INTERNATIONAL JOURNAL OF BUSINESS AND MANAGEMENT RESEARCH
P-ISSN: 1118-4256, E-ISSN:3034-4327
Vol. 5| No.1 | June 2024
Page No.: 204-230

THE IMPACT OF FOREIGN AID ON SOCIO–ECONOMIC DEVELOPMENT IN NIGERIA

Chude, Chisom Jane[1]

Jennyreal5656@gamail.com

Anoke, Amechi Fabian[2]
fa.amechi@unizik.edu.ng

[1]Department of Political Science, Faculty of Social Sciences, Weldios University, Benin Republic
[2]Department of Business Administration, Faculty of Management Sciences, Nnamdi azikiwe University Awka

Abstract

Foreign aid is expected to stimulate economic growth, reduce poverty rate and unemployment level in the recipient countries. Nonetheless, a survey of the literature finds conflicting, and inconclusive findings. This study investigated the association between foreign aid and economic growth in Nigeria using linear regression with the application of the Ordinary Least Squares (OLS) technique and time series annual data from 2010 to 2023. The study employed the growth rate of the gross domestic product as the dependent variable and the rates of unemployment, poverty, and foreign aid as the explanatory variables to ascertain how these factors affected Nigeria's socioeconomic development. The findings revealed that while foreign aid has a positive correlation with GDP growth, poverty and unemployment rates had an inverse relationship with GDP growth. These findings may be explained by institutional failure, corruption, and inefficient use of scarce resources, which are undoubtedly, manifested in Nigeria's high unemployment, insecurity, and extreme poverty rates. The Nigerian government should, therefore, implement the necessary policy steps to ensure that foreign aid is used as efficiently and as maximally as possible.

Keywords: Development, Foreign Aid, Gross Domestic Product, Poverty, Socio-economic, and Unemployment.

Introduction

Foreign aid refers to assistance, typically in the form of money, resources, or expertise, provided by one country to another. It is usually given to support economic development, humanitarian efforts, and infrastructure projects; or to address specific needs such as healthcare, education, or disaster relief in the recipient country. Foreign aid can be bilateral, meaning it is provided directly from one country to another, or multilateral, where it is channeled through international organizations like the United Nations or the World Bank.

Put differently, foreign aid implies a number of varied activities, ranging from humanitarian support in the wake of natural disasters to military assistance and arms donations. It is a voluntary transfer of resources from one country to another (Adebayo, 2018).

In Africa, particularly in Nigeria, foreign aid is considered a crucial tool for lifting developing countries of the world (which Nigeria is a key stakeholder) out of poverty and for fast–tracking their economic and social development. It is on record that Nigeria has the highest official development assistance receipts in Africa (Bermeo, 2017). Foreign aid or developmental assistance on concessional terms is often channeled to developing countries, either directly or indirectly through multilateral institutions or private voluntary organizations in order to support social and economic development in such country

Recently, foreign aid have seen to serve one or more functions such as being a signal of diplomatic approval, strengthening a military ally, rewarding a government for behavior desired by the donor, extending the donor's cultural influence, providing infrastructure needed by the donor for resource extraction from the recipient country, or gaining other types of commercial access. As a result, the role of foreign aid in the growth process of developing countries has been a topic of heated controversy given its consequence on job creation and poverty reduction in emerging countries like Nigeria (Anoke, Igwebuike, Agagbo and Odumu, 2021).

According to Sennuga, Adedayo, and Sennuga (2021), foreign aid is vital to the development of Sub-Saharan Africa because it increases capital available for investment and economic growth, which is required to eliminate poverty and boost living standards on the continent. It promotes sustainable economic development by transferring new technology, skills, and production practices. It offers resources for industrialization, enhances resource efficiency, increases product diversification, and creates jobs. However, despite this continued effort by the donor countries and agents, developing countries continue to experience tremendous poverty, weak GDP development, high mortality rates, and low levels of education.

It is a fact that poverty rate in Africa varies widely depending on the country and region (Saifaddin, 2023). However, it is generally high compared to other continents of the world. It is estimated that over 40% of the population lives below poverty line. It is also on record that almost 700 million people around the world live today in extreme poverty – they subsist on less than $2.15 per day, the extreme poverty line. Just over half of these people live in Sub-Saharan Africa. After several decades of continuous global poverty reduction, a period of significant crises and global shocks orchestrated global pandemic by novel Covid-19 resulted in around four years of lost progress within 2019-2022. Low-income countries, which saw poverty increase during this period, have not yet recovered and are not closing the gap (Nwude, Sebastine, & Adesanmi, 2023).

Yiew and Lau (2018) argued that the majority of the people in the least developed countries cannot read or write with over 750 million adults worldwide are illiterate, with about 46%

of this population residing in in Africa. Within Africa, women constitute the majority of the illustrate adults; with estimates suggesting about two-thirds of African illiterates are women. These statistics reflect the extent of low human development in developing countries which implies miserable and sub-standard living for the country's poor.

