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Foreign Financial Inflows and Economic Growth in Nigeria: A Comprehensive Analysis

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Abstract:- Several policy measures were targeted and adapted by governments globally to achieve and rapidly increase sustainable economic growth. In view of that, economies acclimatize to both monetary and fiscal policies in order to improve economic performance. A country's economic growth is an element of intuitive impacts of changing worldwide and homegrown powers. Attracting foreign financial inflows is one major policy strategy that the government has used, particularly in developing and emerging economies, to accelerate economic growth. This concentrate hence notices the Effect of Unfamiliar Economic Inflows, dominatingly, the degree to which Foreign Direct Investment, Foreign Portfolio Investment, Foreign Public Debts and Foreign Personal Remittances broadly control financial growth in Nigeria from 2000-2021. The review utilized the Autoregressive Distributed Lag (ARDL) model to assess the information acquired. Discoveries uncovered that Foreign Direct Investment inflow altogether influences economic growth in Nigeria, and there is no huge long run connection between Foreign Portfolio Investment and financial growth in Nigeria. Besides, it was found that long run negative relationship exists among Settlement and Outer Public Obligation and economic growth in Nigeria. Last but not least, the study suggests that economic managers devise measures that will make it easier to mobilize more domestic investment to lessen the uncertainty that may accompany foreign investment during periods of local or international economic crises. In a similar vein, when making decisions that have an impact on the expansion of the economy, policymakers must take into account the potential benefits as well as the potential dangers associated with remittances.

Keywords:- *Foreign Financial Inflow, Foreign Direct Investment, Foreign Aid, Sustainable Economic Growth, Nigeria.*

I. INTRODUCTION

Over the long run, governments have routinely utilized assorted approach measures pointed toward working with the accomplishment of foreordained goals to achieve reasonable financial growth, relating both financial and economic arrangements. A key procedure, particularly in creating economies, is drawing in unfamiliar economic inflows. These inflows, including Foreign Direct Investment (FDI), Unfamiliar Guide, Settlements, Foreign Portfolio Investment, and different speculations, are viewed as significant for economic turn of events.

Interestingly, created economies look for unfamiliar economic inflows for long haul improvement, while creating economies depend on such inflows to progress financial boondocks and lift neighborhood venture, eventually working on residents' expectations for everyday comforts.

In spite of these contemplations, there are assorted viewpoints on the effect of unfamiliar capital inflows, with some proposing that their impacts on financial growth might shift among nations, and they may not predictably add to growth. Unfamiliar economic streams manifest in different structures, including Foreign Direct Investment (FDI), Unfamiliar Guide, Settlements, Foreign Portfolio Investment, and different ventures. Sub-Saharan African (SSA) nations have generally been dominatingly dependent on unfamiliar guide and awards from cutting edge nations (Mugenzi, Nuwagira, and Uwimana, 2022) as the principal wellsprings of economic inflows.

The impact of Foreign Direct Investment, Foreign Portfolio Investment, and settlements on financial growth holds specific importance with regards to African economies, where these confidential capital inflows are significant channels for tending to growth challenges. The elements related with unfamiliar economic inflows are supposed to add to financial growth by supporting family reserve funds, duties, yield, and eventually improving the nation's commodities. Mugenzi et al. (2022).

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Furthermore, unfamiliar economic inflows can affect financial growth by impacting cash appreciation, borrowers' accounting reports, credit conditions, non-tradable costs, and expansion. In any case, these inflows additionally present economic dangers that might set off shakiness in have economies (IMF, 2017). In addition, increased variability in foreign equity investment, foreign direct investment, and bank loans during crises can exacerbate fluctuations in the volatility of the foreign exchange market, although this is typically mitigated during non-crisis times. Mugenzi and co. 2022).

Finally, in Sub-Saharan African nations, it is assumed that unfamiliar guide or backing has routinely oppressed economic inflows, and has perseveringly, impacted the economy.

- *Statement of the Problem*

The Nigerian economy confronted a huge slump in 2016, entering a downturn with continuous quarters of result constrictions. This period saw shifts in portfolio speculation, with Foreign Portfolio Investment dropping, bringing up issues about the effect of unfamiliar economic inflows on financial growth in Nigeria. The review expects to examine this relationship, considering differed results in existing writing.

