Journal of Business and Economic Policy
UNIZIK Business School, Nnamdi Azikiwe University, Awka

UBSJBEP Volume 2 Issue 4
ISSN (Online) 0795 – 7149
https://journals.unizik.edu.ng/index.php/ubsjbep

EFFECT OF REMITTANCE INFLOWS ON TRADE BALANCE IN NIGERIA (1987–2023)

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CITATION: Aginam , C.J. (2024). Effect of Remittance Inflows on Trade Balance in Nigeria (1987– 2023), *UBS Journal of Business and Economic Policy*, 2(4), 51 - 72.
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Abstract
Remittance is the portion of migrant workers earnings sent to their countries of origin and this could be in cash or gifts. The study investigates the effect of remittance inflow on trade balance in Nigeria. Specifically, the study examined the effect of migrant workers remittance on the Nigerian trade balance, determine the effect of embassy/high commission employee remittance on the Nigerian trade balance, ascertain the effect of military personal abroad remittance on the Nigerian trade balance and evaluate the effect of international aid workers remittance on trade balance in Nigeria. The study employed econometric techniques, including Augmented Dickey Fuller Tests for Unit Roots and the Ordinary Least Squire for testing hypothesis. The results of the Augmented Dickey Fuller Stationarity Test confirmed that all the variables, Trade balance, migrant workers remittance, embassy workers remittance, military personnel abroad remittance and international aid workers remittance used in this study are stationary at level, in the order of 1(0).The result of the Ordinary Least Squire indicates that migrant workers embassy workers, military personnel abroad and international aid workers have positive and significant effect on trade balance. The study concludes that remittance inflow have positive on trade balance in Nigeria within the period under review. Amongst the recommendations is that government should improve on the operational environment and regulation of remittance service, particularly as they relate to improving competition, reducing charges, improving access and enhancing the use of remittance proceeds in order to deepen the financial sector development and sustain momentum for growth. There should be strong communication and financial education campaigns to build trust and understanding of investment features, and market research to align investment conditions with the financial goals and capabilities of migrants. Public authorities and civil society should identify problems and opportunities, understand market facilitation needs and implement subsequent coordinated policies. Government should establish a Civil Society Fund on Aid Effectiveness, Results and Accountability to support the review and independent accountability function of national civil society organizations in aid effectiveness for results and accountability

Key Words: *Nigeria, Remittance Inflows, Trade Balance.*

Introduction
Remittance has been defined by many scholars from different disciplines and organizations. According to Adeagbo and Ayansola (2014), remittance is money sent home by migrants working abroad to their home countries. Remittances by simple

UBSJBEP Volume 2 Issue 4
ISSN (Online) 0795 – 7149
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definition are transfers by migrants, who reside abroad, to their family members in their country of origin. They are the portion of international migrant worker's earnings sent back from the country of employment to the country of origin. According to Adeleye, Adeteye and Adewuyi (2015) the countries' diaspora spread have a positive relation with the size of workers' remittance and this spread differs from one country to the other depending on peculiar cases of macroeconomic issues (Agunbiade, & Mohammed, 2018). Nigeria has, over some decades till now, faced some economic challenges especially unemployment; both the efforts of previous government to tackle these economic problems have yielded little or no results. In recent decades remittances have become an important source of income for many developing countries.

The international transfer of remittances contributes to the socio-economic development of developing countries in several ways. It is an important and large source of external finance and foreign currency that goes beyond other inward flowing cash-flows in the last two decades (Ahlgburg, 2014). Obviously, remittances have a visible macroeconomic impact on the recipient economy. Circumstantial evidence links remittance inflows to higher prices. This puts added dependence on imports, instead of increasing the efficiency of the export sector (World Bank, 2009). Remittances are a more stable source of foreign currency than Foreign Direct Investment (FDI), Foreign Private Investment (FPI) and foreign aid in many low and lower-middle income countries of the world (Babatunde, & Ogunade, 2018). They have various benefits both at micro and macro levels.. Remittances are also heavily used for consumption, housing expenses and healthcare (Bakare (2017). Moreover, the remittances flow increases during financial distress to sustain the households of the migrants (Chami, Barajas, Cosimano, Fullenkamp, Gapen, &Montiel, 2015). At the same time, remittances increases foreign currency reserves, aid in the development of the financial sector, boost the accumulation of physical and human capital and help in current account adjustments (Chenery & Strout, 2019). The inward flow of remittances also improves macroeconomic stability and helps in reducing output volatility (Evans, Olaniyi, Kelikume & Ikechukwu, 2018). Regardless of the above-mentioned benefits that derive from the remittances inflow, the recipient economies have to face macroeconomic challenges as well (Chenery & Strout, 2019). The substantial amount of remittances appreciates the exchange rate of the recipient economy and negatively affects international competitiveness. Exchange rate appreciation makes imports cheaper and exports relatively more expensive, thus affecting the country's trade balance. The increase in household income raises prices in the non-traded sector, but does not influence the tradable sector (Babatunde & Ogunade, 2018). The rise in non-tradable goods prices and resource movement appreciates the exchange rate (Ahlgburg, 2014), which uplifts the wages in the tradable sector. It increases the production cost along with prices and negatively affects the tradable sector (Feeny & McGillivray, 2008).