The role of foreign aid in the economic growth of developing countries has been a topic of intense debate given its implication for poverty reduction (Sennuga, Adedayo, & Sennuga, 2021). While foreign aid can provide crucial financial resources for infrastructure development, healthcare, education, and poverty alleviation, it is impact to note that economic growth can be influenced by factors such as governance quality, recipient country policies, aid effectiveness, and aid dependency. Successful utilization of aid often requires sound governance, effective institutions, and policies that foster private sector development and sustainable growth. Additionally, aid effectiveness is increasingly emphasized, focusing on ensuring aid is well-targeted, transparent, and aligned with recipient country priorities to maximize its impact on economic growth. However, the beneficial effect of concessions on economic growth in these economies has been a subject of controversy. Some researchers believe it has taken from government the burden of providing basic services to its citizens, increased the incidence of corruption and other rent-seeking behavior and might even be responsible for the phenomenon of Dutch disease in some of the aid-dependent countries(Gukurume, 2012, Adebayo, 2018). Other scholars have identified foreign aid as being crucial for the development of Sub-Sahara African countries, including Nigeria (Adamu, 2013; Abdul, Adamu, & Ogwuche, 2017). This is because it is a supplementary source of finance in countries characterized by low savings, inadequate exports earnings and a narrow tax base like most African countries including Nigeria.

There is no doubt that the African economy, notably that of Nigeria, is defined by low levels of income, high levels of unemployment, very low industrial capacity utilization, and high poverty levels, to name a few of the myriad socioeconomic challenges bedeviling the nation (Anoke, Hope, and Tukura,2022).

In addressing these challenges, foreign aid has been suggested as a veritable option for augmenting the meager domestic resources. Obijiaku (2015) noted that while some countries that have received from foreign assistance at one time or another and put same into proper use have grown to the point of becoming aid donors (South Korea, North Korea, China, etc.), the bulk of countries in Africa, such as Nigeria, have stayed backward. Nigeria has continued to benefit from various forms of foreign aid now more than before; yet, the socioeconomic development of the country has been poor. While there could be many qualitative and quantitative causes driving these adverse tendencies, the continual socio-political crisis, policy inconsistency, macroeconomic instability, and poor and bad governance visible in Nigeria are undoubtedly symptoms of a poor policy framework.

As the world became more interconnected economically and politically, addressing poverty in one region has seen as beneficial for global stability and prosperity (Anoke, 2022). Foreign aid was viewed as an investment in creating a more stable and equitable world. It has therefore, emerged as a dominant strategy for alleviating poverty in the third world countries. Despite its widespread use, the effectiveness of foreign aid in alleviating poverty has been subject to debate. Critics argue that aid can sometimes perpetuate dependency, fuel corruption, or undermine local economies if not carefully managed (Onoja, 2020). The proponents argued that aid, when properly targeted and implemented, can make a significant positive impact on poverty reduction and human development in developing countries.

Despite the window of opportunity opened to the developing countries of the world to develop using foreign aids, the reverse is the case as they continue to suffer from economic hardship, raising question of whether foreign aid is a worthwhile and effective approach to boosting growth and development in recipient economies. In Nigeria, there have been massive and large inflows of foreign aid into the economy, resulting in excessive reliance on foreign aid. Although the inflow of foreign aid is considered an augmentation to any receiver, it is claimed that the consequences often outweigh the benefits. The situation is such that Nigeria's economy does not maximize its production capacities and consequently operates below its maximum potential. What is astonishing is that foreign aid donated to Nigerians has not effectively addressed the majority of the country's long-standing issues. Nigeria's reliance on foreign aid inflows has significantly diluted the economy's quest to expand capacity, since the government has made no steps to improve the internal usage of its human and non-human resources. As a result, the unemployment rate remains an unresolved macroeconomic issue in Nigeria. Therefore, it suggests that aid and growth rate is neither positively nor adversely correlated and demand that this subject need further study. From the foregoing, it therefore, becomes imperative to investigate the impact of foreign aid on socio- economic development of Nigeria at this time.

Objective of the Study

The broad objective of the study is to investigate the impact of foreign aid on socio-economic development of Nigeria. Specifically; this study;

(a) Examine the relationship between foreign aid and Nigeria economic growth
(b) Determine the relationship that exist between foreign aids and poverty reduction in Nigeria
(c) ascertain relationship between foreign aids and employment generation in Nigeria

Research Hypotheses

The following research hypotheses were formulated to aid the study

H$_{O1}$: There is no significant relationship between foreign aid and Nigeria economic growth

H$_{O2}$: There is no significant relationship between foreign aids and poverty reduction in Nigeria

H$_{O3}$: There is no significant relationship between foreign aids and employment generation in Nigeria.

