model is 86% which is a very good fit. The negative coefficient of capital outflow (-0.90) is in tandem with apriori expectation though statistically insignificant. Specifically, the negative sign indicates that an increase in capital outflow will result to a 90% decrease in real gross domestic product. The negative coefficient of external debt (-4.38) is in tandem with apriori expectation and statistically significant. Precisely, the negative sign indicates that an increase in external debt will result to a 438% decrease in real gross domestic product. The signs of coefficients of external reserve and exchange rate are both in consonance with apriori expectation, while external reserve is statistically significant, exchange rate is statistically insignificant. However, the value of the Durbin Watson statistics of (1.02) suggests the presence of serial autocorrelation in the model. This may be due to non-stationarity of dataset which may lead to spurious or non-sense regression. Hence, it is important for us to carry out other diagnostic tests before interpreting the data.

Long Run Analysis Result

We shall begin the long run analysis by conducting the augmented dickey fuller unit root test to ascertain the presence or otherwise of unit root in the data set. The test is necessary to eliminate the error of interpreting spurious regression.

Unit Root Test

There are various methods of testing for the presence of unit root. However, the Augmented Dickey Fuller (ADF) test is the preferred test used for this study.

Table 4.4: ADF Unit Root Test

VARIABLES	LEVELS		1st DIFFERENCE		Order of Integration
	ADF Test Statistics	Test Critical Value @ 5%	ADF Test Statistics	Test Critical Value @ 5%	
RGDP	-3.848	**-3.759	-3.104	-3.690	0(1)
CO	-2.82	-3.759	-4.906	**-3.73	I(1)
ER	-0.566	-3.710	-4.21	**-3.710	I(1)
ED	3.791	**-1.960	-0.822	-1.961	0(1)
EX	-0.328596	-3.02997	-3.492542	**-3.040391	1(1)

Source: Computed Result from (E-views 9)

Table 4.4 shows the result of the ADF unit root test computed using E-views statistical package. The ADF test was calculated at 0.05 (5%) level of significance at levels and first difference. The ADF test in the above table indicates that the variables were stationary at various order. Specifically, real gross domestic product (RGDP) and external debt (ED) were both stationary at levels, while capital outflow (CO), External reserve (ER) and exchange rate (EX) are stationary at first difference.

Co-integration Test

The Johansen Cointegration methodology shall be used in conducting the co-integration analyses of the respective variables used for this study. The Johansen co-integration test is presented in Table 4.5.

Table 4.5: Test for co-integration

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	Prob.**	Max-Eigen Statistic	Prob.**
None *	**0.918941**	102.9646	0.0000	45.22636	0.0015
At most 1 *	**0.826944**	57.73827	0.0045	31.57457	0.0145
At most 2	**0.657813**	26.1637	0.1239	19.30318	0.0884
At most 3	**0.312149**	6.860519	0.5939	6.735285	0.5209
At most 4	**0.006933**	0.125234	0.7234	0.125234	0.7234

Trace and Max-eigenvalue tests indicates 2 cointegrating equation(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Source: *Authors Computation form E-Views*

Table 4.5 is a combination of the trace and max-eigen statistics of the Johansen co-integration test. The result of both the trace and max-eigen co-integration shows that there are two (2) co-integrating equations. The above result is in tandem with the previous ADF unit root tests where only two (2) variables were stationary at levels. The existence of co-integrating equations thus, justifies the use of a parsimonious Error Correction Model.

Error Correction Model (ECM)

Error correction model (ECM) is a process of incorporating the short-run and long run behaviours an economic[1]. To capture the short-run deviations that might have occurred within the period of the study. This is done by following the general-to-specific rule.

Specifically, we start by specifying the overparametrized preferred parsimonious short-run dynamic result. The estimated result of the parsimonious ECM obtained is shown below:

Table 4.6: Parsimonious Error Correction Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(CO(-1))	-0.289965	0.087514	3.313355	0.0062
D(ER(-1))	-57032.05	23663.69	-2.410107	0.0329
D(ED(-1))	-0.088933	0.326343	0.272516	0.7899
D(EX(-1))	-0.235292	0.282997	-0.831431	0.422
ECM (-1)	-0.037398	0.06886	-0.543106	0.597
C	2973365	408068.7	7.286432	0

R-squared	0.552178	Mean dependent var	2224231
Adjusted R-squared	0.365585	S.D. dependent var	1604144
S.E. of regression	1277703	Akaike info criterion	31.22023
Sum squared resid	1960000000	Schwarz criterion	31.51702
Log likelihood	-274.9821	Hannan-Quinn criter.	31.26115
F-statistic	2.959268	Durbin-Watson stat	1.668205
Prob(F-statistic)	0.05737		

Source: *Authors Computation form E-Views*

As seen from Table 4.6, the coefficient of the error correction term (ECM) has a negative sign though not statistically significant. The negatively signed ECM indicates that any deviation from the equilibrium values will be stabilized in the long run by the ECM values.

Similarly, the Durbin Watson 1.66 which is closer to 2, indicates that the presence of serial or autocorrelation has be eliminated in the long run analysis. The coefficient of best fit or determination R^2 of 0.55 (55%) means that 55% of changes in the dependent variable are explained by changes in the independent variables (capital outflow, external reserve, external debt and exchange rate). In terms of the individual coefficient of the model, capital outflow has a negative and statistically significant effect with Nigerian economic growth. Hence, we reject the null hypothesis that there is no significant effect between capital outflow and Nigerian economic growth. External reserve has a negative and statistically significant effect with Nigerian economic growth. Therefore, we reject the null hypothesis that there is no significant effect between external reserve and Nigerian economic growth. External debt has negative and statistically insignificant effect with Nigerian economic growth. Hence, we accept the null hypothesis that there is no significant effect between external debt and Nigerian economic growth. Exchange rate has negative and statistically insignificant effect with Nigerian economic growth. Therefore, we accept the null hypothesis that there is no significant effect between exchange rate and Nigerian economic growth.

From the analysis of capital flight functions, the following are the summarized interpretation of the findings of hypotheses one to four.

Hypothesis One: Capital outflow (CO) will have no significant effect on real gross domestic product (RGDP).

From Table 4.6, capital outflow has a negative coefficient of (-0.289965) and statistically significant effect with real gross domestic product (RGDP). Specifically, the negative sign indicates that an increase in capital outflow would result to 29% decrease in real gross domestic product (RGDP). Since the p-value of capital flight is 0.0062 and is less than 0.05, we rejected the null hypothesis that there was no significant effect between capital outflow

and real gross domestic product (RGDP). This means that capital outflow (flight) significantly affected real gross domestic product (Nigerian economic growth) in the period of the study. Thus, research question 1 is answered, objective 1 is achieved and hypothesis 1 is successfully tested.

Hypothesis Two: External debt (ED) will have no significant effect on real gross domestic product (RGDP).

From Table 4.6, external debt has a negative coefficient of (-0.088933) and statistically insignificant influence with real gross domestic product (RGDP). Precisely, the negative sign indicates that an increase in external debt would result to 9% decrease in real gross domestic product (RGDP). Since the p-value of external debt is 0.7899 and is greater than 0.05, we accepted the null hypothesis that there was no significant effect between external debt and real gross domestic product. This implies that external debt did not significantly affect real gross domestic product (Nigeria economic growth) in the period of the study. Thus, research question 2 is answered, objective 2 is achieved and hypothesis 2 is successfully tested.

Hypothesis Three: External reserve (ER) will have no significant effect on Nigerian economic growth.

From Table 4.6, external reserve has a negative coefficient of (-57032.05) and statistically significant effect with real gross domestic product (RGDP). Specifically, the negative sign indicates that a decrease in external reserve would result to 57032% decrease in real gross domestic product (GDP). Since the p-value of capital flight is 0.0329 and is less than 0.05, we rejected the null hypothesis that there was no significant effect between external reserve and real gross domestic product (RGDP). This means that external reserve significantly affected real gross domestic product (Nigerian economic growth) in the period of the study. Thus,

research question 3 is answered, objective 3 is achieved and hypothesis 3 is successfully tested.

Hypothesis Four: Exchange rate (EX) will have no significant effect on real gross domestic product (RGDP).

From Table 4.6, exchange rate has a negative coefficient of (-0.235292) and statistically insignificant outcome with real gross domestic product (RGDP). Specifically, the negative sign indicates that a decrease in exchange rate would result to 24% decrease in real gross domestic product (RGDP). Since the p-value of exchange rate is 0.422 and is greater than 0.05, we accepted the null hypothesis that there was no significant effect between exchange rate and real gross domestic product (RGDP). This implies that exchange rate did not significantly affect real gross domestic product (Nigerian economic growth) in the period of the study. Thus, research question 4 is answered, objective 4 is achieved and hypothesis 4 is successfully tested.

In the short run multiple regression result of the capital flight reaction function, the coefficient of determination depicted by an R^2 value of 0.86 or 86% signifies that 86% of changes in the independent or explanatory variables (capital outflow, external reserve, external debt and exchange rate) account for the change in real gross domestic product. Put differently, the explanatory power of the model is 86% which is a very good fit. The negative coefficient of capital outflow (-0.90) is in tandem with a priori expectation though statistically insignificant. Specifically, the negative sign indicates that a 1% increase in capital outflow will result to a 90% decrease in real gross domestic product. The signs of coefficients of exchange rate and external debt are both in consonance with apriori expectation and are statistically significant. However, the value of the Durbin Watson statistics of (1.02) suggests the presence of serial autocorrelation in the model. This may be

due to non-stationarity of the dataset which may lead to spurious or non-sense regression. Hence, the justification of us conducting second order regression test.