The loss of competitiveness and resource movement shrinks the traded sector of the economy. Now, the question arises, about the relevance of resource movement from traded to the non-traded sector. According to Frankel, and Jeffrey, (2001), "The trade sector is a channel through which any economy can absorb the best practices from abroad. The absence of these learning-by-doing spillovers, which may be critical to long-

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run productivity growth, could be one constraint on growth." Remittances have been continuously expanding over the last four decades. The total remittance inflows to Nigeria in 2012 was $10.681 billion as against $1.392 billion in 2004 showing an increase of 767 percent over the period. Also in 2011, remittance inflows was about 5% of the gross domestic product of Nigeria. In 2014, it was ₦20,761.6 billion, while the figure shale to ₦ 18,773.4, billion in 2016. However in 2018 it increased to ₦ 24,009.5 billion, (CBN, 2018).

In relation to the level of migration, the amount of international remittance inflow is becoming enormous. For many developing economies, international remittances constitute the single largest source of foreign exchange, exceeding export revenues, foreign direct investment (FDI), and other private capital inflows (Giuliano & Ruiz-Arranz, 2008).

Statement of the Problem

Findings from studies on the effect of remittances have been mixed. For instance, Ratha (2009) found that remittances can bring about increases in balance of trade and increase in the level of households consumption and investment, Acosta (2009), Gupta, Pattillo, and Wagh (2009) are of the opinion that large inflow of remittance can appreciate the exchange rate and hinder growth rate as a result of increase in the prices of tradable goods. They also argued that in a case where remittance inflows are large compared with the size of the economy, supply constraints will be a significant hindrance to the expansion of non-tradable sector and a larger portion of remittances is expended on domestic goods, especially non-tradables, with little or no positive effect on major macroeconomic variables like workers remittance, consumption and Investment. In Nigeria, the literature on effects of remittance on balance of trade has shown mixed results. Most of these studies did not expand their analysis to include core variables like Migrant workers, Embassy/ High commission employee, Military personnel abroad, International Aid workers. This omission is what this study intends to address and fill. In line with the above trend, this study will attempt to contribute to the existing literature by not only investigating the effect of remittance inflow on trade balance but also to expand the scope to 2019.

Large remittances can also reduce the supply of labour due to the choice of some individual to work less, having relied much more on remittances (Lucas, 1987).In the work of Stark and Lucas (1985); Taylor (1992); and Faini (2002), there exist a positive relationship between remittances and balance of trade while Chami(2005) and IMF (2005) in their studies on 101 developing countries found that remittances had a negative effect on trade. The above shows that the effect of remittances on balance of trade has been an issue of contention amongst economists. It has also been found that the impact of remittances on balance of trade varies over time and across countries (Glytsos, 2005).

The broad objective of this study is to investigate the effect of remittance inflows on the trade balance of Nigeria. Specifically, the study:

1. ascertains the effect of Migrant Worker's remittance on the Nigerian trade balance.

ISSN (Online) 0795 – 7149
https://journals.unizik.edu.ng/index.php/ubsjbep

2. evaluates the extent of effect that Embassy/high commission employee remittance has on Nigeria's trade balance
3. determines the effect of Military personal abroad remittance on the Nigerian trade balance
4. investigates the effect of International aid workers remittance on the Nigerian trade balance

The following hypotheses guided the study:

H_{o1}: Migrant Worker's remittance has no significant effect on the Nigerian trade balance

H_{o2}: Embassy/high commission employee remittance has no significant effect on the Nigerian trade balance

H_{o3}. Military personal abroad remittance has no significant effect on the Nigerian trade balance

H_{o4}. International aid workersremittance has no significant effect on the Nigerian trade balance