There is a shortage of writing on the impact of unfamiliar economic inflows on financial growth in Nigeria, especially during times of vulnerability. The review plans to address this hole, adding to a superior comprehension of how homegrown and worldwide vulnerability might impact the connection between unfamiliar economic inflows and financial growth.

- *Aim of the Study*

The aim of the study is to evaluate the impact of foreign financial inflow on Nigeria's economic growth.

- *Objectives of the Study*

The key objectives of the study include:

- To examine the significance of foreign direct investment on economic growth in Nigeria.
- To investigate the relationship between foreign portfolio investment and economic growth in Nigeria.
- To evaluate the impact of foreign public debts on economic growth in Nigeria.
- To determine the significance of personal remittances on economic growth in Nigeria.

- *Research Questions*

To understand the impact of foreign financial inflows on economic growth in Nigeria, the study establishes the following research questions:

- Does foreign direct investment have a significant effect on economic growth in Nigeria?
- To what extent do foreign portfolio investments affect economic growth in Nigeria?
- How do foreign public debts significantly affect economic growth in Nigeria?
- Does personal remittance significantly affect economic growth in Nigeria?

- *Research Hypotheses*

The study will test the following hypotheses:

- **H01**: Foreign direct investment does not significantly affect economic growth in Nigeria.
- **H02**: Foreign portfolio investment has no substantial effect on economic growth in Nigeria.
- **H03**: Personal remittance does not notably affect economic growth in Nigeria.
- **H04**: Foreign public debt does not considerably affect economic growth in Nigeria.

- *Scope of the Study*

The study focuses on the influence of foreign financial inflows on Nigerian economic growth from 2000 to 2021. The decision of this period thinks about Nigeria's financial advancement, significant unfamiliar inflows, and uplifted vulnerability. The concentrate explicitly centers around Nigeria, the biggest economy in Sub-Saharan Africa.

- *Significance of the Study*

The study holds significance for various stakeholders, including legislators, investors, financial markets partakers, and researchers. It provides policymakers with a reference for developing efficient economic policies. Participants in the financial markets and investors alike can benefit from the study's empirical foundation and can use it to make educated investment decisions.

II. LITERATURE REVIEW

This review of literature studies the synergistic impacts of foreign financial inflows on economic growth, studying foreign direct investment, foreign portfolio investment, remittances, and foreign debts in particular, both in developed and developing nations. Different partners in the current assortment of writing have given different definitions to the four parts of Foreign Portfolio Investment. The purpose of this section is to examine these definitions as proposed by institutions and experts.

- *Foreign Direct Investment (FDI)*

According to United Nations Conference on Trade and Development, UNCTAD (2009), Foreign Direct Investment (FDI) is a type of loaning or funding for value investment, including the exchange of the board, innovation, and capital assets. As named by the International Monetary Fund (IMF), FDI is a speculation made determined to procure a drawn out revenue in a business working in an alternate economy, permitting the financial backer to have a compelling voice in the administration of the business. FDI can appear as an auxiliary of an unfamiliar organization, the foundation of an organization where the financial planning country holds value stakes, or the growth of fixed capital resources by far off

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nationals in another nation, at last pointed toward applying command over the assets.

In practical terms, FDI alludes to the progression of interest as value starting with one economy then onto the next, with the essential objective of overseeing something like 10% (Ilugbemi and Ogunlokun, 2020). According to Thirlwall and Bergevin (1985), foreign direct investment (FDI) entails more than just the transfer of funds; it also includes a comprehensive package of physical capital, production methods, managerial expertise, marketing strategies, and business practices designed to maximize global profits. As per the Unified Countries, FDI is an interest in a venture situated in one nation yet "successfully controlled" by occupants of another nation (UNCTAD, 1999).

However, in the domain of transnational venture, FDI isn't just a worldwide exchange of capital; It denotes the expansion of a business into a foreign host nation from its home nation (Ekpo, 1997). The essential condition for laying out an immediate venture relationship is the responsibility for or a greater amount of the standard portions of casting a ballot stock. FDI offers different advantages to have nations, including financial advancement excitement, work creation, charge motivators, decreased uniqueness among incomes and expenses, and expanded efficiency.