To test for stationarity or otherwise of the time series data used for the study, the ADF unit root test and the Johansen co-integration tests were conducted. The ADF test was calculated at 0.05 (5%) level of significance at levels and first difference. The ADF test in the above table indicates that the variables where stationary at various order. Specifically, Real Gross Domestic Product (GDP) and External Debt (ED) were both stationary at levels, while Capital outflow (CO), external reserve (ER) and Exchange rate (EX) were stationary at first difference.

The result of both the trace and max-eigen co-integration shows that there are two (2) co-integrating equations. The above result is in tandem with the previous ADF unit root tests where only two (2) variables were stationary at levels.

The coefficient of the error correction term (ECM) has a negative sign though not statistically significant. The negatively signed ECM indicates that any deviation from the equilibrium values will be stabilized in the long run by the ECM values. Also, the Durbin Watson 1.66 which closer to 2, indicates that the presence of serial or autocorrelation has be eliminated in the long run analysis. The coefficient of best fit or determination R^2 of 0.55 (55%) means that 55% of changes in the dependent variable are explained by changes in the independent variables. In terms of the individual coefficient of the model, capital outflow has a negative and statistically significant effect with real gross domestic product (RGDP). Hence, we reject the null hypothesis that there is no significant effect between capital outflow and real gross domestic product (RGDP). External reserve has a negative and statistically significant effect with real gross domestic product (RGDP). Therefore, we reject the null hypothesis that there is no significant effect between external reserve and real gross domestic product (RGDP).

External debt has negative and statistically insignificant influence with Nigerian economic growth. Hence, we accept the null hypothesis that there is no significant effect between external debt and real gross domestic product (RGDP). Exchange rate has negative and statistically insignificant effect with real gross domestic product (RGDP). Therefore, we accept the null hypothesis that there is no significant effect between exchange rate and real gross domestic product (RGDP).

4.2.1 Financial Stability Reaction Function

In the financial stability reaction function, real gross domestic product (RGDP) is the dependent variable, while returns on assets (ROA), and non-performing loans (NPL) are the explanatory variables. Based on section 1.6, the earlier stated hypotheses are recast in the null forms and tested at 5% level of significance.

i.) There is no significant effect between returns on assets and real gross domestic product (RGDP).

ii.) There is no significant effect between non-performing loans and real gross domestic product (RGDP).

Short Run Analysis of Result

The linear regression result is analyzed in Table 4.7 below.

Table 4.7: Analysis of Short Run Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	14.75547	0.325972	45.26600	0.0000
LROA	0.026801	0.086706	0.309100	0.7615
LNPL	0.234209	0.018011	13.00372	0.0000
R-squared	0.918754	Mean dependent var		17.80656
Adjusted R-squared	0.907921	S.D. dependent var		0.301342
S.E. of regression	0.091441	Akaike info criterion		-1.795240
Sum squared resid	0.125421	Schwarz criterion		-1.646845
Log likelihood	19.15716	Hannan-Quinn criter.		-1.774779
F-statistic	84.81231	Durbin-Watson stat		0.876731
Prob(F-statistic)	0.000000			

Source: *Computed Result from (E-Views 9)*

The short run regression analysis result in Table 4.7 depicts that returns on asset and non-performing loans have positive effect on Nigerian economic growth within the period under review. However, the non-performing loan is statistically significant at 5% level, while return on asset is statistically insignificant at 5% level. The coefficient of determination of 0.918 or 91.8% percent suggests that 91.8 % of the variation in Real Gross Domestic Product is explained by changes in the independent variables. The Durbin Watson statistics of 0.876 suggests the presence of serial or autocorrelation, thus, justifying the need to conduct second order diagnostics test to avoid spurious regression.

ADF Unit Root Test

The output of the Augmented Dickey Fuller unit root test on the selected variables for the financial stability reaction function is shown in Table 4.8 below.

Table 4.8: ADF Unit Root Test

VARIABLES	LEVELS		1st DIFFERENCE		Order of Integration
	ADF Test Statistics	Test Critical Value @ 5%	ADF Test Statistics	Test Critical Value @ 5%	
RGDP	-3.848993	**-3.759743	-3.104707	-3.690814	0(1)
ROA	-4.447444	**-3.081002	-4.82558	**-3.11991	I(1)
NPL	-1.443514	-3.02997	-4.202102	**-3.040391	I(1)

Source: *Computed Result from (E-View 9)*

From the ADF unit root test shown in Table 4.8, return on assets was stationary at both levels and first difference, while non-performing loans is stationary at first difference. Gross domestic product is stationary at levels only.

Co-integration Test

The output of the Johansen co-integration test is shown in Table 4.9 below.

Table 4.9: Test for Co-integration

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	Prob.**	Max-Eigen Statistic	Prob.**
None	**0.824815**	43.09231	*0.0009	22.64484	*0.0304
At most 1	**0.635281**	20.44747	*0.0082	13.11218	0.0754
At most 2	**0.431215**	7.335287	*0.0068	7.335287	*0.0068

Source: *Computed Result from (E-Views 9)*

The co-integration test shown in Table 4.9 displays the presence of co-integration equations. Specifically, the trace statistics indicates the presence of 3 co –integrating equation while max-eigen test indicates 1 co-integrating equation at 5% level of significance.

Error Correction Model

The output of the parsimonious error correction model of the financial stability reaction function in shown in Table 4. 10 below.

Table 4.10: Parsimonious Error Correction Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(RGDP(-2))	0.816424	0.270805	3.014808	0.0118
D(ROA(-1))	-0.042040	0.031899	-1.317891	0.2143
D(ROA(-2))	-0.051184	0.027435	-2.665628	0.0390
D(NPL(-1))	-0.016001	0.022851	-0.700207	0.4983
ECM	-0.145978	0.114262	-1.277571	0.2277
C	0.005695	0.013466	0.422886	0.6805

R-squared	0.760305	Mean dependent var	0.041192
Adjusted R-squared	0.273171	S.D. dependent var	0.031044
S.E. of regression	0.026466	Akaike info criterion	-4.155340
Sum squared resid	0.007705	Schwarz criterion	-3.861265
Log likelihood	41.32039	Hannan-Quinn criter.	-4.126109
F-statistic	2.202685	Durbin-Watson stat	1.623131
Prob(F-statistic)	0.127788		

Source: *Computed Result from (E-Views 9)*

The output of the error correction model in Table 4.10 shows that the coefficient of the error correction model (ECM) is negatively signed and statistically significant. The above output indicates that the error correction coefficient will successfully equilibrate any deviations from the short-run regression such that will reduce or increase the equilibrium in situation where it either too high or low respectively. Similarly, the Durbin Watson statistics of 1.62 is much closer to the absolute value of 2 as compared to 0.87 in the short run regression output in table 4.7. This indicates that the problem of serial or autocorrelation has been eradicated in the long run. The coefficient of best fit or determination R^2 of 0.76 (76%) means that 76% of

changes in the dependent variable (RGDP) are explained by changes in the independent variables (return on asset, non-performing loan).

In terms of the individual coefficients of the individual parameters, both the return on asset (ROA) and non-performing loan (NPL) are negatively signed. In order words, there is a negative effect between return on asset (ROA), non-performing loan (NPL) and Nigerian economic growth. However, only second lag of return on asset (ROA) is statistically significant. Hence, we reject the null hypothesis that there is no significant effect between return on asset (ROA) and Nigeria's real gross domestic product. While non-performing loan (NPL) is statistically insignificant. Therefore, we accept the null hypothesis that there is no significant effect between non-performing loan (NPL) and Nigeria's real gross domestic product.

From the analysis of financial stability functions, the following are the summarized interpretation of the findings of hypotheses five and six.

Hypothesis Five: Return on Asset (ROA) will have no significant effect on real gross domestic product (RGDP).

From Table 4.6, return on asset has a negative coefficient of (-0.051184) and statistically significant effect with real gross domestic product (RGDP). Precisely, the negative sign indicates that a decrease in return on asset would result to 5% decrease in real gross domestic product (RGDP). Since the p-value of return on asset is 0.0390 and is less than 0.05, we rejected the null hypothesis that there was no significant effect between return on asset and real gross domestic product (RGDP). This means that return on asset significantly affected real gross domestic product (Nigerian economic growth) in the period of the study. Thus, research question 5 is answered, objective 5 is achieved and hypothesis 5 is successfully tested.

Hypothesis Six: Non-performing loan (NPL) will have no significant effect on Nigerian economic growth.

From Table 4.6, non-performing loan has a negative coefficient of (-0.016001) and statistically insignificant effect with real gross domestic product (RGDP). Specifically, the negative sign indicates that an increase in non-performing loan would result to 1.6% decrease in real gross domestic product (RGDP). Since the p-value of non-performing loan 0.4983 and is greater than 0.05, we accepted the null hypothesis that there was no significant effect between non-performing loan and real gross domestic product (RGDP). This implies that non-performing loan did not significantly affect real gross domestic product (Nigerian economic growth) in the period of the study. Thus, research question 6 is answered, objective 6 is achieved and hypothesis 6 is successfully tested.