Review of Related Literature

Concept of foreign aid

The benefits of foreign aid is considered as not just another source for much needed development funds but as a tool for democratization, as a basis for the transfer of technical know-how and finally as a propelling force for economic growth. For countries like Nigeria, where aid accounts for a sizable proportion of their development funding, the importance of determining the impact of such finance cannot be overemphasized. This is because it will allow policymakers and other stakeholders to properly allocate such funding. It would also allow aid donors to be certain that their resources would serve the purpose for which it is targeted (Agunbiade & Mohammed, 2018). However, economic theory is not categorical about how aid funding transforms the recipient nation economically.

In Nigeria, it is very clear that all the three tiers of government – federal, state and local government – have the mandate of receiving foreign aid. One most important thing to note about the nature of foreign aid in the country is the fact that the aid is not paid into the Federation Account – the donors decide on the areas where they want to get involved without much consideration of the needs of the recipient nation all the three tiers of government – federal, state and local government – have the mandate of receiving foreign aid. One most important thing to note about the nature of foreign aid in the country is the fact that the aid is not paid into the Federation Account – the donors decide on the areas where they want to get involved without much consideration of the needs of the recipient nation (Duru, Okafor, Eze, & Ebenyi, 2020).Consequently, this has an impact on optimizing the anticipated advantages of receiving assistance. According to Isiyaku, Zasha and Suleiman (2022), three main approaches to foreign aid – conditional or unconditional, open or close and matching or non-marching have been identified. According to him, conditional aid is that type of aid where the donor limits the areas where the recipient government can use the aid.

This indicates that it is provided with the requirement that it be utilized in accordance with the donor's wishes rather than the recipient's. Conversely, there are no limitations or conditions on how the beneficiary can use the unrestricted aid. In certain cases, especially when there is no intention to increase aid spending, this type of assistance may even permit the receiving government to lower the tax rate it collects. But the issue with this is that anything that influences taxes could ultimately have an impact on the wellbeing of the populace.

Abdul, Adamu and Ogwuche ,(2017) noted that an ad valorem subsidy known as matching aid is one in which the government providing the funding agrees to reimburse the receiving government for expenditures made at a predetermined rate. However, the recipient takes the initiative to spend the money, whereas non-matching help involves giving the recipient a sizable cash transfer. Open-ended aid has no restrictions on the amount of money that can be transferred, just like closed-ended aid, which has no upper limit on the amount that donors can donate. Non-marching can be said to be less effective than marching aid considering the behavior of the recipient country. Thus, it is possible for the aid to weaken the domestic production particularly when the receivers regard the aid as an increase in their external revenue. Therefore, inspiring them not to increase their labour supply but go for more leisure.

According to Olayemi (2021), foreign aid is the freely given of resources from one nation to another with the intention of helping the recipient nation. It is a type of financial or in-kind aid given by governments or financial institutions to underdeveloped nations. Note that help typically serves multiple purposes, including serving as a diplomatic symbol of support, bolstering a military partner, or rewarding a government for actions that the donor wishes to see from it. It might also be done to provide the infrastructure that the donor needs in order to extract resources from the receiving nation, or it could be done to obtain additional commercial access.

Foreign aid encompasses a wide range of resources, including material goods, expertise and technical know-how, and financial grants, loans, and gifts that are provided to recipients at discounted rates by donors.

Foreign Aids and Economic Growth

The relationship between foreign aid and economic growth has drawn great attention for years, but the empirical results are mixed. Nowadays, a lot of research has been done on the relationship between growth and aid.

While some researchers find a negative relationship between foreign aid and output growth in Nigeria which implies that foreign aid tends to worsen output growth in the country rather than improving it (Bakare 2011; Hamid, 2013; Yiew, & Lau,2018).Others believe that there is a significant positive impact of foreign aid on economic growth in Nigeria. This group of scholars equally argued that there is a significantly positive effect of foreign aid on real GDP in the country of recipient (Nkoro & Furo, 2012; Olayemi, 2021). Sennuga, Adedayo, and Sennuga, (2021) contend that a country is said to be on the wrong side of the Debt Laffer Curve when its initial stock of debt above a particular level, which prevents investment and economic growth. On the other hand, Bakare (2011) argues that a nation's level of debt does not always impede its growth; rather, what reduces the advantages of borrowing capital resources is the incapacity of the country to make the best use of these loans in order to promote economic growth and development and guarantee efficient debt servicing. Udeh (2013) opined that this has led to the development of several policies that can reduce the debt load, which nevertheless stands in the way of the economies of the majority of Highly Indebted Poor Countries (HIPCs). Debt restructuring and complete cancellation is among these attempts. Despite the massive debt the nation has accumulated over the years in an effort to achieve economic growth and development, the nation continues to have high rates of unemployment, poverty, and low living standards. Ukpong, (2017) argued that because interest arrears build up over time and result in a larger national debt load, Nigeria's inability to efficiently satisfy her debt commitments has a negative impact on the country's economy. A larger percentage of the country's income is now spent on debt service arrears. According to Peter (2020), the burden of debt servicing has impeded Nigeria's rapid economic progress and made social issues worse because it prevents investment and growth.