Literature Review

Conceptual Review

Workers Remittance

Remittance has been defined as portion of migrant workers earnings sent to their countries of origin and this could be in cash or gifts (Odozi, Awoyemi & Omonona, 2010; Chukwuone 2007; Quartey 2006). IMF (1999) maintains that remittance is limited to money sent by migrant workers who have been staying in a foreign country for more than a year to his/her household in his/her country of origin and this does not include migrants that are self-employed. Similarly, Tewolde (2005) argues that remittances are financial and non-financial materials that migrants receive while working overseas and sent back to their households in their countries of origin. Ratha (2003) also defines remittances as migrants' funds transfers, which are resources that a migrant convey into or takes out of a country. Consequently, International Organization for Migration (2006) largely defines remittances as the monetary flows connected to migration, that is, cash transfers by migrants or immigrants living abroad to a relation in home countries. International Labour Organization (2000) also defines remittance as part of migrant workers' income remitted back from their employment countries to their countries of origin. The above different definitions are just to mention a few amongst the different definitions and views of remittances. It is noteworthy that remittance is divided into two parts namely financial and on financial remittances although this paper focuses mainly on the financial aspect of it. Transfer of money by a foreign worker to his or her home country is called remittance.

Money sent back to home by migrants in many developing countries constitutes the second largest monetary inflow, exceeding worldwide aid. Estimates of remittances to developing countries vary from International Fund for Agricultural Development'sUS$301 billion (including informal flows) to the World Bank's US$250 billion for 2006 (excluding informal flows). Remittances contribute to economic development and to the livelihoods of global people. Remittance transfers can also

UBSJBEP Volume 2 Issue 4
ISSN (Online) 0795 – 7149
https://journals.unizik.edu.ng/index.php/ubsjbep

support access to financial services for the sender and recipient, thereby increasing financial and social inclusion. Remittances also promote, in the receiving countries, a further economic dependence on the global economy instead of building sustainable, local financial system. It can be concluded that impact of international labour migration and remittances on poverty reduction is positive. The economies in many countries are playing an increasingly large role by the remittances, contributing to economic growth and to the livelihoods of developing people. As remittance receivers often have a higher propensity to own a bank account, remittances support access to financial services for the sender as well as recipient, an essential aspect of leveraging remittances to uphold economic development.

The top recipients of remittances in GDP included many less significant economies such as Tajikistan (45%), Moldova (38%) and Honduras (25%). The World Bank and the Bank for International Settlements have developed international standards for remittance services..

Migrant Workers Remittances

Migrant workers ‘remittances flow unarguably has been on the upward trend in recent times and these flows represent a major source of private external finance for many developing countries. Lartey, Mandelman and Acosta (2010)believe that remittances are becoming increasingly important as a source of foreign income in terms of both magnitude and growth rate, exceeding the inflow of foreign aid and private capital in many countries. Remittances currently represent about one-third of total financial flows to the developing world. Remittances also double as the main transmitter of migration’s development benefits to migrants sending economies. The literature on remittances is largely conclusive on the stable nature of these flows and their potential to significantly contribute to the poverty reduction process by enhancing the living standards of the beneficiaries. However, there is still a running debate on the possibility of the unpleasant experiences of a real exchange rate appreciation and a loss of competitiveness in the tradable sector of many small developing economies that receive significant inflows.

Official data on remittances inflow to Sub-Saharan Africa (SSA) reveal that the flow of remittances to the region has been far more stable than official aid flows and foreign direct investment (FDI). Besides, remittances flow isso resilient that they do not significantly decline even in conditions of instability and poor governance. Hence, remittance flows represent one of the least volatile sources of foreign exchange earnings. Workers’ remittances flow has steadily increased since the mid 1980s. Officially recorded remittances were an estimated US$206billion in 2006, compared to US$19.6 billion in 1985 (World Development Indicators, 2006). Remittances have been the second most important source of external finance for developing countries, being twice the size of Official Development Aid (ODA) and almost as large as FDI. World Bank (2009) reports that recorded remittances to developing countries in 2008 were estimated to have reached US$305 billion. This is equivalent tonearly two percent of aggregate developing country gross domestic product (GDP) and well over half of estimated FDI inflows (US$490 billion). The 2008 estimated remittances to developing countries are over twice as large as ODA of US$119 billion received by developing countries.

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Embassy/High Commission Employee

Embassies are diplomatic missions sent to non-Commonwealth countries, while High Commissions are diplomatic missions sent to Commonwealth countries. The "head of mission" at the former are called Ambassadors; at the latter, they are called High Commissioners. The role of a UK diplomatic mission is to function as the channel of communication between the British government and that of the host country, to act as the official representative of the UK (in general, and in respect of specific public agencies with local interests) in that country, and to promote the interests of the UK and its citizens in that country. Diplomatic missions are also sent to international organizations and conferences, with similar roles.