The short run regression analysis result in Table 4.7 above show that returns on asset and non-performing loans have positive effect on real gross domestic product (RGDP) within the period under review. However, the non-performing loan is statistically significant at 5% level. The coefficient of determination of 0.918 or 91.8% percent suggests that 91.8 % of the variation in Real Gross domestic Product is explained by changes in the independent variables. The Durbin Watson statistics of 0.876 suggests the presence of serial or autocorrelation, thus, justifying the need to conduct second order diagnostics test to avoid spurious regression.

From the ADF unit root test shown in Table 4.8 above, return on assets was stationary at both levels and first difference, while non-performing loans is stationary at first difference. Real Gross domestic product is stationary at levels only. The co-integration test shown in Table 4.9 above shows the presence of co-integration equations. Specifically, the trace statistics

indicates the presence of three cointegrating equation while max-eigen test indicates 1 co-integrating equation at 5% level of significance.

The output of the error correction model in Table 4.10 shows that the coefficient of the error correction model is negatively signed and statistically significant. The above output indicates that the error correction coefficient will successfully equilibrate any deviations from the short-run regression such that will reduce or increased the equilibrium in situation where it either too high or low respectively. The Durbin Watson statistics of 1.62 is much closer to the absolute value of 2 as compared to 0.87 in the short run regression output in Table 4.7. This indicates that the problem of serial or autocorrelation has been eradicated in the long run. In terms of the individual coefficients of the individual parameters, both the ROA and NPL are negatively signed. In order words, there is a negative relationship between ROA and NPL and real gross domestic product (RGDP). However, only the former is statistically significant.

4.3 Discussion of Findings

Economic and financial literatures are full of empirical studies on capital flight and economic growth, financial stability and economic growth. However, very little have been done in terms of investigating relationship between capital flight, financial stability, and economic growth. Therefore, to critically analyze the effect, the study adopted a dual reaction function namely, capital flight reaction function and financial stability reaction function. Consequently, our discussion of findings shall be aligned appropriately.

In the capital flight reaction function, real gross domestic product (RGDP) is the dependent variable, while capital flight is the independent or explanatory variable and being measured by capital outflow, external debt, external reserve, and exchange rate. In the short run analysis, all the signs accompanying the coefficients of the explanatory variables were in tandem with *apriori* expectations. However, only two variables namely, external reserve and

external debt were statistically significant. While capital outflow and exchange rate were statistically insignificant. Also, the Durbin Watson statistics showed the presence of serial correlation, hence the justification for carrying out second order econometric analysis.

The result of the parsimonious error correction model (long run analysis) indicates that capital outflow has a negative and statistically significant relationship with Nigerian economic growth. The above stance is in harmoniousness with some empirical studies of[2, 3, 4, 5, 6,7, 8, 9] which concluded that there was a negative and statistically significant relationship between capital flight and economic growth in Nigeria during the period of the studies. In addition, the finding of the parsimonious error correction model (long run analysis) shows that external debt has a negative and statistically insignificant correlation with Nigerian economic growth. This agrees with some experimental studies of[10, 11, 12] which found out that external debt repayments, external debt servicing did not significantly affect economic growth, foreign direct investments and current account balance in Kenya. Furthermore, the outcome of the parsimonious error correction model (long run analysis) shows that external reserve has a negative and statistically significant relationship with Nigerian economic growth. The above stance is in consonance with some empirical studies of[13,] which concluded that there was a negative and statistically significant relationship between external reserve and economic growth in Nigeria during the period of the study.

In conclusion, the finding of the parsimonious error correction model (long run analysis) shows that exchange rate has a negative and statistically insignificant correlation with Nigerian economic growth. This is the surprising findings as there are no specific conditions under which the exchange rate has an insignificant effect on economic growth. However, some studies suggest that the impact of exchange rate fluctuations on output growth and inflation is limited [2] . Additionally, some studies have found that a high real exchange rate (undervaluation of the currency) stimulates economic growth, particularly for developing countries [3]. Conversely, other studies have found that a real appreciation (depreciation) of the exchange rate reduces (raises) annual real GDP growth [6]. Therefore, the impact of exchange rates on economic growth is complex and depends on various factors, including the country's economic conditions, exchange rate regime, and other macroeconomic variables[5,6]. This study has offered potential opportunity for future research to explore and provide answers to under what condition can exchange rate not insignificantly influence a country's economic growth.

The financial stability reaction function has two (2) variables. Real Gross domestic product is the dependent variable while returns on asset (ROA) and non-performing loan (NPL) were the independent variables. Both explanatory variables (ROA and NPL) have negative effect on Nigerian economic growth. The result of the parsimonious error correction model (long run analysis) indicates that return on asset has a negative and statistically significant relationship with Nigerian economic growth. While The result of the parsimonious error correction model (long run analysis) shows that non-performing loan has a negative and statistically insignificant relationship with Nigerian economic growth.

Capital flight can pose a significant threat to financial stability. The sudden and massive outflows of capital can trigger financial crises by depleting foreign exchange reserves, destabilizing exchange rates, and causing liquidity problems within the domestic financial system. Research by finance scholars underscores that capital flight can exacerbate banking sector vulnerabilities, leading to credit contractions and banking crises. Moreover, financial instability stemming from capital flight can erode investor confidence, thereby further exacerbating the problem. As a result, maintaining a robust and stable financial system is crucial for mitigating the risks associated with capital flight.

The relationship between capital flight, financial stability, and economic growth is also intimately connected. High levels of capital flight can undermine a country's economic growth prospects. Recent studies, such as those by finance experts have indicated that capital flight often leads to reduced investment, both domestic and foreign, and lower economic output. It hampers the ability of governments to finance public expenditures and infrastructure projects, which are essential for long-term growth. In addition, capital flight can lead to a depreciation of the domestic currency, which may result in higher inflation and reduced purchasing power for consumers, further hampering economic growth. These

adverse consequences of capital flight underscore the importance of maintaining a conducive economic environment for sustainable growth. On the flip side, a lack of financial stability can be a driver of capital flight. Recent research highlights that investors may seek to move their assets abroad when they perceive a high degree of financial instability within their home country. This exacerbates the outflow of capital and intensifies the negative impact on economic growth. Therefore, policymakers must address the root causes of financial instability, such as weak regulatory frameworks, inadequate supervisory mechanisms, and corruption, to curb capital flight and foster economic growth.

In conclusion, the extant literature underscores the intricate relationship between capital flight, financial stability, and economic growth. Capital flight can destabilize a country's financial system, leading to financial crises, while simultaneously impeding economic growth. Conversely, financial instability can contribute to capital flight, exacerbating its negative consequences. As such, effective policies to address capital flight and enhance financial stability are essential for fostering sustained economic growth, as they are inextricably linked in the complex dynamics of the global economy.

Summary Table of Findings

The Table below indicates a summary of the findings after testing for the six hypotheses.

Table 4.11: Hypotheses Testing Results

Hypotheses	Coefficient	P-Value	Significance	Decision
Ho1: Capital outflow (**CO**) will have no significant effect on Nigerian economic growth.	-0.289965	0.0062	P-Value (0.0062) < 0.05	We reject the Null hypothesis and conclude that capital outflow has significant effect on Nigerian economic growth.
Ho2: External Debt (**ED**) will have no significant effect on Nigerian economic growth.	-0.088933	0.7899	P-Value (0.7899) > 0.05	We accept the Null hypothesis and conclude that that external debt has no significant effect on Nigerian economic growth
Ho3: External reserve (**ER**) will have no significant effect on Nigerian economic growth.	-57032.05	0.0329	P-Value (0.0329) < 0.05	We reject the Null hypothesis and conclude that external reserve has significant effect on Nigerian economic growth.
Ho4: Exchange rate (EX) will have no significant effect on Nigerian economic growth.	-0.235292		P-Value (0.422)> 0.05	We accept the Null hypothesis and conclude that exchange rate has no significant effect on Nigerian economic growth
Ho5: Return on Asset (ROA) will have no significant effect on Nigerian economic growth.	-0.051184	0.039	P-Value (0.0390) < 0.05	We reject the Null hypothesis and conclude that return on asset (ROA) has significant effect on Nigerian economic growth
Ho6: Non-performing loan (NPL) will have no significant effect on Nigerian economic growth	-0.016001	0.4983	P-Value (0.4983)> 0.05	We accept the Null hypothesis and conclude that non-performing loan (NPL) has no significant effect on Nigerian economic growth

Source: Researchers compilation for Field result 2023

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Chapter Five

Conclusion

This chapter discusses the summary of the findings, conclusions and recommendations of the study. The findings of this study concisely summarize the contributions of the study to knowledge whilst also emphasizing respective implications of findings, limitations to study as well as suggestions for further studies.

5.1 Summary of Findings

The study evaluated the effect of capital flight and financial stability on Nigeria economic growth. Capital flight reaction was estimated using capital outflow, external debt, external reserve and exchange rate as explanatory variables against gross domestic product as the dependent variable. While financial stability reaction was assessed by using return on asset and non-performing loan as independent variables against gross domestic product as the explained variable. Real gross domestic product was used to measure Nigerian economic growth. Hence, this study examined the effect of capital flight vis-à-vis capital outflow, external reserve, external debt, and exchange rate on the real GDP as a proxy for economic growth. It also assessed the effect of financial stability vis-à-vis return on asset and non-performing loan on the real GDP as an indicator of Nigerian economic growth. Secondary data were sourced from World Bank, IMF, NBS, and CBN reports and annual reports of 8 financial institution with international authorization from 2002-2021 to achieve the objectives of this study. Following the interpretation of analyses of data collected and findings of the study, the following can be summed up as the major empirical findings of this study:

1. Capital outflow has a negative and significant effect on Nigerian economic growth (β = -0.289965; P-Value = 0.006).

2. External debt has no significant effect on Nigerian economic growth (β = -0.088933; P-Value = 0.7899).
3. External reserve has negative and significant effect on Nigerian economic growth (β = -57032.05; P-Value =0.0329).
4. Exchange rate has no significant effect on Nigerian economic growth (β = -0.235292; P-Value = 0.422).
5. Return on asset has a negative significant effect on Nigerian economic growth (β = -0.051184; P-Value = 0.0390).
6. Non-performing loan has no significant effect on Nigerian economic growth (β = -0.016001; P-Value =0.4983).