In conclusion, immediate speculation undertaking is recognized as one in which an unfamiliar financial backer claims 10% or a greater amount of the conventional offers or casting a ballot power, or possesses under 10% however keeps a successful voice in administration. The key trademark recognizing FDI from Foreign Portfolio Investment is the quest for command over an undertaking (OECD, 1999).

➢ *Foreign Portfolio Investment*

Foreign Portfolio Investment (FPI) includes the acquisition of resources in homegrown business sectors by unfamiliar people or organizations. Shares of equity, debentures, bonds, money market instruments, and other transferable securities issued by or backed by the government of the importing nation are included in the assets. It similarly includes the exchange of economic resources, like money, stocks, or securities, across global lines in quest for benefit (Onuorah and Akujuobi, 2013).

The foreign portfolio financial backers regularly need the executives command over the organizations in which they contribute, pointing basically for a portion of benefits. To stay away from impedance with the executives, possessions are in many cases restricted to a little piece of all out value, as guaranteed by Obadan (2004). Portfolio financial backers can profit from resource appreciation and get profits or premium on their ventures.

Foreign portfolio Interest in the Nigerian economy has seen critical growth starting from the presentation of Underlying Change Program (SAP) in 1986. The capital market assumes a critical part in drawing in unfamiliar ventures, and the growth of the economic framework, including the rise of new economic foundations and recapitalization endeavors, has added to this pattern. The progression of financing costs, privatization, and commercialization programs play likewise had an impact in advancing portfolio interest in Nigeria (Alile, 1999).

In conclusion, FPI has contributed to the growth of a number of nations, including Nigeria, and plays a significant role in the global economy. A portion of the potential advantages of Foreign Portfolio Investment incorporate innovative exchange, expanded efficiency, government income through charges, improvement of equilibrium of installment capacity, work age, and improvement of existing businesses (Adewunmi, 2019). It focuses on the job of a solid economic framework in supporting FPI and the significance of finding some kind of harmony in administrative measures to guarantee market discipline and energize growth.

➢ *Remittances*

These are basically supports sent starting with one country then onto the next by unfamiliar laborers to their nation of origin, display a counter-repetitive example with the beneficiary country's pay, making them less unpredictable than other confidential capital streams (Chami et al., 2005).

These settlements, frequently a dependable wellspring of unfamiliar trade, act as a type of economic protection during difficulties, with transients having a tendency to send more cash when their families back home are influenced. Surprisingly versatile in any event, during worldwide financial emergencies, settlements assume a pivotal part in assisting nations with covering fundamental imports, administration outside obligations, upgrade government assistance, diminish destitution, and collect unfamiliar money, subsequently working with simpler admittance to global capital business sectors.

The International Monetary Fund (IMF) characterizes settlements as family pay from unfamiliar economies coming about because of the brief or super durable growth of individuals. Remittances, whether sent via formal channels like electronic wires or informal channels like money or goods crossing borders, help people meet their basic needs, fund investments, finance education, support new businesses, pay off debt, and ultimately propel economic growth. Observational examinations demonstrate that around 70% of settle ments are used for utilization purposes, while 30% is coordinated towards speculation related utilizes (PwC, 2019).

Global remittances, assessed by the World Bank to reach $689 billion of every 2018, assume a critical part in emerging nations, with India, China, Mexico, the Philippines, and Egypt being significant beneficiaries. Notwithstanding, the recorded settlements might be lower than the genuine streams because of casual channels, assessed to contribute an extra half to recorded streams (World Bank, 2006).

Nigeria is a major player in Sub-Saharan Africa, receiving more than a third of the regional flows. Notwithstanding addressing a little level of worldwide streams, SSA's true settlements became by 10% to $46 billion of every 2018, with assumptions for additional growth in 2019.

In 2018, settlements to Nigeria added up to $25 billion, comparable to 6.1% of Gross domestic product, displaying a 14% year-on-year growth. This significant inflow, which outperformed the National Government financial plan, FDI streams, and net authority advancement help, features the meaning of settlements in the economic scene of Nigeria (PwC, 2019).