Embassies are diplomatic missions sent to non-Commonwealth countries, while High Commissions are diplomatic missions sent to Commonwealth countries. The "head of mission" at the former are called Ambassadors; at the latter, they are called High Commissioners. As well as referring to diplomatic missions themselves, the terms "Embassy" and "High Commission" refer to the buildings in which those missions are based. In order to carry out their work, diplomatic missions must have a strong grasp of the host country's politics, society and culture. They must be able to explain British policies, identify potential threats to and opportunities for British interests, and provide political and economic analysis of local conditions to inform decision-making at home. Much of the day-to-day work carried out by diplomatic missions involves promoting UK trade interests.

The positions and work of diplomatic missions are governed by the Vienna Convention on Diplomatic Relations 1961. Under Article 31 of the Convention, members of diplomatic missions are exempt from the criminal and much of the civil law of the host country. Article 22 forbids the entry of agents of the host country from entering diplomatic posts without the permission of the head of mission. One of the functions of diplomatic missions is to look after the interests of British citizens in their host countries. This work is carried out by the "Consular Section" of the mission, which is usually headed by a Consul-General.

Military Personnel Abroad

Military forces from developing countries have become increasingly important as facilitators of their government's foreign policy, taking part in peacekeeping operations, military exercises and humanitarian relief missions. Deployment of these forces presents both challenges and opportunities for infectious disease surveillance and control. Troop movements may cause or extend epidemics by introducing novel agents to susceptible populations. Conversely, military units with disease surveillance and response capabilities can extend those capabilities to civilian populations not served by civilian public health programmes, such as those in remote or post-disaster settings. In Peru and Thailand, military health organizations in partnership with the military of the United States use their laboratory, epidemiological, communications and logistical resources to support civilian ministry of health efforts. As their role in international affairs expands, surveillance capabilities of militaries from developing countries should be enhanced, perhaps through partnerships with militaries from high-income countries. Military-to-military and military-to-civilian partnerships, with the support of national and international civilian health organizations, could also greatly strengthen global infectious disease surveillance, particularly in remote and post-disaster areas where military forces are present. Militaries maintain public health programmes to monitor, prevent and treat infections that could reduce the operational effectiveness of their forces. To advance mission objectives or broader national goals, military forces may extend their public health capabilities to civilian populations not adequately served by civilian public health programmes, for example, groups experiencing humanitarian emergencies or people in remote areas beyond the reach of ministries of health. However, the mobility that facilitates such operations can also allow military forces to carry infectious agents to susceptible civilian populations.

In many developing countries (that is, low- or middle-income economies as classified by the World Bank). The pursuit of foreign policy goals may involve use of military forces to participate in peacekeeping operations, military exercises and humanitarian relief missions, or to carry out more traditional military tasks such as the securing of borders. Here, we consider the growing importance of developing country militaries in global affairs, and the threats and opportunities this growth presents for infectious disease surveillance and control in civilian populations. We use examples from Peru and Thailand to show how militaries in developing countries can strengthen surveillance programmes run by ministries of heath.

International Aid Workers

International aid workers manage and develop everyday and emergency programs in areas that have been subjected to war, natural disasters or other environmental or developmental problems. International aid workers may work in administrative aspects of international aid, or can be deployed overseas for field work Aid workers help people in developing countries or conflict zones by providing support, food, resources and infrastructure to people in need. You may provide direct support – by helping hand out food and medical parcels – or you may work in a development role, working in the health or education sectors.

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International aid workers manage and develop everyday and emergency programs in areas that have been subjected to war, natural disasters or other environmental or developmental problems. International aid workers may work in administrative aspects of international aid, or can be deployed overseas for fieldwork. The qualifications needed for this role vary. For some aid worker jobs – where you’re helping people in a direct fashion with immediate needs – you may not need any qualifications. For longer term development roles, you'll often be expected to have career-specific qualifications, for example water engineers will need to have an engineering qualification.

Theoretical Framework

Classical and Neoclassical Theory

This research work is anchored on the classical and neoclassical theory which was propounded by Papademetriou (1985). Optimist School of Thought propagated the classical and neoclassical theories in their school of thought. They opined that migration would lead to transfer of investment capital from advanced economies to developing economies. This investment transfer would allow developing economies to be exposed to advanced technology, modern education and knowledge, free and democratic ideas. According to the proponent of this school of thought Papademetriou, (1985), the theory states that industrialization and transfer of capital on a large scale can lead to economic development for developing economies. The general assumption is that remittance inflows, experience, skills and knowledge gained by migrant workers" abroad will most likely improve development in recipient countries. Therefore these migrants are viewed as operators of progress, innovation and speculators.