5.2 Conclusion

Although there are significant numbers of experimental studies on the effect of capital flight on economic growth in emerging countries in Sub-Saharan Africa, this study investigated the effect of capital flight and financial stability on Nigerian economic growth. Hence, the conclusions drawn from this study's empirical findings indicate that there was a negative functional relationship between capital outflow and Nigerian economic growth and the effects were significant. Therefore, capital outflow (flight) was discovered to have affected economic growth and the effect of capital outflow (flight) on Nigerian economic growth was significant.

The findings of this study substantiate the Purchasing Power Parity (PPP) theory which postulates that when investors expect a real depreciation, they gravitate towards engaging in capital flight to prevent the risk of loss of purchasing power and to serve as hedge on the risk of loss of purchasing power. This action affects real gross domestic negatively and reduces a country's economic growth. This study revealed that capital outflow (flight) affected

Nigerian economic growth during the period of study and the effect was significant. The findings of this study demonstrated that all forms of capital flight are bad for the economy.

Also, the results established that there was a negative correlation between external debt and Nigerian economic growth. However, the effect was not significant on Nigerian economic growth. This validated the debt overhang theory which postulates that there is a likelihood that in time to come, external debt will be greater than the country's repayment ability and the estimated debt servicing payments will dissuade both the domestic and overseas investments and reduces returns on investments and lower economic growth. The theory demonstrates that the stock of public debt as well as the debt payments influence economic growth and modifies the significances of public expenditure by this means preventing investment in the country. Therefore, external debt negatively affects Nigerian economic growth. Although the negative effect has not reduced Nigerian economic growth. Nevertheless, increased borrowing might result in the insignificant to turn significant and this may possibly lead to government's inability to fund its future debt commitments when they fall due.

Moreover, findings showed that there was a negative relationship between external reserve and Nigerian economic growth and the effects were significant on Nigerian economic growth. Thus, external reserve was revealed to have affected economic growth and the effect of external reserve on Nigerian economic growth was significant. The implication of this is that a high external reserve would make Nigeria's economy to be better off, while a low external reserve would be harmful to the economy. This can be accomplished by enhancing local production of important goods and services to reduce the outflow of foreign reserve and diversifications of the economy.

Findings also revealed that there was a negative correlation between exchange rate and Nigerian economic growth. However, the effect was insignificant on Nigerian economic growth. Thus, exchange rate was discovered to have affected economic growth and the effect of exchange rate on Nigerian economic growth was insignificant. The results of this study establish that capital outflows transactions of a country directly and indirectly control its exchange rates, and this is influenced by capital flight in Nigeria. The findings of this study authenticate the Purchasing Power Parity (PPP) theory which postulates that when investors expect a real depreciation in the economy, they gravitate towards engaging in capital flight to prevent the risk of loss of purchasing power and to serve as hedge on the risk of loss of purchasing power.

Further analysis suggested that there was a negative relationship between return on asset and Nigerian economic growth and the effects were significant with Nigerian economic growth. Hence, return on asset was discovered to have affected economic growth and the effect of return on asset on Nigerian economic growth was significant. This signifies that return on assets of deposit money banks have negative significant effect on Nigerian economic growth. The results depicted that there was a negative correlation between non-performing loan and Nigerian economic growth. However, the effect was insignificant on Nigerian economic growth. Therefore, non-performing loan was revealed to have affected economic growth and the effect of non-performing loan on Nigerian economic growth was insignificant.

In all, this study contributes to the reform agenda by offering empirical evidence to support the ripple effect of capital flight and financial stability on government capacity to grow Nigeria economic. Hence, the study provides the Federal government of Nigeria with the strategic information it needs to make evidence-based choices concerning addressing capital flight and financial stability of Nigeria.

5.3 Recommendations

1. On the effects of capital outflow on real gross domestic product (Nigerian economic growth).

   i. Government at federal and state levels must provide friendly environment through the availability of infrastructural amenities such as motorable roads, regular water supply, continuous power supply and effective and cheap communication network to encourage investments which will bring more capital inflows from foreign countries.

   ii. Government should give anti-graft agencies such as EFCC, ICPC freedom without interference to carry out their duties by ensuring that all the channels through which public office holders (politicians, civil servants, captain of industries, etc.,) launder or move money overseas are blocked. Also, both the local and international anti-corruption law must be implemented without fear or favour to reduce the quantum of laundered money.

   iii. Government at all levels should take concerted steps to improve security of life and property in the country since insecurity is a serious threat to investment and economic development because insecurity will force investors to move their investments and assets out of the country. The issues of boko haram, banditry, terrorists, Indigenous People of Biafra (IPOB), and Oodua Nation agitators should be considered with all seriousness that it requires.

   iv. Government should enact law to protect and encourage Nigerians involved in capital flight in the past to repatriate their stolen money/ laundered money back home and invest them into the real sector of the economy.

   v. Government as well as policymakers should ensure that multinational companies fully disclose publicly their incomes, profits or losses, sales, tax payment, affiliate companies, and staff strengths on a country-by-country basis.

2. On the effect of external debt on real gross domestic product (Nigerian economic growth).

i. There must be a limit on foreign borrowing tendencies of government at all levels and agencies as well as private sector organizations. In addition, foreign borrowing must be limited to only infrastructural development desires of the country. This will guarantee that the proceeds of foreign borrowing will be channeled towards activities that have long-term economic uses.

ii. Government should ensure that overseas loans are utilized or invested on the exact projects/programme for which the funds were borrowed for in the first instance, to discourage capital flight through funds diversion and money laundering and reduction of the costs of production in the country through infrastructural projects/programme.

iii. Government needs to look inwards when there is a need to borrow money. When money is borrowed locally, interest paid on such loans would remain in the economy of the country and this could be plough back into additional productive economic use and provide employments to the teeming youths. Except where this is extremely difficult to do. For instance, when capital merchandises such as military equipment and other supplementary goods would be imported into the country since they are not produced within the country and this involves borrowing from abroad. However, government needs to reduce this type of borrowing to alleviate the undesirable effect of external debt on economic growth.

3. On the effect of external reserve on real gross domestic product (Nigerian economic growth).

i. Government must provide an enabling business and investment environment that encourages the ease of doing business in the country, and this has the potential encourage foreign direct investments to dissuade capital flight in the country.

ii. Healthy and stable external reserves balances must be maintained to enhance investors' confidence in their ability to repatriate invested capital without difficulties. This can be accomplished by enhancing local production of important goods and services to reduce the outflow foreign exchange.

4. On the effect of Exchange Rate on real gross domestic product (Nigerian economic growth).
   i. Since, exchange rate appreciation and depreciation can cause an increase in capital flight, therefore fiscal authorities seriously need to pursue policy that produces less exchange rate uncertainties and volatilities.
   ii. Nigeria Government should stop importation of petroleum products into the country and fix all the refineries in the country to reduce foreign currency spent on importation of petroleum products.
   iii. Government needs to improve the country's foreign exchange policies to eradicate the need to continuously protect the local currency with the country's foreign exchange reserves.
   iv. Establishment of a steady exchange rate regime capable of encouraging capital inflows into the country in the form of foreign private investment which could also positively affect private domestic investment in the country.

5. On the effect of return on asset on real gross domestic product (Nigerian economic growth).
   i. Regulatory authorities should continue to strengthen the level of financial stability by tracking and dealing with signs of uncertainty that may lead to financial distress that

can result in harmful economic development. They should also focus more on and support the degree of financial stability in the country so long as it has a direct positive effect on the overall banking performance.

ii. Regulatory authorities must always scrutinize financial institutions financial transactions and dealings with other countries to avert any damaging linkages that might arise because of financial integration with other countries.

6. On the effect of non-performing loan on real gross domestic product (Nigerian economic growth).

i. Regulatory authorities must work with the appropriate government ministries and agencies to establish special commercial courts for the speedy adjudication and enforcement of loan contracts between banks and their customers. This measure is important to reduce the occurrences of non-performing loans in the banking system in the country.

ii. The current efforts designed at checkmating loan defaults in the banking system through the application of the global standing instruction (GSI) regulations should be improved upon, sustained, and extended to non-individual customers of financial institutions.

iii. The Central Bank of Nigeria must make its monetary policy more accepting through downward modification in monetary policy rate (MPR) to positively affect lending rates in banks. Additionally, the cash reserve requirements (CRR) should be reduced to give room for more resources for lending. The current high lending rates in the banking industry are unfavorable to support real sector economy and, therefore, incapable of motivating economic growth.

5.4 Contributions to Knowledge

The findings of this study made important contributions to academia and practitioners in the following ways:

Based on the conceptual review done, this study offers immerse contribution to knowledge conceptually in several ways. This study identified and filled conceptual gaps in literature regarding capital flight and financial stability and Nigeria economic growth.