- *External Public Debt*

External debt has played a crucial role as a financial source for many developing nations, primarily to supplement local revenue for development purposes. Countries with low levels of domestic savings find debts necessary, especially when tax revenues are limited and there is reluctance to print more money to avoid compromising macroeconomic stability (Ogunmuyiwa, 2010).

Public debt, both locally and globally, can prompt economic precariousness and group out the confidential area. Accordingly, nations frequently resort to unfamiliar borrowings for capital tasks. Be that as it may, the abuse of these obligations for ineffective exercises can have extreme results on prompt and long haul macroeconomic state of a country. (Berensmann, 2004).

Debt can be broken down into productive debt and dead weight debt. Productive debt is used to buy assets like factories and refineries, while dead weight debt is used to pay for things like war and current costs. Ajayi and Oke (2012) emphasize that for debt-financed investments to yield a return greater than the cost of debt servicing, they must be prolific and well-managed. Administration assumes a critical part in how nations deal with their obligations, issues and assets.

Kaufmann, Kraay, and Mastruzzi (2007) characterize administration as the practices and foundations overseeing authority work out, including government determination, checking, substitution processes, and the ability to plan and execute sound arrangements. Quality administration, as estimated by pointers like debasement control, administrative quality, government viability, voice and responsibility, political strength, and law and order, is fundamental for establishing a helpful macroeconomic climate for expanded reserve funds, speculation, and economic growth (Manasseh et al., 2022).

In many African economies, the nature of administration has declined since acquiring freedom, raising worries about the rising outside obligation trouble. The obligation to-Gross domestic product proportion has surpassed worldwide edges, and the approaching obligation emergency presents dangers to acquiring expenses and government security yields (Onyekwena and Ekeruche, 2019).

Nigeria, as other emerging nations, has used both outside and homegrown acquiring for improvement. The country's obligation profile has shifted throughout the long term, with outer obligation alleviation got in 2005 prompting manageable obligation levels until the worldwide economic emergency of 2008/09. The country's obligation maintainability markers have been inside adequate cutoff points, however successful administration and adherence to financial principles have been basic in overseeing obligation levels (Omotosho, Bawa, and Doguwa, 2016).

As of June 30, 2022, Nigeria's All out Outer Obligation Stock was USD40.06 billion (N16.61 trillion), with more than 58% being concessional and semi-concessional advances from multilateral and two-sided banks (DMO 2022).

III. RESEARCH METHODOLOGY

The research methodology section defines the approach taken to analyze the impact of foreign financial inflows on Nigeria's economic growth. This includes data collection methods, econometric modelling techniques, and analytical tools used to evaluate the relationship between foreign financial inflows and the various economic indicators.

- *Research Design*

The research design that will be employed for carrying out the proposed study explain in details the methodology that will be employed for data collection, data analysis technique and test of hypothesis. Moreover, measurable analytic and determination tests to discover the propriety of information that will be utilized for assessment to reinforce the unwavering quality and legitimacy of end to be drawn for the review.

- *Sources of Data*

This study uses quarterly time series data enveloping foreign direct investment, foreign portfolio investment, unfamiliar public obligation, and individual settlements. This information was obtained from auxiliary references, covering the length from 2000 to 2021. Also, information relating to control factors was gotten from optional sources over the comparing period.

- *Measurement of Variables*

The Foreign Direct Investment, foreign portfolio investment, public obligation and settlement are the free factors that will be tried to see the effect they have on Nigerian's economic growth. The normal result for FDI, FPI, PRM on economic growth is Positive while we anticipate an adverse result from FPD.

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IV. RESULT PRESENTATION

This section will answer the objectives question of how foreign direct investment, foreign portfolio investment, Personal Remittance and public debt affect economic growth.