The Optimist School of thought is however negated by the Pessimist School of thought which is supported by the structural and dependency theories. The theories proposed by Frank (1966) states that the resultant effect of migration would be reliance on the worldwide political monetary frameworks tyrannized by the influential Western States. According to this school of thought, migration is deleterious to developing economies and also the very cause of poor development in these economies. The pessimists argue that migration makes the development of human capital seem unnecessary and also lead to the collapse of traditions and customs in developing economies. This would result in the development of acquiescent, remittance-dependent and impoverished countries. The pessimists likewise contended that remittances weren't really being expended on productive activities but utilization on wasteful investments like housing. This increase in consumption was reported to provoke inflationary pressures. They turned the optimist view upside down.

Empirical Review

Onyeisi and Odo, (2018) examined the impact of international remittances inflows to domestic economy, using Nigeria as a case study between 1980 and 2015. The study used co- integration, vector error correction mechanism and granger causality for estimation of specified models. The results of estimation depict a negative significant relationship between IRIGWT and RGDP. Also ODAGNI has positive significant correlation with RGDP, BOT has positive significant relationship while INFL exhibit positive insignificant relation with RGDP. Granger causality results report that causality exist between IRIGWT and RGDP

Tung (2018) investigated the effect of remittance inflows on trade balance with a sample including 17 countries in the Asia-Pacific region in the period 1980-2015, which now is the largest recipient group compares others but there is no study in the region-level. The estimated results of the OLS, 2-SLS and PGMM regressions also strongly indicated new evidence that remittance inflows had a negative effect on the trade balance of the countries in the sample. Furthermore, our results confirmed that the annual GDP per capita growth negatively affected on the trade balance which implies that the growth of income maybe leads to rising the imports values and imbalance in international trade of countries. However, the impact of exchange rate on the trade balance was a positive one in the case of the Asia-Pacific region.

Margaret and Ajibola (2016) investigated the contributions of foreign remittances on economic growth in Nigeria from 1980 to 2016, using the Vector error correction modeling (VECM) technique to analyze the long run and short run impact of disaggregated remittances. That is Migrants 'Remittances and Workers' Remittances to find out whether they will perform differently in relation to economic growth in Nigeria. The two components of remittances performed differently. While the Migrants remittance component exhibits a long run positive, statistically significant relationship with economic growth, the other component i.e Workers Remittance has a negative statistically significant impact in the long run, short run relationship was also established among the variables as the ECM term was negative and statistically significant. The results showed a unidirectional causality from GDP per capita to Migrants remittances while no causality was found between workers' remittances and gross domestic product per capita.

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Onyeisi and Odo (2018) determine the impact of international remittances inflows to trade balance, using Nigeria as a case study between 1980 and 2015. The specific objectives are to determine to what extent international remittance inflows impact on the growth of domestic economy; to investigate if there is significant casual relationship between international remittance inflows and the growth of domestic economy in Nigeria and to compare the influence of oversee development assistance and international remittance inflows to the growth of domestic product in Nigeria. In the model specified, real gross domestic product (RGDP) is a function of the growth international remittance inflows (IRIGWT), oversee development assistance, (ODAGNI), balance of trade (BOT), and inflation (INFL). The study used co- integration, vector error correction mechanism and granger causality for estimation of specified models. The results of estimation depict a negative significant relationship between IRIGWT and RGDP. Also ODAGNI has positive significant correlation with RGDP, BOT has positive significant relationship while INFL exhibit positive insignificant relation with RGDP. Granger causality results report that causality exist between IRIGWT and RGDP

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Anetor, (2019) examine the relationship between remittances, financial sector development, and economic growth in Nigeria over the period 1981 to 2017. The study used the autoregressive distributed lag (ARDL) model to analyze the long run and short-run relationships between the variables. The outcome of the study revealed that the variables are bound together in the long-run. The results also showed that remittances have a negative and significant effect on economic
growth both in the long-run and short-run. The study also established that financial sector development has a negative and significant impact on economic growth both in the long-run and short-run. Further, the study confirmed the existence of complementarity between remittances and financial sector development in influencing economic growth. In addition, study revealed that inflation has a negative and significant effect on economic growth both in the long-run and short-run. The findings of the study showed that trade openness, government expenditure, and population growth have no significant impact on economic growth both in the long-run and short-run.