Likewise gap regarding the use of the real GDP as a measure of economic growth was also addressed. The real GDP had already factored or controlled for inflation which the nominal GDP would not have addressed. This was done considering; many prior studies have only considered the economic growth using the GDP at nominal value. This study also contributed to conceptual knowledge via its conceptual model developed. This is another area in which this study has contributed to the body of knowledge because no known similar studies, both theoretical and empirical, have utilized the model in their studies. Hence, adding to models that can explain the link between capital flight, financial stability, and economic growth in Nigeria.

The outcome of this study offered additional support for the tenets of the purchasing power parity theory and debt overhang theory, which provided the theoretical underpinnings for this study. Specifically, these theories offered a complementary explanation to substantiate the interaction between capital flight, financial stability and economic growth. Purchasing Power Parity Theory, Debt Overhang Theory, and their relationship with capital flight, financial stability, and economic growth offer important insights into the dynamics of international finance and their impact on economies. Purchasing Power Parity Theory is a concept that suggests exchange rates between two currencies will adjust over time to equalize the prices of

an identical basket of goods in both countries. In the context of capital flight, this theory becomes relevant when an exchange rate is significantly misaligned due to speculative actions or economic imbalances. Capital flight, where residents move funds abroad to seek better returns or safety, can lead to exchange rate depreciation or appreciation. If a country experiences capital flight and its currency depreciate, purchasing power parity theory may be a corrective force, eventually restoring balance.

Debt Overhang Theory, on the other hand, focuses on the negative impact of excessive debt burdens on economic growth. If a country accumulates significant levels of external debt, it can lead to a situation where the debt burden becomes unsustainable, potentially triggering capital flight. Investors may withdraw capital in anticipation of a debt crisis, causing financial instability. When capital flight occurs due to debt overhang, it can exacerbate financial instability and hinder economic growth, as resources that could have been invested productively are diverted to service debt. The link between these theories, capital flight, financial stability, and economic growth is intricate. Capital flight can be both a cause and consequence of financial instability. When investors perceive financial instability, they may withdraw capital, contributing to a vicious cycle of instability. The resulting instability can erode confidence and hinder economic growth. In this scenario, the PPP theory may operate as a stabilizing force, helping to correct exchange rate misalignments caused by capital flight and potentially restoring investor confidence.

The interplay between purchasing power parity theory and Debt Overhang Theory can help explain how capital flight affects financial stability and economic growth. Capital flight can trigger financial instability, and if it arises from debt overhang, it can be particularly detrimental. The application of purchasing power parity theory may offer a corrective

mechanism, but its effectiveness depends on various factors, including the extent of capital flight, the nature of the debt overhang, and the policy responses implemented by the affected country. Managing these dynamics is crucial to ensure that capital flight does not unduly disrupt financial stability and hinder economic growth. Therefore, on the strength of the outcomes of theory testing (see Test of hypotheses), this study confirms that via the complementary role played by the purchasing power parity theory and debt overhang theory, this study has made a significant contribution to theory application and offers future studies the ability to infuse these theories to provide theoretical basis and explanation for the achievement of the aim of a study.

This study evaluated the interactions between capital flight and economic growth on one hand, and on the other the effect of financial stability on economic growth of Nigeria using data set from 2002 to 2021. The empirical outcome of this study contributes to the existing literature and empirical findings around economic and finance literature with emphasis on capital flight, financial stability, and economic growth of Nigeria and equally served as a reference material for future researchers. Specifically, the empirical findings from the test of hypotheses suggested that capital flight and financial stability are critical macroeconomic factors that can trigger Nigeria economic growth and development if handle appropriately.

These empirical submissions are a product of hypotheses testing, and they offer future researchers the opportunity of having a robust finding to aid their empirical reviews in their studies and the basis to corroborate and present a contrary outcome as with this study's submission, hence pushing forward the frontier of knowledge in finance field. Overall, these above-mentioned points lay emphasis on the fact that this study offers significant contribution to knowledge and has practical implication for the federal and State government.

5.5 Suggested Areas for Further Studies

The findings of this study have established a ground for further study in several areas. In the first instance, the model's R-squared for capital flight reaction was 55.2% which showed that the four representations of capital flight reaction described the changes in Nigerian economic growth by up to 55.2% during the period of study. While the model's R-squared for financial stability reaction was 76% which showed that the two representations of financial stability reaction explained the changes in Nigerian economic growth by up to 76% during the period of study. Channels of capital flight are numerous, and one research work is not sufficient to capture all the conduits used to push capital out legitimately and illegitimately out of the country. Hence, future study may need to explore other critical avenues of capital flight to provide robust understanding of the issues and their attendant consequences to the Nigeria economy.

In the same vein, channels of financial stability are multiple that two representations of financial stability might not be adequate to capture all the proxies of financial stability. As such, more robust academic investigation is encouraged to make more informed inferences on the effect of capital flight, financial stability on Nigerian economic growth. Additionally, more research works need to be embarked on with researchers expanding the scope to more sub-variables to make more informed inferences.

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Appendices

Appendix 1

Research Data

Data of Real GDP, Capital Outflow (CO), External Reserve (ER), External Debt (ED), Exchange Rate (EX)

Year	Real GDP (N'MILLION)	Capital Outflow (N'MILLION)	External Reserve (N'MILLION)	External Debt (N'MILLION)	Exchange Rate	Growth Rate
2002	31,064,270	9,235	931,469	3,932,885	120.97	
2003	33,346,620	10,969	970,200	4,478,329	129.36	7.35%
2004	36,431,370	17,965	2,269,500	4,890,270	133.5	9.25%
2005	38,777,010	2,394,874	3,737,070	2,695,072	132.15	6.44%
2006	41,126,680	2,185,454	5,441,638	451,462	128.65	6.06%
2007	43,837,390	2,927,918	6,459,231	438,891	125.83	6.59%
2008	46,802,760	2,954,932	6,284,210	523,254	118.57	6.76%
2009	50,564,260	5,951,679	6,309,832	590,437	148.88	8.04%
2010	55,469,350	3,944,843	4,860,552	689,837	150.3	9.70%
2011	58,180,350	4,283,818	4,975,679	896,850	153.86	4.89%
2012	60,670,050	4,726,780	5,140,643	1,026,904	157.5	4.28%
2013	63,942,850	3,829,365	6,894,897	1,387,332	157.31	5.39%
2014	67,977,460	3,008,184	5,428,911	1,631,500	158.55	6.31%
2015	69,780,690	693,861	5,466,925	2,111,510	193.28	2.65%
2016	68,652,430	7,898,120	6,841,949	3,478,915	253.49	-1.62%
2017	69,205,690	15,171,894	12,033,754	5,787,513	305.79	0.81%

2018	70,536,350	16,980,208	13,037,478	7,759,232	306.08	1.92%
2019	72,094,090	502,615	11,691,504	9,022,422	306.92	2.21%
2020	70,800,540	7,872,816	13,088,312	12,705,618	358.81	-1.79%
2021	73,382,770	3,153,256	14,473,752	15,855,231	399.96	3.65%

Appendix II

Data of Return on Assets and Non-Performing Loan (NPL) on Select Banks

Commercial banks in Nigeria

BANK	YEAR	PAT (N'M)	TA (N'M)	GE (N'M)
ACCESS	2002	(55)	11,343	2,604
ACCESS	2003	557	22,582	4,368
ACCESS	2004	637	31,342	5,515
ACCESS	2005	502	66,918	7,495
ACCESS	2006	737	174,554	13,360
ACCESS	2007	6,083	328,615	27,881
ACCESS	2008	16,056	1,043,465	57,627
ACCESS	2009	(880)	647,575	75,848
ACCESS	2010	12,931	726,961	79,065
ACCESS	2011	16,708	1,634,747	138,949
ACCESS	2012	38,405	1,745,177	208,309
ACCESS	2013	36,298	1,835,466	202,041
ACCESS	2014	42,976	2,104,361	207,698
ACCESS	2015	65,869	2,591,330	241,265
ACCESS	2016	71,439	3,483,866	302,726
ACCESS	2017	60,087	4,102,242	459,076
ACCESS	2018	94,981	4,954,157	528,745
ACCESS	2019	97,510	7,146,610	666,754
ACCESS	2020	106,010	8,679,748	634,864
ACCESS	2021	160,216	11,731,965	734,283

FIDELITY	2002	N/A	N/A	N/A
FIDELITY	2003	857	22,517	4,386
FIDELITY	2004	914	27,552	5,471
FIDELITY	2005	1,237	34,953	6,159
FIDELITY	2006	3,219	121,089	11,931
FIDELITY	2007	4,714	218,332	24,859
FIDELITY	2008	13,356	535,480	42,660
FIDELITY	2009	1,431	506,267	72,275
FIDELITY	2010	6,105	481,614	56,048
FIDELITY	2011	5,468	740,941	70,048
FIDELITY	2012	17,924	914,360	119,137
FIDELITY	2013	7,721	1,081,217	126,918
FIDELITY	2014	13,796	1,187,025	136,094
FIDELITY	2015	13,904	1,231,722	146,891
FIDELITY	2016	9,734	1,298,141	152,021
FIDELITY	2017	18,857	1,379,214	179,896
FIDELITY	2018	22,926	1,719,883	188,873
FIDELITY	2019	28,425	2,114,037	218,011
FIDELITY	2020	26,650	2,758,148	206,204
FIDELITY	2021	35,579	3,289,479	250,774

Input data: PAT, Total Assets, Gross Earnings, (2002-2021) contd.