Socio- Economic Impact of Foreign Aids on Nigerian Economy

Foreign aid can have both positive and negative socio-economic impacts on the Nigerian economy.

Positive impacts:

1. **Infrastructure Development:** Foreign aid can be used to improve infrastructure such as roads, bridges, schools, and hospitals, which can enhance the quality of life for Nigerians and stimulate economic growth.

2. **Human Capital Development:** Aid can support education and healthcare programs, leading to an increase in the skilled workforce and better health outcomes, which can contribute to economic productivity.

3. **Poverty Reduction**: Aid can be targeted towards poverty alleviation programs, such as social welfare initiatives or microfinance schemes, which can help lift people out of poverty and reduce income inequality.

4. **Stabilization of Economy**: During times of economic crisis or instability, foreign aid can provide a source of financial support to help stabilize the economy and prevent deeper downturns.

Negative impacts:

1. **Dependency:** Heavy reliance on foreign aid can create a dependency mindset, where the government may neglect efforts to generate domestic revenue or foster self-sustainability, leading to long-term economic problems.

2. **Corruption:** There is a risk that foreign aid can be misappropriated or siphoned off by corrupt officials, diverting funds away from intended development projects and hindering socio-economic progress.

3. **Distortion of Priorities:** Donor priorities may not always align with the needs of the Nigerian population, leading to the implementation of projects that do not address the most pressing socio-economic issues.

4. **Debt Burden**: Some forms of aid, such as loans, can increase the country's debt burden if not managed effectively, leading to future repayment obligations that may divert resources away from critical development needs.

Overall, the impact of foreign aid on the Nigerian economy depends on how it is utilized, managed, and integrated into broader development strategies. Effective governance, transparency, and accountability are essential to maximize the positive impacts and mitigate potential drawbacks.

Arugu and Jacob (2018) argued that foreign aid is important to the development of sub-Sahara Africa countries, as it is a means of increasing the capital available for investment and the economic growth needed to reduce poverty and raise living standards in the continent. It can also contribute to suitable economic development as it can result in the transfer of new technologies, skills and production methods. It can create jobs, improve resource usage efficiency, diversify product offerings, and supply resources for industrialization. According to Bakare (2011), the conditionality of foreign aid and the developing country itself determine how well-positioned they are to draw in aid, optimize the advantages that come with it, and reduce any related dangers.

Development assistance appears to be failing in Nigeria because of the country's leadership issue, which is also a concern for Nigeria. Drawing on the achievements of the Marshall Plan, which show that assistance may reduce poverty, the problem of mismanaging the aid that is being received is what is impeding the process. If a conducive environment is permitted to exist, aid in the form of technical cooperation will have an impact on the caliber of a country's labor force by supplying training and foreign skills that are necessary for economic progress and the alleviation of poverty.

Isiyaku, Zasha, and Suleiman (2022) questioned the theoretical framework pertaining to the efficacy of aid, arguing that the billions of dollars in aid that affluent nations have contributed to developing African countries has not resulted in a decrease in poverty or an acceleration of growth. In fact, millions of people continue to suffer, poverty rates are still rising, and growth rates are steadily falling. Comparably, developing countries that rely too heavily on aid have become imprisoned in a cycle of aid dependency, corruption, market distortion, and increased poverty, leaving them with little more than the need for aid.

Empirical Studies on Foreign Aid and Economic Growth

Numerous empirical studies examining the effect of aid on economic growth have produced contradictory findings and divisive conclusions.

Isiyaku, Zasha, and Suleiman (2022) made use of a historical method of analysis to examine whether foreign aid has a positive or negative effect on Nigeria’s economic development from 1999 to 2021. The study revealed that foreign aid has not contributed much in the development of Nigeria.

Using linear regression with the application of Ordinary Least Squares (OLS) technique and time series annual data from 1988 to 2018, Sennuga, Adedayo, and Sennuga (2021) examined the relationship between foreign aid and economic growth in Nigeria. The result revealed that while foreign aids is positively related to the dependent variable (GDP growth rate), poverty and unemployment rates were found to be inversely related to the GDP growth rate, which might be attributed to institutional failure, corruption and inefficient allocation of scare resources which no doubt manifest in terms of high rate of unemployment, insecurity and abject poverty in Nigeria.

Oluwatoyin,Abiola, Ogunjobi and Lawal(2018) investigated the link between aid and human capital in promoting economic growth of Nigeria. The study used two models; the first model was used to test the validity of the medicine model in Nigeria; while the extended model was used to investigate the effect of aid and human capital shocks on growth using Engle-Granger and Vector Error Correction Model (VECM) estimation techniques respectively. The findings from the first model suggest that persistent increase in foreign aid flows beyond a particular point (the optimal point) may adversely affects economic growth thus confirming the proposition of the Medicine Model. Evidence from the study's extended model indicates that growth in Nigeria is sensitive to human capital shock via education while the response from aid shock is trivial in the long run. The mechanism through which aid impacts economies is influenced by many heterogeneous factors, notably; the role played by the recipient governments is often not considered.