Ubi andEssien (2018) evaluate the macroeconomic impact of remittances on economic development in Nigeria. Specifically, the study used Autoregressive Distributed Lag (ARDL) model to estimate the model. Based on the results, the positive coefficient of remittances implies that increased levels of remittances inflow into the country will spur economic development. The study therefore recommends that the government should reduce the transaction cost of remitting monies from abroad, for instance, charges from western union, automatically lowers the overall inflow of remittances. Also, the negative coefficients of domestic savings gap of -0.009 and -0.028 percent for long-run and short-run results respectively imply that the larger the savings gap, the lower the level of economic development

Ajayi (2018) examined the relationship between foreign aid and balance of trade-in sub Saharan Africa. The study seeks to examine the role of institutions in aid effectiveness and economic development in Sub Saharan Africa. The study adopted a theoretical framework similar to the Endogenous or New Growth model, as well as; the system generalized method of moments (GMM) technique of estimation was adopted in order to overcome the challenge of endogeneity perceived in the institutions variables and Aid growth argument. It was observed that foreign aid significantly influence Real GDP Per Capita (the proxy for economic development) in Sub Saharan Africa. Also, variables like gross fixed capital formation, rule of law, control of corruption (which are proxy for institutions) and Human capital had a significant effect on Economic development in sub Saharan Africa while labour had no significant effect on economic development in Sub Saharan Africa.

Agunbiade and Mohammed (2018) researched into the impact of foreign aid (FA) on the trade balance in Nigeria. The study made use of secondary data and reviewed past works done in the area for knowledge gathering. The variables were on Gross Domestic Product, Foreign Aid flow, Openness of the economy and Savings. We employed vector error correction model (VECM), after unit root test and Johansen co integration test of the series were carried out. The study found out that foreign aid flow (FAF) in Nigeria is positively related to gross domestic product (GDP), but however insignificant. That is, it does not create impact on the economy to be felt by the people

Babatunde and Ogunade (2018) worked on Foreign aid and trade balance nexus in Nigeria: A Johansen Co-integration approach. The result showed foreign aid as positive and statistically significant at 5 percent level in influencing economic growth in the long but not in the short run. The study conducted some post estimation diagnostic tests in order to confirm the validity and robustness of the model. The variables were on Real Gross Domestic Product, investment; exports import of goods; Gross National Savings and foreign aid. Durbin Watson statistics provided evidence of a negative serial correlation in the residuals. The Breusch-Godfrey Serial Correlation revealed the absence of serial correlation between the variables. The Breusch Pagan test established the presence of homoscedasticity for some of the variables. The foreign aid was also found to Granger-cause economic growth. The research result revealed that while foreign aid was positively related, it was did significantly impact economic growth.

Olabode and Mohammed (2019) examined the impact of foreign aid (FA) on the Economic Development of Nigeria since the literature is yet to reach an agreement on the role of FA in economic development. The study made use of secondary data and reviewed past works done in the area for knowledge gathering. We employed vector error correction model (VECM), after unit root test and Johansen cointegration test of the series were carried out. The study found out that foreign aid flow (FAF) in Nigeria is positively related to gross domestic product (GDP), but however insignificant. That is, it does not create impact on the economy to be felt by the people

The review of the study indicates that remittance Inflows is the portion of migrant workers earnings sent to their countries of origin and this could be in cash or gifts. These

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UBSJBEP Volume 2 Issue 4
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resource inflows included inflows from migrant workers, embassy/high commission employee, military personal abroad and international aid workers. The theoretical framework hinges on the classical and neoclassical theory which was propounded by Papademetriou (1985). Optimist School of Thought propagated the classical and neoclassical theories in their school of thought. They opined that migration would lead to transfer of investment capital from advanced economies to developing economies. This investment transfer would allow developing economies to be exposed to advanced technology, modern education and knowledge, free and democratic ideas. According to the proponent of this school of thought Papademetriou, (1985), the theory states that industrialization and transfer of capital on a large scale can lead to economic development for developing economies.

The empirical review showed that there is a conflict with regards to the nature and direction of the effect of remittance inflow channels on trade balance in Nigeria. In some studies there were even mixed findings. For instance, the works conducted in Nigeria, Ghana and India (Chigbu, Ubah & Chigbu, 2015); Nigeria (Adegboye, Ogbebor & Egharvba, 2014; Okafor, Ezeaku&Eje, 2015; Akanyo & Ajie, 2015; Okafor, Ugwuegbe & Ezeaku, 2016). However, Kanu, (2015) who studied SSA countries of Nigeria, Ghana and South Africa posited that remittance inflow had short run effect but no long run relationship. The major conflict and gap in empirical study arises from the notion that there could be different effect from each of the different channels of remittance inflow (Orji, Uche & Ilori, 2014). A study covering 33 SSAs posited that remittance inflows have positive effect on trade balance in Nigeria (Raheem & Adeniyi, 2015). A study from Ethopia supported this by positing that all remittance inflow channels had positive effect on trade balance (Nweke, 2015). In Kenya, Makori, Kagiri and Ombui (2015) noted that remittance inflow had no effect. This underscores the level of inconsistencies in the empirical findings across developing and emerging economies and Nigeria in particular. The major gap that this study intends to fill is to reexamine the effect of remittance inflow on trade balance in Nigeria

Materials and Methods

The study employed the *ex-post facto* and analytical research design. The study used secondary data sourced from financial publications such as the, Central Bank of Nigeria Statistical Bulletin and World Development Indicator, 2019

The model that was used for the study is the model of Maduka, Madichie and Ekesiobi (2019) who studied the impact of international remittance inflows on Nigeria's trade balance from 1990 to 2016. The Model was however modified to suit the purpose of this study.