BANK	YEAR	PAT (N'M)	TA (N'M)	GE (N'M)
FCMB	2002	N/A	N/A	N/A
FCMB	2003	N/A	N/A	N/A
FCMB	2004	248	23,736	3,124
FCMB	2005	798	51,318	6,121
FCMB	2006	2,833	106,674	11,185
FCMB	2007	5,948	262,841	24,973
FCMB	2008	15,109	467,337	52,819
FCMB	2009	564	463,620	35,789
FCMB	2010	7,935	538,591	62,686
FCMB	2011	(9,915)	601,616	80,398
FCMB	2012	15,292	908,545	116,877
FCMB	2013	16,001	1,008,280	130,571
FCMB	2014	22,133	1,169,364	148,637
FCMB	2015	4,760	1,159,534	152,508
FCMB	2016	14,339	1,172,778	176,352
FCMB	2017	9,410	1,186,179	169,882
FCMB	2018	14,972	1,431,298	177,249
FCMB	2019	17,337	1,668,506	181,250
FCMB	2020	19,610	2,058,393	199,439
FCMB	2021	20,917	2,493,198	212,012
FBN	2002	4,776	290,593	46,267

FBN	2003	11,010	409,083	50,597
FBN	2004	11,483	384,211	51,318
FBN	2005	13,234	470,839	57,255
FBN	2006	17,383	616,824	67,440
FBN	2007	20,367	884,604	90,323
FBN	2008	12,569	2,009,914	217,630
FBN	2009	3,189	2,172,346	196,408
FBN	2010	29,177	2,304,686	232,079
FBN	2011	44,786	2,839,373	296,329
FBN	2012	75,670	3,186,129	348,902
FBN	2013	70,631	3,869,001	385,013
FBN	2014	82,839	4,342,666	432,882
FBN	2015	15,148	4,166,189	467,470
FBN	2016	12,243	4,736,805	486,247
FBN	2017	37,708	5,236,537	557,012
FBN	2018	59,667	5,568,316	545,169
FBN	2019	73,665	6,203,526	535,315
FBN	2020	89,730	7,689,028	590,663
FBN	2021	151,079	8,932,373	757,296

Input data: PAT, Total Assets, Gross Earnings, (2002-2021) cont.

BANK	YEAR	PAT (N'M)	TA (N'M)	GE (N'M)
GTB	2002	2,187	65,021	11,169
GTB	2003	3,259	89,497	16,522
GTB	2004	4,126	133,835	18,917
GTB	2005	5,434	185,151	25,459
GTB	2006	8,590	308,411	33,615
GTB	2007	13,194	486,491	49,051
GTB	2008	28,316	959,184	100,606
GTB	2009	23,687	1,066,504	162,550
GTB	2010	38,347	1,152,412	153,908
GTB	2011	51,742	1,608,653	182,409
GTB	2012	87,296	1,734,878	221,940
GTB	2013	90,024	2,102,846	242,665
GTB	2014	98,695	2,355,877	278,521
GTB	2015	99,437	2,524,594	301,850
GTB	2016	132,281	3,116,393	414,616
GTB	2017	167,913	3,351,097	419,226
GTB	2018	184,640	3,287,343	434,699
GTB	2019	196,849	3,758,919	358,622
GTB	2020	201,440	4,944,653	455,230
GTB	2021	174,840	5,436,034	447,810
UBN	2002	5,866	299,755	39,382

UBN	2003	8,262	366,677	44,013
UBN	2004	8,933	418,728	48,166
UBN	2005	10,074	550,983	58,898
UBN	2006	10,868	667,766	66,576
UBN	2007	13,770	699,247	88,095
UBN	2008	(72,854)	1,238,797	146,301
UBN	2009	(281,373)	1,160,706	113,680
UBN	2010	106,472	1,000,691	130,414
UBN	2011	(59,139)	1,047,121	68,511
UBN	2012	17,180	1,038,044	72,058
UBN	2013	6,262	1,002,756	67,596
UBN	2014	26,562	1,009,157	90,524
UBN	2015	14,301	1,049,731	117,211
UBN	2016	15,391	1,252,682	126,590
UBN	2017	13,008	1,455,540	163,844
UBN	2018	18,093	1,463,858	145,517
UBN	2019	19,875	1,872,231	166,545
UBN	2020	18,672	2,191,026	160,292
UBN	2021	16,919	2,595,769	177,269

Input data: PAT, Total Assets, Gross Earnings, (2002-2021) contd.

BANK	YEAR	PAT (N'M)	TA (N'M)	GE (N'M)
UBA	2002	1,566	200,196	22,521
UBA	2003	3,280	203,871	24,194
UBA	2004	4,525	212,024	24,510
UBA	2005	4,921	250,783	26,089
UBA	2006	11,550	884,137	90,447
UBA	2007	21,441	1,191,042	109,512
UBA	2008	40,825	1,673,333	169,506
UBA	2009	2,375	1,548,281	246,725
UBA	2010	598	1,617,696	177,571
UBA	2011	(9,647)	1,942,793	184,833
UBA	2012	54,766	2,272,923	220,129
UBA	2011	(6,801)	1,920,435	163,732
UBA	2012	54,766	2,272,923	220,129
UBA	2013	46,601	2,642,296	264,687
UBA	2014	47,907	2,762,573	290,019
UBA	2015	59,654	2,752,622	314,844
UBA	2016	72,264	3,504,470	383,647
UBA	2017	77,548	4,069,474	408,594
UBA	2018	78,607	4,869,738	456,919
UBA	2019	89,089	5,620,907	515,391
UBA	2020	113,765	7,697,980	554,805

UBA	2021	118,678	8,541,318	632,910
ZENITH	2002	3,504	92,563	26,712
ZENITH	2003	4,424	112,535	16,462
ZENITH	2004	6,405	193,321	56,221
ZENITH	2005	7,156	329,717	52,271
ZENITH	2006	11,489	608,505	141,712
ZENITH	2007	18,780	972,943	253,179
ZENITH	2008	51,992	1,787,832	458,017
ZENITH	2009	20,603	1,659,703	277,300
ZENITH	2010	37,414	1,895,027	192,488
ZENITH	2011	45,852	2,325,695	243,948
ZENITH	2012	98,130	2,604,504	307,082
ZENITH	2013	91,588	3,143,133	351,470
ZENITH	2014	99,455	3,755,264	403,343
ZENITH	2015	105,663	4,006,842	432,535
ZENITH	2016	129,652	4,739,825	507,997
ZENITH	2017	177,933	5,595,253	745,189
ZENITH	2018	193,424	5,955,710	630,344
ZENITH	2019	208,843	6,346,879	662,251
ZENITH	2020	230,565	8,481,272	672,558
ZENITH	2021	244,558	9,447,843	765,558

Source: Banks' Annual Reports from 2002 to 2021.

Appendix III

Input data: ROA, NPL (2002-2021).

BANK	YEAR	ROA (%)	NPL (N'M)	
ACCESS	2002	-0.48	729	
ACCESS	2003	2.47	775	
ACCESS	2004	2.03	914	
ACCESS	2005	0.75	1,752	
ACCESS	2006	0.42	8,092	
ACCESS	2007	1.85	10,741	
ACCESS	2008	1.54	9,589	
ACCESS	2009	-0.14	61,764	
ACCESS	2010	1.78	80,671	
ACCESS	2011	1.02	56,093	
ACCESS	2012	2.20	34,339	
ACCESS	2013	1.98	28,154	
ACCESS	2014	2.04	25,260	
ACCESS	2015	2.54	24,220	
ACCESS	2016	2.05	93,512	
ACCESS	2017	1.46	104,972	
ACCESS	2018	1.92	55,450	
ACCESS	2019	1.36	188,462	
ACCESS	2020	1.22	471,773	
ACCESS	2021	1.37	204,078	

FIDELITY	2002	N/A	N/A	
FIDELITY	2003	3.81	1,532	
FIDELITY	2004	3.32	2,008	
FIDELITY	2005	3.54	1,822	
FIDELITY	2006	2.66	7,968	
FIDELITY	2007	2.16	6,351	
FIDELITY	2008	2.49	7,208	
FIDELITY	2009	0.28	48,085	
FIDELITY	2010	1.27	69,647	
FIDELITY	2011	0.74	16,820	
FIDELITY	2012	1.96	13,383	
FIDELITY	2013	0.71	16,573	
FIDELITY	2014	1.16	17,451	
FIDELITY	2015	1.13	20,776	
FIDELITY	2016	0.75	24,719	
FIDELITY	2017	1.37	26,578	
FIDELITY	2018	1.33	17,664	
FIDELITY	2019	1.34	35,994	
FIDELITY	2020	0.97	49,414	
FIDELITY	2021	1.08	43,648	

Input data: ROA, NPL (2002-2021) contd.