Some of these studies use outdated statistical methods, like ordinary least squares (OLS), linear regression, and basic inferential statistics, which were created decades ago and have their own purposes and specifications, making them potentially inaccurate for identifying long-term associations. However, this study will apply co-integration test as used by Sennuga, Adedayo, and Sennuga, (2021) with slight modifications. This method is well-known for predicting the relationships between endogenous macroeconomic variables

Research Methodology

The parameter of the variables was obtained using the Ordinary Least Square (OLS) Regression model. To determine the validity of the computed coefficients, the T and F tests, as well as the coefficient of determination (R2) were employed. The dependent variable's variance was primarily explained by the independent variables, as indicated by the coefficient of determination. To determine the statistical significance of explanatory variables, the estimated values for the T-test and F-tests were be compared with the tabulated values. They assessed the viability of the proposed hypothesis as well as the standardize beta coefficient, which was utilized to calculate the explanatory factors' relative efficacy.

Model Specification

This study's main goal is to investigate how foreign aid has affected Nigeria's socioeconomic development. In assessing this, factors including the GDP growth rate, the unemployment rate, the poverty rate, and foreign aid to Nigeria were taken into consideration. The unemployment, poverty, and foreign aid rates for Nigeria were the explanatory factors, while the gross domestic product growth rate was the dependent variable. A growth model was utilized to ascertain the correlation between the variables, which is consistent with that used by Adeoye (2006), and Sennuga, Adedayo, and Sennuga (2021) where they put forth the idea that inflation and economic growth are related. For this reason, the methodology for this study involved creating a model that describes GDP as a function of Nigeria's foreign aid, unemployment rate, and poverty rate. Thus, the model can be specified as stated thus:

$Y_t = f(X_1, X_2, X_3, X_4, \ldots\ldots\ldots X_n)\ldots$ (1)

$GDP_t = f(PR_1 + UR_2 + FA_3 + U_n)\ldots$ (2)

In a linear form, the model can be specified as:

$GDP = b_0 + b_1PR_1 + b_2UR_2 + b_3FA_3 + U_n)\ldots(3)$

The model can be expressed as follows in linear form,

GDP = Real Gross Domestic Growth Rate,

PR= Poverty rate

UR = Unemployment Rate,

FA= Foreign Aids to Nigeria

Un=Error term (stochastic variable)

The logarithm format: This format is required because it assesses the overall growth rate, which lessens the emphasis on the rising trend of each variable that will be included in the model. The researcher performed regression logging on the variable. The model is as follows:

$LnGDP = b_0 + Inb_1PR_1 + lnb_2UR_2 + lnb_3FA_3 + U_n)\ldots\ \ldots\ldots\ (4)$

Other equations are stated thus:

$LnGDP_1 = b_0 + b_1PR_1 + b_2UR_2 + U_n \quad (5)$

$LnGDP_1 = b_0 + b_1PR_1 + b_3FA_3 + U_n \quad (6)$

$LnGDP_1 = b_0 + b_1UR_1 + b_3FA_3 + U_n \quad (7)$

Equations 5, 6, and 7 are intended to determine how each variable will affect the gross domestic product in turn and how their exclusion from the equation will affect the analysis's performance, whereas equation 4 combined all the variables together.

Sources and Types of Data

Time series data covering the years 2010–2023 are used to estimate the model in this study. The Central Bank of Nigeria, the National Bureau of Statistics, and other scholarly reports on the study area were used as sources of data. Multiple regression analysis was employed to analyze the data.

Table1. Effect of Poverty and Unemployment on GDP

Dependent Variable: Gross Domestic Product

Method`: Least Square

Date: 12/03/24Time: 9:20am

Sample (Adjusted): 2010-2023

Included Observation: 13

Explanatory Variables	Coefficients	Standard Error	T-Statistic
Constant	-28.81514	40.43107	-0.610132
LOG (PR)	0.112010	0.086853	1.144658
LOG (UR)	4.407137	10.73018	0.315772

R- Squared =0.841230 **Adjusted R- Squared =0.674477**

F-Statistics = 1.056238 **S.E. of Regression = 1.132378**

Dustbin Wastson stat = 1.321746 **Prob (F -Statistic) = 0.057517**

Akaike info Criterion = 3.194684 **Mean Dependent Var. = 12.53194**

GDP1 = -28.81514+ 0.112010 PR +4.4071371UR

Result

In table 1, the GDP growth rate was regressed on the explanatory variables (poverty rate, unemployment rate, and foreign aids) for the years 2010 to 2023 in order to obtain an estimate of the effect of foreign aids on Nigeria's socioeconomic development. The GDP growth rate is the dependent variable in this model, and the rates of unemployment and poverty functioned as the explanatory factors. The result of the model showed that all the explanatory variables are positively related to the dependent variable (GDP) in table1. The model's high degree of fit is demonstrated by the coefficient of multiple determination, which indicates that 84% of GDP can be explained by the variables in the model. The remaining 16% of GDP is explained by factors that affect economic growth but were not included in the model. Similarly, serial correlation may exist based on the low Durbin-Waston score of 1.321746. The F-statistics show how significant the explanatory factors are and how much of the variance in the GDP can be accounted for by changes in the explanatory variables.