The model is stated thus:

TRB = f(MW, EW, MPA,) ……….Eqn 1.

Where:

TRB is the trade balance

MW is migrant workers

EW is embassy workers

MPA is military personnel abroad

The model was modified by the inclusion of international aid workers
TRB = f(MW, EW, MPA, IAW) …………Eqn 2
Where:
TRB is the trade balance
MW is migrant workers
EW is embassy workers
MPA is military personnel abroad
IAW is international aid workers

The above equation can be restated in a functional form as;
TRB= $\beta_0+\beta_1$MW+β_2EW+β_3MPA + β_4IWA+ …..qn……….Eqn 3
Where:
β_0 and μ = constant and error term respectively
β_1, β_2, β_3,and β_4 = coefficients of migrant workers, embassy/high commission employee, military personnel abroad, international aid workers and exchange rate on the Nigerian trade balance respectively .

Results and Discussion

Augmented Dickey-Fuller Unit Root Test

Augmented Dickey-Fuller (ADF) tests was employed to test for the existence or otherwise of unit root. Determining stationarity is essential because if there is no stationarity, the processing of the data may produce biased result. The decision rule is to reject stationarity if ADF statistics is less than 5% critical value, otherwise, accept stationarity when ADF statistics is greater than 5% criteria value. The summary of ADF statistics is presented in table 4.2 below.

Table 1 Summary of Augmented Dickey-Fuller Test

Variables	ADF Statistics	Order of Integration	Probability Value
TRB	-9.195387	1(0)	0.0000
MW	-5.082586	1(0)	0.0003
EW	-10.99187	1(0)	0.0000
MPA	-4.599387	1(0)	0.0005
IAW	-4.081545	1(0)	0.0019

Source: E-view version 9.0

Table 1 shows the summary of Augmented Dickey-Fuller Test. The table shows that all the variables are stationary at level. Trade balance, migrant workers, embassy workers, military personnel abroad and international aid workers are stationary at level. This shows that all the variables used in this study are stationary in the order of 1(0)

Journal of Business and Economic Policy
UNIZIK Business School, Nnamdi Azikiwe University, Awka

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ISSN (Online) 0795 – 7149
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Table 2: Ordinary Least Squire Regression Result

This model that tests the effect of remittance inflow on trade balance in Nigeria is presented below.

Dependent Variable:TRB
Method: Least Squares
Date:10/04/24Time: 6:32
Sample: 1987 2023
Included observations:36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.301739	0.146105	2.065220	0.0555
MW	3.041448	0.021113	2.963169	0.0273
EW	4.013367	0.019159	2.697686	0.0424
MPA	1.051059	0.033448	2.526521	0.0364
IAW	5.028410	0.012804	2.218839	0.0013

R-squared	0.780802	Mean dependent var	0.433810
Adjusted R-squared	0.725303	S.D. dependent var	0.077941
S.E. of regression	0.058403	Akaike info criterion	-2.638627
Sum squared resid	0.054575	Schwarz criterion	-2.389931
Log likelihood	32.70559	Hannan-Quinn criter.	-2.584654
F-statistic	3.504723	Durbin-Watson stat	2.094381
Prob(F-statistic)	0.006761		

Source: E-view Version 9.0

From the results of the OLS in Table 2, it is obvious that the constant parameter (Bo) is positive at 2.301739. This means that if all the independent variables are held constant, trade balance as a dependent variable will grow by 2.301739 units in annual-wide basis.

Migrant Workers Remittance (MW): The coefficient of migrant workers remittance is positive at 3.041448 with a t-statistics value of 2.963169 and a probability value of 0.0273, which implies that migrant worker remittance has positive and significant effect on trade balance

Embassy Workers Remittance (EW): the coefficient of embassy workers remittance is positive at4.013367 with a t-statistics value of 2.697686 and a probability value of 0.0424, which means that embassy workers, has positive and significant effect on trade balance

Military Personnel Abroad Remittance (MPA): the coefficient of military personnel abroad remittance is positive at1.051059 with a t-statistics value of 2.526521 and a probability value of 0.0364, which means that military personnel abroad has positive and significant effect on trade balance

International Aid Workers Remittance (IAW): the coefficient of international aid workers remittance is positive at5.028410 with a t-statistics value of 2.218839 and a probability value of 0.0013, which means that international aid workers has positive and significant effect on trade balance.