BANK	YEAR	ROA (%)	NPL (N'M)	
FCMB	2002	N/A	N/A	
FCMB	2003	N/A	N/A	
FCMB	2004	1.04	96	
FCMB	2005	1.56	553	
FCMB	2006	2.66	8,254	
FCMB	2007	2.26	2,740	
FCMB	2008	3.23	5,291	
FCMB	2009	0.12	22,517	
FCMB	2010	1.47	19,298	
FCMB	2011	-1.65	9,585	
FCMB	2012	1.68	9,541	
FCMB	2013	1.59	17,962	
FCMB	2014	1.89	22,962	
FCMB	2015	0.41	25,370	
FCMB	2016	1.22	25,475	
FCMB	2017	0.79	33,221	
FCMB	2018	1.05	40,195	
FCMB	2019	1.04	26,488	
FCMB	2020	0.95	28,567	
FCMB	2021	0.84	45,933	
FBN	2002	1.64	33,231	

FBN	2003	2.69	40,764	
FBN	2004	2.99	46,375	
FBN	2005	2.81	39,574	
FBN	2006	2.82	17,345	
FBN	2007	2.30	6,713	
FBN	2008	0.63	36,487	
FBN	2009	0.15	93,988	
FBN	2010	1.27	92,576	
FBN	2011	1.58	33,628	
FBN	2012	2.37	41,444	
FBN	2013	1.83	54,291	
FBN	2014	1.91	78,843	
FBN	2015	0.36	486,875	
FBN	2016	0.26	584,197	
FBN	2017	0.72	520,028	
FBN	2018	1.07	831,177	
FBN	2019	1.19	254,722	
FBN	2020	1.17	269,780	
FBN	2021	1.69	253,162	

Input data: ROA, NPL (2002-2021) contd.

BANK	YEAR	ROA (%)	NPL (N'M)	
GTB	2002	3.36		
GTB	2003	3.64		
GTB	2004	3.08	1,261	
GTB	2005	2.93	1,428	
GTB	2006	2.79	2,960	
GTB	2007	2.71	2,403	
GTB	2008	2.95	7,778	
GTB	2009	2.22	70,826	
GTB	2010	3.33	42,961	
GTB	2011	3.22	24,559	
GTB	2012	5.03	268,491	
GTB	2013	4.28	168,754	
GTB	2014	4.19	216,944	
GTB	2015	3.94	231,685	
GTB	2016	4.24	314,197	
GTB	2017	5.01	361,708	
GTB	2018	5.62	99,445	
GTB	2019	5.24	104,423	
GTB	2020	4.07	113,698	
GTB	2021	3.22	91,888	
UBN	2002	1.96	16,638	

UBN	2003	2.25	19,935	
UBN	2004	2.13	25,899	
UBN	2005	1.83	23,610	
UBN	2006	1.63	28,332	
UBN	2007	1.97	34,139	
UBN	2008	-5.88	71,700	
UBN	2009	-24.24	213,972	
UBN	2010	10.64	118,140	
UBN	2011	-5.65	27,361	
UBN	2012	1.66	26,862	
UBN	2013	0.62	26,416	
UBN	2014	2.63	16,934	
UBN	2015	1.36	25,937	
UBN	2016	1.23	37,026	
UBN	2017	0.89	110,911	
UBN	2018	1.24	45,434	
UBN	2019	1.06	34,760	
UBN	2020	0.85	29,445	
UBN	2021	0.65	38,660	

Input data: ROA, NPL (2002-2021) contd.

BANK	YEAR	ROA (%)	NPL (N'M)	
UBA	2002	0.78	1,386	
UBA	2003	1.61	4,246	
UBA	2004	2.13	2,286	
UBA	2005	1.96	2,420	
UBA	2006	1.31	15,095	
UBA	2007	1.80	14,664	
UBA	2008	2.44	5,053	
UBA	2009	0.15	57,916	
UBA	2010	0.04	59,434	
UBA	2011	-0.50	26,458	
UBA	2012	2.41	30,807	
UBA	2013	-0.35	41,617	
UBA	2014	2.41	32,002	
UBA	2015	1.76	45,252	
UBA	2016	1.73	82,067	
UBA	2017	2.17	106,875	
UBA	2018	2.06	121,970	
UBA	2019	1.91	122,644	
UBA	2020	1.61	129,824	
UBA	2021	1.58	105,855	
ZENITH	2002	1.48	281	

ZENITH	2003	1.39	409	
ZENITH	2004	3.79	565	
ZENITH	2005	3.93	2,085	
ZENITH	2006	3.31	2,309	
ZENITH	2007	2.17	3,393	
ZENITH	2008	1.89	7,717	
ZENITH	2009	1.93	48,379	
ZENITH	2010	2.91	44,271	
ZENITH	2011	1.24	53,574	
ZENITH	2012	1.97	49,424	
ZENITH	2013	1.97	49,443	
ZENITH	2014	3.77	31,702	
ZENITH	2015	2.91	85,886	
ZENITH	2016	2.65	121,170	
ZENITH	2017	2.64	151,910	
ZENITH	2018	2.74	193,409	
ZENITH	2019	3.18	103,594	
ZENITH	2020	3.25	119,220	
ZENITH	2021	3.29	140,605	

Source: Banks' Annual Reports from 2002 to 2021.

Appendix IV

Short Run Regression Results

Capital Flight Reaction Result

Dependent Variable: GDP

Method: Least Squares

Date: 12/28/22 Time: 11:07

Sample: 2002-2021

Included observations: 20

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11789482	5681632.	2.075017	0.0556
CO	-0.902895	0.447943	-2.015647	0.0621
ER	325249.5	67666.46	4.806657	0.0002
ED	-4.384546	0.892098	-4.914869	0.0002
EX	0.276411	0.970359	0.284854	0.7797

R-squared	0.861067	Mean dependent var	56132149
Adjusted R-squared	0.824018	S.D. dependent var	14594119
S.E. of regression	6122261.	Akaike info criterion	34.30508
Sum squared resid	5.62E+14	Schwarz criterion	34.55401
Log likelihood	-338.0508	Hannan-Quinn criter.	34.35367
F-statistic	23.24142	Durbin-Watson stat	1.023797
Prob(F-statistic)	0.000003		

Financial Stability Reaction Result

Dependent Variable: NGDP

Method: Least Squares

Date: 12/30/22 Time: 11:37

Sample: 2002 2021

Included observations: 18

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	14.75547	0.325972	45.26600	0.0000
LROA	0.026801	0.086706	0.309100	0.7615
LNPL	0.234209	0.018011	13.00372	0.0000

R-squared	0.918754	Mean dependent var	17.80656
Adjusted R-squared	0.907921	S.D. dependent var	0.301342
S.E. of regression	0.091441	Akaike info criterion	-1.795240
Sum squared resid	0.125421	Schwarz criterion	-1.646845
Log likelihood	19.15716	Hannan-Quinn criter.	-1.774779
F-statistic	84.81231	Durbin-Watson stat	0.876731
Prob(F-statistic)	0.000000		

Appendix V

Long Run Regression Results

(ADF Unit Root Test)

Real Gross Domestic Product (GDP)

Null Hypothesis: RGDP has a unit root

Exogenous: Constant, Linear Trend

Lag Length: 4 (Automatic - based on SIC, maxlag=4)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.848993	0.0432
Test critical values:	1% level	-4.728363	
	5% level	-3.759743	
	10% level	-3.324976	

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations

and may not be accurate for a sample size of 15

Null Hypothesis: D(RGDP) has a unit root

Exogenous: Constant, Linear Trend

Lag Length: 0 (Automatic - based on SIC, maxlag=4)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.104707	0.1346
Test critical values:	1% level	-4.571559	
	5% level	-3.690814	
	10% level	-3.286909	

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations and may not be accurate for a sample size of 18

Capital Outflow (CO)

Null Hypothesis: CO has a unit root

Exogenous: Constant, Linear Trend

Lag Length: 4 (Automatic - based on SIC, maxlag=4)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-2.824240	0.2110
Test critical values:	1% level	-4.728363	
	5% level	-3.759743	
	10% level	-3.324976	

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations and may not be accurate for a sample size of 15

Null Hypothesis: D(CO) has a unit root

Exogenous: Constant, Linear Trend

Lag Length: 2 (Automatic - based on SIC, maxlag=4)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.906383	0.0066
Test critical values:	1% level	-4.667883	
	5% level	-3.733200	
	10% level	-3.310349	

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations

and may not be accurate for a sample size of 16

Exchange Rate (ER)

Null Hypothesis: ER has a unit root

Exogenous: Constant, Linear Trend

Lag Length: 2 (Automatic - based on SIC, maxlag=4)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-0.566704	0.9674
Test critical values:	1% level	-4.616209	
	5% level	-3.710482	
	10% level	-3.297799	

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations

and may not be accurate for a sample size of 17

Null Hypothesis: D(ER) has a unit root

Exogenous: Constant, Linear Trend

Lag Length: 1 (Automatic - based on SIC, maxlag=4)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.218790	0.0204
Test critical values:	1% level	-4.616209	
	5% level	-3.710482	
	10% level	-3.297799	

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations

and may not be accurate for a sample size of 17

External Debt (ED)

Null Hypothesis: ED has a unit root

Exogenous: None

Lag Length: 0 (Automatic - based on SIC, maxlag=4)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		3.791136	0.9997
Test critical values:	1% level	-2.692358	

	5% level	-1.960171
	10% level	-1.607051

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations

and may not be accurate for a sample size of 19

Null Hypothesis: D(ED) has a unit root

Exogenous: None

Lag Length: 0 (Automatic - based on SIC, maxlag=4)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-0.822476	0.3456
Test critical values:	1% level	-2.699769	
	5% level	-1.961409	
	10% level	-1.606610	

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations

and may not be accurate for a sample size of 18

External Reserve (ER)

Null Hypothesis: EX has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=4)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-0.328596	0.9032
Test critical values:	1% level	-3.831511	
	5% level	-3.029970	
	10% level	-2.655194	