Table 2. Effect of Poverty and Foreign Aid on GDP

Dependent Variable: Gross Domestic Product

Method: Least Square

Date: 12/03/24 Time: 9:23am

Sample (Adjusted): 2010-2023

Included Observation: 13

Explanatory Variables	**Coefficients**	**Standard Error**	**T-Statistic**
Constant	-26.43110	41.05804	-0.64220
LOG (PR)	3.716399	10.88550	0.247403
LOG (UR)	0.122854	0.115979	1.153579

R- Squared =0.813916 Adjusted R- Squared = 0.704256

F-Statistics = 1.053432 S.E. of Regression =1.132505

Dustbin Wastson stat = 1.335291 Prob (F -Statistic) = 0.034970

Akaike info Criterion = 3.194309 Mean Dependent Var. = -12.53195

GDP_1 = -26.43110+ 3.716399PR+ ``0.122854FA

In table 2, the GDP growth rate is the dependent variable, and the explanatory variables were the poverty rate and foreign aid. The outcome shows that the dependent variable (GDP) is positively correlated with both the poverty rate and foreign aid. The model's high degree of fit is demonstrated by the coefficient of multiple determination, which indicates that 81% of GDP can be explained by the variables in the model. The remaining 19% of GDP is due to factors that affect economic growth but were not included in the model. Similarly, serial correlation may exist based on the low Durbin-Waston score of 1.335291. The joint significance of the explanatory variables and the extent to which fluctuations in the explanatory variables account for variations in the GDP are demonstrated by the F-statistics

Table 3. Effect of Unemployment and Foreign Aid on GDP

Dependent Variable: Gross Domestic Product

Method: Least Square

Date: 12/03/24 Time: 9:28am

Sample (Adjusted): 2010-2023

Included Observation: 13

Explanatory Variables	Coefficients	Standard Error	T-Statistic
Constant	-20.33110	22.25813	-0.542123

LOG (PR)	2.716385	8.66551	0.437212
LOG (UR)	0.432851	0.235944	1.213551

R- Squared = 0.923811 Adjusted R- Squared = 0.834235

F-Statistics = 1.053432 S.E. of Regression =1.112514

Dustbin Wastson stat = 1.234181 Prob (F -Statistic) = 0.024460

Akaike info Criterion = 2.174604 Mean Dependent Var. = 11.52163

GDP = -20.33110+2.716385UR + 0.432851FA

Similarly, table 3, The GDP growth rate is the dependent variable, whereas the unemployment rate and foreign aid were the explanatory factors.

The result showed that the GDP is favorably correlated with both the unemployment rate and foreign aid. The coefficient of multiple determination demonstrates the high good fit of the model, with the variables included accounting for around 91% of GDP explained. The remaining 9% of GDP is influenced by factors not included in the model. Similarly, serial correlation may exist based on the low Durbin Wastson value of1.234181. The F-statistics show how important the explanatory factors are together and how much variation in the explanatory variables that are included can explain changes in the GDP.

Table 4. Effect of Poverty, Unemployment and Foreign Aids on GDP

Dependent Variable: Gross Domestic Product

Method: Least Square

Date: 12/03/24 Time: 9:34am

Sample (Adjusted): 2010-2023

Included Observation: 13

Explanatory Variables	Coefficients	Standard Error	T-StatistiC	Prob.
Constant	-28.58088	0.538671	0.123756	0.5217
LOG (PR)	-0.067856	0.593495	0.102081	0.0116
LOG (UR)	-0.061588	11.57753	0.359824	0.2186
LOG (FA)	4.165805	44.15558	-0.649323	0.1214

R- Squared =0.873453 Adjusted R- Squared = 0.730278

F-Statistics = 0.667336 S.E. of Regression =1.154555

Dustbin Wastson stat = 0.009616 Prob (F -Statistic) = 0.056518

Akaike info Criterion = 3.271135 Mean Dependent Var. = 12.53195

GDP = -28.58088-0.067856 PR-0.061588UR+ 4.165805FA

This model combines all the variables to determine how foreign aid, unemployment, and poverty rates affect GDP growth rates. GDP growth rate is the dependent variable, whereas the explanatory factors were the poverty rate, unemployment rate, and foreign aid. The findings showed that while foreign aid has a positive relationship with GDP growth rate, poverty and unemployment rates have an inverse relationship with GDP growth rate. The variables have a positive effect on the GDP growth rate, as indicated by the positive sign of foreign aids. The poverty and unemployment rate factors' negative signs show that they decrease as GDP rises. The regression result above makes it evident that poverty and unemployment rates have negative coefficients, with values of -0.067856 and -0.061588, respectively. This implies that foreign aid has had a negative impact on Nigeria's efforts to reduce poverty and increase unemployment over time. Therefore, poverty and unemployment rates in Nigeria decrease by -0.067856 and -0.061588, respectively, with every 1% increase in foreign aid inflow.