A. Hypothesis 1 Data Presentation

Table 1 Long Run Estimation Results on FDI H_{01}

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FDI	2.1686	0.6541	3.3154	0.0015
CORPT	-11.2401	2.6731	-4.2049	0.0001
GOVEF	-8.8593	4.7423	-1.8682	0.0663
PSTAB	3.7768	4.3496	0.8683	0.3885
REGQ	1.0543	3.0278	0.3482	0.7288
VOIACC	-3.3802	2.6144	-1.2930	0.2007
WUI	0.0000	0.0000	-0.8575	0.3944
EPU	-2.9465	1.2847	-2.2936	0.0251
C	-15.4707	12.6916	-1.2190	0.2273

➢ *Result Interpretation*

The result of long run estimation for test of null hypothesis H_{01} that Foreign Direct Investment affects economic growth in Nigeria is represented in Table 1 above. The outcome in the figure demonstrates that long run positive huge connections exist at 1percent degree of importance among FDI and GDPPg with a coefficient of 2.1686 and a P worth of 0.0015. Thusly, it very well may be surmised that over the long haul Foreign Direct Investment affects economic growth in Nigeria. Subsequently, invalid speculation H01 that Foreign Direct Investment meaningfully affects economic growth in Nigeria is dismissed at 5% degree of significance.

B. Hypothesis 2 Data Presentation

Table 2: Long Run Estimation Results on FPI H_{02}

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(GDPPG(-1))	0.6666	0.0808	8.2505	0.0000
D(FPI)	0.0000	0.0000	0.8603	0.3926
D(CORPT)	-19.0625	4.1937	-4.5456	0.0000
D(CORPT(-1))	10.4250	5.0605	2.0601	0.0431
D(GOVEF)	1.1884	1.7067	0.6963	0.4885
D(PSTAB)	-0.9794	0.8137	-1.2036	0.2328
D(REGQ)	-0.1934	0.8115	-0.2383	0.8123
D(VOIACC)	-1.9343	0.6242	-3.0990	0.0028
D(WUI)	0.0000	0.0000	-0.9183	0.3616
D(EPU)	-0.6745	0.3255	-2.0721	0.0419
ECM(-1)	-0.1924	0.0371	-5.1931	0.0000

➢ *Result Interpretation*

The result of short run estimation for test of null hypothesis H_{02} that Foreign Portfolio Investment meaningfully affects financial growth in Nigeria is delineated in Table 2 above. The outcome in the table shows that there is immaterial connection among FPI and GDPPg. In this manner, it very well may be surmised that Foreign Portfolio Investment significantly affects economic growth in Nigeria. In this manner, invalid speculation H02 that Foreign Portfolio Investment affects financial growth in Nigeria is acknowledged at 5% degree of significance.

C. Hypothesis 3 Data Presentation

Table 3: Long Run Estimation Results on Remittance H_{03}

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PRM	-0.5577	0.2980	-1.8715	0.0447
CORPT	-4.5658	4.0435	-1.1292	0.2629
GOVEF	5.4407	6.1665	0.8823	0.3808
PSTAB	-4.6362	3.0016	-1.5446	0.1272
REGQ	-0.3345	3.0191	-0.1108	0.9121
VOIACC	-10.0502	1.9184	-5.2389	0.0000
WUI	-0.0001	0.0000	-2.2581	0.0272
EPU	-7.2309	2.1665	-3.3375	0.0014
C	-5.8179	11.7005	-0.4972	0.6207

➢ *Result Interpretation*

The result of long run estimation for test of null hypothesis H_{04} that settlement significantly affects financial growth in Nigeria is delineated in Table 3 above. It was laid out that PRM with a coefficient of - 0.5577 affects GDPPg at 5% degree of importance in view of a P worth of 0.0447. Subsequently, it very well may be reasoned that over the long haul settlement affects economic growth in Nigeria. Along these lines, invalid theory H04 that settlement affects financial growth in Nigeria is dismissed at 5% degree of significance.

D. Hypothesis 4 data presentation

Table 4: Long Run Estimation Results on FD H_{04}

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FPD	-0.0440	0.0222	1.9770	0.0526
CORPT	-6.7090	3.3188	-2.0215	0.0477
GOVEF	8.1473	7.8857	1.0332	0.3057
PSTAB	-11.9772	6.3212	-1.8948	0.0629
REGQ	1.4296	4.0034	0.3571	0.7223
VOIACC	-15.4738	2.7726	-5.5809	0.0000
WUI	-0.0002	0.0001	-3.4359	0.0011
EPU	-2.9925	1.5410	-1.9419	0.0568
C	-25.1671	10.9599	-2.2963	0.0252

➢ *Result Interpretation*

Lastly the result of long run estimation for test of null hypothesis H_{04} that unfamiliar obligation significantly affects economic growth in Nigeria is outlined in Table 4 above. The outcome shows that negative critical connections exist among FPD and GDPPg with a coefficient of - 0.0440 and a P worth of 0.0526. Hence, it very well may be found that over the long haul unfamiliar obligation significantly affects financial growth in Nigeria. Accordingly, invalid theory H03 that unfamiliar obligation significantly affects financial growth in Nigeria is dismissed at 5% degree of significance.