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations

and may not be accurate for a sample size of 19

Null Hypothesis: D(EX) has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=4)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.492542	0.0208
Test critical values:	1% level	-3.857386	
	5% level	-3.040391	
	10% level	-2.660551	

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations

and may not be accurate for a sample size of 18

Non-Performing Loan (NPL)

Null Hypothesis: LNPL has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=4)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-1.443514	0.5393
Test critical values:	1% level	-3.831511	
	5% level	-3.029970	
	10% level	-2.655194	

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations

and may not be accurate for a sample size of 19

Null Hypothesis: D(LNPL) has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=4)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.202102	0.0050
Test critical values:	1% level	-3.857386	
	5% level	-3.040391	

	10% level	-2.660551

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations

and may not be accurate for a sample size of 18

Return on Asset (ROA)

Null Hypothesis: LROA has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=3)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.447444	0.0041
Test critical values:	1% level	-3.959148	
	5% level	-3.081002	
	10% level	-2.681330	

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations

and may not be accurate for a sample size of 15

Null Hypothesis: D(LROA) has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=3)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.825580	0.0028
Test critical values:	1% level	-4.057910	
	5% level	-3.119910	
	10% level	-2.701103	

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations and may not be accurate for a sample size of 13

Appendix VI

Johansen Cointegration Test

(Capital Flight Reaction Function)

Date: 12/29/22 Time: 13:10

Sample (adjusted): 2002-2021

Included observations: 18 after adjustments

Trend assumption: Linear deterministic trend

Series: RGDP CO EX ER ED

Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.918941	102.9646	69.81889	0.0000
At most 1 *	0.826944	57.73827	47.85613	0.0045
At most 2	0.657813	26.16370	29.79707	0.1239
At most 3	0.312149	6.860519	15.49471	0.5939
At most 4	0.006933	0.125234	3.841466	0.7234

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.918941	45.22636	33.87687	0.0015
At most 1 *	0.826944	31.57457	27.58434	0.0145
At most 2	0.657813	19.30318	21.13162	0.0884
At most 3	0.312149	6.735285	14.26460	0.5209
At most 4	0.006933	0.125234	3.841466	0.7234

Max-eigenvalue test indicates 2 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegrating Coefficients (normalized by b'*S11*b=I):

RGDP	CO	EX	ER	ED
2.07E-07	5.90E-07	6.07E-07	-0.147223	1.90E-06
-4.81E-08	6.10E-08	-7.69E-07	0.076101	-4.14E-07
-8.07E-10	-6.83E-08	2.92E-07	0.018513	-4.05E-07
1.60E-07	-1.22E-07	-3.08E-07	-0.010599	1.90E-07
1.02E-07	7.90E-07	1.30E-07	-0.117196	8.72E-07

Unrestricted Adjustment Coefficients (alpha):

D(RGDP)	63465.50	-462533.9	-92086.92	-328005.2
D(CF)	-2028423.	-1519915.	-1091319.	801541.7
D(EX)	-475869.7	260308.3	-433561.9	234174.4
D(ER)	1.774672	-4.235225	1.950205	5.285953
D(ED)	-160711.6	-36108.50	495946.1	-52235.44

1 Cointegrating

Equation(s): Log likelihood -1140.532

Normalized cointegrating coefficients (standard error in parentheses)

GDP	CF	EX	ER	ED
1.000000	2.843702	2.926220	-710064.3	9.181836
	(0.33340)	(0.42311)	(50228.7)	(0.48268)

Financial Stability Reaction Function)

Date: 12/30/22 Time: 12:45

Sample (adjusted): 2002 2021

Included observations: 13 after adjustments

Trend assumption: Linear deterministic trend

Series: LNPL LROA NRGDP

Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.824815	43.09231	29.79707	0.0009
At most 1 *	0.635281	20.44747	15.49471	0.0082
At most 2 *	0.431215	7.335287	3.841466	0.0068

Trace test indicates 3 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.824815	22.64484	21.13162	0.0304
At most 1	0.635281	13.11218	14.26460	0.0754
At most 2 *	0.431215	7.335287	3.841466	0.0068

Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegrating Coefficients (normalized by b'*S11*b=I):

LNPL	LROA	NRGDP

-3.522276	-6.488301	9.535604
2.478768	-9.108041	-9.820848
-0.441271	-4.184423	6.523660

Unrestricted Adjustment Coefficients (alpha):

D(LNPL)	0.135253	-0.132803	0.132861
D(LROA)	-0.022756	0.179986	0.024852
D(NRGDP)	0.012063	0.008818	-0.010783

1 Cointegrating Equation(s): Log likelihood 42.44676

Normalized cointegrating coefficients (standard error in parentheses)

LNPL	LROA	NRGDP
1.000000	1.842077	-2.707228
	(0.55187)	(0.26442)

Adjustment coefficients (standard error in parentheses)

D(LNPL)	-0.476399
	(0.33550)
D(LROA)	0.080152
	(0.28543)
D(NRGDP)	-0.042491

(0.02561)

---

2 Cointegrating

Equation(s): Log likelihood 49.00285

Normalized cointegrating coefficients (standard error in parentheses)

LNPL	LROA	NRGDP
1.000000	0.000000	-3.126219
		(0.26973)
0.000000	1.000000	0.227456
		(0.12113)

Adjustment coefficients (standard error in parentheses)

D(LNPL)	-0.805586	0.332011
	(0.35695)	(0.92677)
D(LROA)	0.526296	-1.491678
	(0.21611)	(0.56110)
D(NRGDP)	-0.020634	-0.158582
	(0.02829)	(0.07346)

Appendix VII

Dataset for Capital Flight Reaction Model

YEAR	REAL GDP (N'M)	CO (N'M)	ER (N'M)	ED (N'M)	EX (N/$)
2002	31,064,270	9,235	931,469	3,932,885	120.97
2003	33,346,620	10,969	970,200	4,478,329	129.36
2004	36,431,370	17,965	2,269,500	4,890,270	133.50
2005	38,777,010	2,394,874	3,737,070	2,695,072	132.15
2006	41,126,680	2,185,454	5,441,638	451,462	128.65
2007	43,837,390	2,927,918	6,459,231	438,891	125.83
2008	46,802,760	2,954,932	6,284,210	523,254	118.57
2009	50,564,260	5,951,679	6,309,832	590,437	148.88
2010	55,469,350	3,944,843	4,860,552	689,837	150.30
2011	58,180,350	4,283,818	4,975,679	896,850	153.86
2012	60,670,050	4,726,780	5,140,643	1,026,904	157.50
2013	63,942,850	3,829,365	6,894,897	1,387,332	157.31
2014	67,977,460	3,008,184	5,428,911	1,631,500	158.55
2015	69,780,690	693,861	5,466,925	2,111,510	193.28
2016	68,652,430	7,898,120	6,841,949	3,478,915	253.49
2017	69,205,690	15,171,894	12,033,754	5,787,513	305.79
2018	70,536,350	16,980,208	13,037,478	7,759,232	306.08
2019	72,094,090	502,615	11,691,504	9,022,422	306.92
2020	70,800,540	7,872,816	13,088,312	12,705,618	358.81
2021	73,382,770	3,153,256	14,473,752	15,855,231	399.96

Sources: *CBN Statistical Bulletin (2022)*

Bio-data

A. Personal Data

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E-mail:orenuga1975@gmail.com

Phone No:+2347034718012

Date of Birth: June 22, 1977

Place of Birth: Ibadan, Oyo State

Nationality:Nigeria

Next of Kin:Orenuga, Titilayo Titilola (Mrs)

No. 7, Babs Orenuga Street, Opelope Olorun Estate, Elewuro, Akobo Oju Irin Area, Ibadan.

B. Educational Background

Educational Institutions Attended with Dates and Qualifications

- Ph.D. Finance – Lead University, Ibadan (in view)
- MSc. Accounting – University of Lagos, Akoka, Lagos 2016
- BSc Accounting – Olabisi Onabanjo University, Ago-Iwoye 2006
- NCE, Mathematics/Geography- FCE Kano 1998
- S.S.C.E – Army Day Senior Secondary School, Kano 1994

C. Work Experience with Dates

- First Bank of Nigeria Limited December 2007 – Till Date
- Excel Professional Centre, Mokola, Ibadan (ICAN Lecturer) 2009- 2012
- Kings International Schools, Kano 1999 – 2001

- Amana Secondary School Kano 1998 – 1999

D. Membership of Academic and Professional Bodies

i. Fellow Chartered Accountant (FCA)

E. Publications

i. **Oyedokun, G. E., Babatunde, O., & Adeolu-Akande, M. A**. E-banking Services and Performance of Deposit Money Banks in Nigeria. *Global Research Journal of Accounting and Finance*, 2(1), 2021, 80-91.
ii. **Babatunde, O. & Oyedokun, G. E.** Financial Intermediation and Nigerian Economic Gowth. *International Journal of Social Sciences and Management Review*, 5(1), 2022, 132-148.
iii. **Bredino, S., Orenuga, B. & Bilewu, O.A.** An Empirical Analysis of Oil Revenue Savings and Economic Growth in Nigeria (1981-2020). *International Research Journal of Economics and Management Studies*, 2(1), 2023, 16-23.

1/11/2023

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Signature **Date**

University Compliance Certificate

This is to certify that this thesis written by Babatunde Orenuga with matriculation number LCU/PG/001685 in the Department of Management and Accounting, Faculty of Management and Social Science, Lead City University, Ibadan is in compliance with the approved University format and style.

21-08-2023
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