The coefficient of determination (R^2) = 0.725303 showed that about 73% of changes in the trade balance in Nigeria is accounted for by the level of international inflow in Nigeria. This implies that remittance inflow is one major contributor on trade balance in Nigeria **(**The F-statistic value of 3.504723 and probability value of 0.006761 shows that there is significant effect between the dependent and independent variables in the model

The Durbin-Watson Statistics value of 2.943816 shows that the variables in the model are not autocorrelated

Test of Hypotheses

The statistical significance of the individual parameters is used to test the hypotheses. These tests were conducted at 5% level of significance

Hypothesis One

H_{o1}: Migrant Worker's remittance has no significant effect on the Nigerian trade balance

H_i: Migrant Worker's remittance has significant effect on the Nigerian trade balance

Table 3: OLS on Effect of remittance inflow on trade balance in Nigeria is presented below.

Variable	Coefficient	t-Statistic	Probability	Conclusion
TRB	2.301739.	2.065220	0.0555	Statistically Positive and Significant
MW	3.041448	2.963169	0.0273	Statistically Positive and Significant
EW	4.013367	2.697686	0.0424	Statistically Positive and Significant
MPA	1.051059	2.526521	0.0364	Statistically Positive and Significant
IAW	5.028410	2.218839	0.0013	Statistically Positive and Significant

Source: Computed from E- view 9.0

From the table above, since the probability value is less than 5% (0.0273<0.05) with coefficient value of 3.041448 and t-Statistic of 2.963169, the study therefore rejects the null hypotheses and accepts the alternative hypotheses: which means that migrant worker's remittance has significant effect on the Nigerian trade balance

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Hypothesis Two

H_{o2}: Embassy/high commission employee remittance has no significant effect on the Nigerian trade balance

H_i: Embassy/high commission employee remittance has significant effect on the Nigerian trade balance

Relying on the outcome in Table 3, especially as the probability value is less than 5% (0.0424<0.05) with coefficient value of 4.013367 and t-Statistic of 2.697686, the study rejects the null hypotheses and accepts the alternative hypotheses and concludes that Embassy/high commission employee remittance has significant effect on the Nigerian trade balance

Hypothesis Three

H_{o3}. Military personal abroad remittance has no significant effect on the Nigerian trade balance

H_i. Military personal abroad remittance has significant effect on the Nigerian trade balance

Relying on the outcome in Table 3, especially as the probability value is less than 5% (0.0364>0.05) with coefficient value of 1.051059 and t-Statistic of 2.526521 the study rejects the null hypotheses and accepts the alternative hypotheses: which means that military personal abroad remittance has significant effect on the Nigerian trade balance

Hypothesis Four

H_{o4}. International aid workersremittance has no significant effect on the Nigerian trade balance

H_i. International aid workers remittance has significant effect on the Nigerian trade balance

Relying on the outcome in Table 3, especially as the probability value is less than 5% (0.0013>0.05) with coefficient value of 5.028410 and t-Statistic of 2.218839, the study rejects the null hypotheses and accepts the alternative hypotheses: which means that international aid workers remittances have significant effect on the Nigerian trade balance

Conclusion and Recommendations

The result of the study indicates that migrant workers, embassy workers, military personnel abroad and international aid workers has positive and significant effect on trade balance

The coefficient of determination (R^2) = 0.725303 showed that about 73% of changes in the trade balance in Nigeria is accounted for by the level of international inflow in Nigeria. This implies that remittance inflow is one major contributor on trade balance in Nigeria. Again (The F-statistic value of 3.504723 and probability value of 0.006761 shows that there is significant effect between the dependent and independent variables in the model. The Durbin-Watson Statistics value of 2.943816 shows that the variables in the model are not auto-correlated. The study concludes that remittance inflow have positive on trade balance in Nigeria within the period under review

Amongst the recommendations is that government should improve on the operational environment and regulation of remittance service, particularly as they relate to improving competition, reducing charges, improving access and enhancing the use of remittance proceeds in order to deepen the financial sector development and sustain momentum for growth. There should be strong communication and financial education campaigns to build trust and understanding of investment features, and market research to align investment conditions with the financial goals and capabilities of migrants. Public authorities and civil society should set transnational platforms to mobilize market players and their overseers involved in the supply chain at both ends of major corridors. They should identify problems and opportunities, understand market facilitation needs and implement subsequent coordinated policies and that government should establish a Civil Society Fund on Aid Effectiveness, Results and Accountability to support the review and independent accountability function of national civil society organizations in aid effectiveness for results and accountability.

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