The fact that foreign assistance inflows have significantly reduced poverty and unemployment in Nigeria due to an overreliance on them has undermined the innovation required for internal national economic change, which is why this outcome is consistent with economic a priori expectations. The model's high good fit is indicated by the coefficient of multiple determination, which explains 87% of GDP in terms of the variables in the model. The remaining 13% of GDP is explained by factors influencing national security that the model did not include.

Similarly, the presence of serial correlation is suggested by the low Durbin Watson value of 0.009616. Furthermore, foreign help showed a good correlation with the a priori predictions. Additionally, when taken into consideration separately, only capital accumulation was determined to be statistically significant at the 5% significant level. The F-statistics also show how important the explanatory factors are together and how much of the variance in the GDP can be accounted for by changes in the explanatory variables.

Policy Implication

The findings of the study showed that a positive relationship exists amongst foreign aids and GDP growth rate expenditure (expenditure approach to calculating GDP growth) which is in conformity with a prior assumption. This suggests that receiving foreign aid has advantages. This finding contradicts the findings of Oluwatoyin,Abiola, Ogunjobi and Lawal(2018) who maintained that persistent increase in foreign aid inflows beyond a particular point (the optimal point) may adversely affects economic growth. This study's finding is also in tandem with the findings of Sennuga, Adedayo, and Sennuga (2021) who established that foreign aid is positively related to GDP growth rate in Nigeria. Nonetheless, Nigeria's economic progress changes less proportionately in response to a proportionate change in foreign aid. Hence, foreign aid has not been effectively used and managed as it should be in Nigeria.

If the fund is used effectively and efficiently, a proportionate change in foreign aid should result in a more than proportionate change in economic development in developing nations like Nigeria. Nigeria's weak institutions have been cited as a primary contributing factor in this (Sennuga, Adedayo, and Sennuga, 2021).

The Nigerian economy's high rates of poverty, insecurity, and unemployment are undoubtedly a result of institutional failure, corruption, and inefficient resource allocation, which is why the coefficients of poverty and unemployment have a negative sign.

Additionally, this result has great policy implications- if foreign aid to Nigeria is properly employed, the country has a significant potential for economic growth, based on the enormous projections. It is necessary to work toward the effective implementation and use of foreign aid. To prevent instances of foreign aid leakage and diversion to the detriment of the population, appropriate policy measures that would monitor the maximum utilization of such aid are necessary. The Nigeria policymakers are encouraged to introduce strategic implementation/ action plan aimed at promoting growth through foreign aid, and reverse the negative distributional effects of foreign poverty reduction and unemployment in Nigeria.

Conclusion

From the findings of the study, it is evident that foreign aid has a positive relationship with GDP growth rate, while poverty and unemployment rates have inverse relationship with GDP growth rate in Nigeria. This suggests that because of financial mismanagement, embezzlement, and diversion, foreign aid has not been utilized and managed as it should be. Unemployment and the rate of poverty will rise if inflows of foreign aid are not appropriately tracked and utilized. Rather than relying solely on foreign aid for national growth, the Nigerian government and local investors should prioritize economic diversification, which might potentially drive away exploitative donors and poverty and unemployment will be reduced if not completely eradicated.

Recommendations

Based on study findings, the following recommendations are given to support policy direction in Nigeria to reduce poverty and unemployment through foreign aid.

1. Foreign aid administrators in Nigeria should make sure that robust institutional development policies are put in place so that funds provided by donor organizations to combat poverty and unemployment in Nigeria are judiciously utilized and not diverted for personal.
2. The foreign aid attracted to Nigeria should be directed appropriately toward revenue-generating initiatives that would expand the country's employment and economic capital base, ensuring sustainable economic growth and the eradication of poverty
3. It is imperative that the Nigerian government strengthens its institutions to prevent economic leakages and illicit money transfers to foreign nations via its ministries and agencies. Such transfers erode the country's economy and increase its susceptibility to foreign aid.

REFERENCES

Abdul, Z. H., Adamu, A., & Ogwuche, I. P. (2017). Effect of foreign aid on economic development in Nigeria. *AeFunai Journal of Accounting, Business and Finance* , 15 29

Adebayo, B. (2018). Nigeria overtakes India in extreme poverty ranking, June 26. Available at https://edition.cnn.com/2018/06/26/africa/nigeria-overtakes-india-extreme-poverty- intl/index.html (Accessed 22/ 10/20)

Adeoye T (2006). Fiscal Policy and Growth of the Nigerian Economy: An Empirical Perspective. Ibadan: NISER Monograph series No 3.