V. SUMMARY OF FINDINGS

From the above findings we conclude that:

- The result in the table demonstrates that long run positive huge connections exist at 1percent degree of importance among FDI and GDPPg.
- The result in the table shows that there is irrelevant connection among FPI and GDPPg. In this way, it very well may be surmised that Foreign Portfolio Investment meaningfully affects economic growth in Nigeria.
- It was laid out that PRM with a coefficient of - 0.5577also affects GDPPg at 5% degree of importance in light of a P worth of 0.0447.
- The result shows that negative critical connections exist among FPD and GDPPg with a coefficient of - 0.0440 and a P worth of 0.0526.

VI. CONCLUSION

Based on the findings of the study to establish the effect of foreign direct investment, foreign portfolio investment inflows, external debt, remittance and economic growth in Nigeria, it was found that at the long run foreign direct investment inflows significantly affects economic growth in Nigeria.

Therefore, it very well may be presumed that Foreign Direct Investment inflows are supposed to lead in both short and long run constructive result on economic growth in Nigeria. Consequently, the review rejects invalid speculation that Foreign Direct Investment inflows doesn't altogether impacted financial growth in Nigeria. This recommends that as Foreign Direct Investment inflows increment it thusly prompted expansion in financial growth in Nigeria.

Additionally, it was observed that there is no critical long run connection between Foreign Portfolio Investment and economic growth in Nigeria. In this way, it very well may be presumed that Foreign Portfolio Investment inflows don't prompt anticipated long run impact on economic growth in Nigeria. Consequently, the review acknowledges invalid speculation that Foreign Portfolio Investment inflows doesn't altogether influence financial growth in Nigeria. This shows that Foreign Portfolio Investment inflows don't come full circle into progress in economic growth in Nigeria.

Furthermore, it was found that long run negative relationship exists between outer public obligation and economic growth in Nigeria. Hence, it very well may be reasoned that outside open obligation is supposed to bring about lengthy run adverse consequence on economic growth in Nigeria. The concentrate hence dismisses invalid speculation that outside open obligation doesn't fundamentally influence financial growth in Nigeria.

Finally, it was found that long run negative relationship exists among settlement and financial growth in Nigeria. That is, it is laid out that over the long haul settlement essentially and adversely influence economic growth in Nigeria. Consequently, it very well may be reasoned that settlement is supposed to bring about lengthy run adverse consequence on economic growth in Nigeria.

RECOMMENDATIONS

In accordance with the findings of the study, the following recommendations are proffered. Thus, it is recommended that:

- Economy supervisors ought to develop measures that will work with expansion in preparation of homegrown speculation to moderate vulnerability that might portray unfamiliar venture during times of financial emergencies either neighborhood or global. All the more in this way, a decent methodology that thinks about the host country's economic improvement objectives, the idea of speculation, and the administrative system is fundamental for boosting the positive effect of FDI on financial growth.
- The CBN as a team with SEC ought to keep on developing measures to fence against financial backers joining unreasonable opinions on economic and money related strategy. Moreover, because of pervasiveness of vulnerability in the market earlier, administrative bodies ought to be mindful of likely detriments of money related or economic arrangements to imperil appropriate working of the economy, which could prompt disincentive for capital inflows (particularly Foreign Portfolio Investment) and result in capital surge.
- Governments at all level ought to advance measure to expand the wellsprings of income to relieve occurrences of over the top outer borrowings from created nations and Worldwide Economic Establishments.
- Federal Government should formulate policies to attract more remittances, through augmenting international migration, enabling migration-friendly policy and regimes, creating training and support facilities at different levels for international migrants, diversifying exports, and being selective about FDI inflows, the Federal Government can encourage more remittances, which will spur Nigeria's economic growth. All the more thus, Policymakers need to consider the possible advantages and dangers of settlements while going with choices that influence financial growth.

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