Agunbiade, O., and Mohammed, S. S. (2018). Impact of foreign aid on the economic development of Nigeria: 1986 - 2016. *Journal of Economics and Sustainable Development, 9* (18), 69 - 80.

Arugu, L. O. & Jacob Ogedi, J. (2018).Foreign donor interventions and economic

Anoke, A.F., Igwebuike, J., Agogbo, O C. (2021).Cyber security and business sustainability of quoted insurance firms in Nigeria. *Quest Journal of Research in Business and Management 9* (12);16-22

Anoke, A.F. (2022). Information and communication technology and operational efficiency of Deposit Money Banks in Nigeria; *American International Journal of Business Management 5*(9); 88-95

Anoke, A.F., Hope, N.N., and Tukura, Y.Y. (2022). Cross-examining the trainability theory of entrepreneurship as a strategy against unemployment in Kogi state Nigeria; International Journal of Multidisciplinary Research and Analysis; 5(4);847-853

Bakare, A.S. (2011). The macroeconomic impact of foreign aid in Sub-Saharan Africa: The case of Nigeria, *Business and Management Review;* 1 (5):24-32

Bermeo, S. B. (2017). Aid allocation and targeted development in an increasingly connected world, *International Organization*, 71(4),735-766.

development: Impact assessment of European Union Micro Project Program in Nigeria, *International Journal of Advanced Research in Public Policy, Social Development and Enterprise Studies* , 3 (1) 18-34

Duru, I. U., Okafor, B. O., Eze, M. A., & Ebenyi, G. O. (2020). Foreign aid and economic growth: Empirical evidence from Nigeria. *Asian Online Journal Publishing Group , 7* (1), 35 – 50

Hamid, H.A. (2013). Foreign aid and economic growth in Egypt: A Co-integration analysis. *International Journal of Economic and Financial Issues*,3 (3): 743-751

Isiyaku, A., Zasha, T.Z and Suleiman, U. (2022). Foreign aid and economic development in less developed countries: Nigeria at glance. *Zamfara Journal of Political and Development* 3(2), 112-125

Nwude,E. C. Sebastine, U. U and Adesanmi T. A. (2023). Impact of income level and foreign aid on economic growth in Sub-Saharan Africa: the case of Anglophone and Francophone countries, Economic Research-Ekonomska Istraživanja, 36:2, DOI: 10.1080/1331677X.2022.2142826

Obijiaku, I. O. (2015). Foreign aid: Nigerian legal and economic albatross. *Journal of Law, Policy and Globalization , 42*, 59 - 64.

Olayemi, S. S. (2021). The impact of foreign aid on socio-economic development in Nigeria, *Dinasti International Journal of Management Science International Journal of Management Science 4 (01) 60 – 70*

Oluwatoyin, A.F., Abiola, J.A., Ogunjobi, O. and Lawal, O.I.(2018) Foreign aid, human capital and economic growth nexus: Evidence from Nigeria. Journal of International Studies11(2),104-117

Onoja, A. (2020). Why is China Looking to Establish Banks in Nigeria?, The Diplomat, October 13, Available atwww.thediplomat.com>2021/10>why-is-china-looking-to-establish-banks-in-nigeria? (Accessed 22/01/22).

Onyebuchi, I. and Risikat, O. S. D. (2022). Effectiveness of foreign aid in poverty reduction in Africa: T the role of fiscal policy. CBN Journal of Applied Statistics 13 (1) 55-92

Peter, M. A. & Ocheni, M. (2015). Beyond resource endowment: The state and the challenges of national security in Nigeria, 1999 To 2014. *Journal of Third World Studies*, 293-313.

Peter, M. A. (2020). The State at traffic jam: Resource endowment and the challenges of national d evelopment in Nigeria's fourth republic. The rest: *Journal of Politics and Development*, 10 (2), 22-36

Saifaddin, G. (2023). Extreme poverty as share of global population in Africa. Saifaddin Galal publishers 2023

Sennuga, M. A., Adedayo, T. G. and Sennuga, S. O. (2021). The impact of foreign aid on socio– economic development in Nigeria. *International Journal of Management Science* 4 (01), 60 – 70

Udeh, M.C (2013). The impact of external debt on the Nigerian economy, Department of economics, faculty of management and social sciences, Caritas University, Enugu State

Ukpong, U. A. (2017). Foreign aids and African development: Lessons from Nigeria. *Journal of Political Science & Public Affairs*, 5 (3), 1 - 3.

Yiew, T. H., & Lau, E. (2018). Does foreign aid contributes to or impeded economic growth? *Journal of International Studies*, *11* (3), 21 - 30

Yiew, T. H., and Lau, E. (2018). Does foreign aid contributes to or impeded economic growth? Journal of International Studies, 11 (3), 21 - 30.