

Diaspora Remittances and Nigeria's Human Development Index

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DOI: 10.56201/ijssmr.v10.no11.2024.pg.85.91

Abstract

This study investigated the effect of diaspora remittance on human capital development of Nigeria. The study was anchored on the pure altruism theory. It adopted the ex post facto research design. The data used in this study were obtained from Central Bank of Nigeria's Bulletin and the World Bank for the period of 2010 to 2023 and was analyzed using descriptive statistics, correlation and the regression analysis. The result of the study revealed that diaspora remittance has significant positive effect on HDI in Nigeria. It therefore concluded that diaspora remittance could enhance Nigeria's human capital development. Accordingly, it was recommended that the Central Bank of Nigeria (CBN) should ensure easy transfer of diaspora remittances (without much hassles), since diaspora inflows will lead to more development of human capital of the country.

Keywords: *Diaspora Remittances, Human Capital Development Index*

1.0 INTRODUCTION

The world has become a global village. The inter-connectedness of the global village has also created several opportunities for human beings to migrate from one countries to another in search of greater opportunities, with ease. According to the World Migration Report of 2022, there is an increasing trend of global migration over the years. In their opinion, it is estimated that about 281 million people migrants from one country to another globally in 2020, as against the figures of 220 million and 173 million in 2010 and 2000 respectively. This increased international migrations have led to increased diaspora remittances from foreign migrants to their home countries. Further, this has enhanced the transfer funds from the developed countries to the less developed economies. Impliedly, that serves as one of the sources of international financial resources in developing nations (Usman, 2019).

Recently, Nigeria has been witnessing a tremendous rise in relocation of its citizens, commonly referred to the *Jappa Syndrome*. According to Owusu and Malami (2020) a lot of people especially the young populace relocating or taking evident steps towards relocating, mainly in search of 'greener pastures'. According to the Nigerian Investment Promotion Commission (NIPC) about 2,000 Nigerians are trained in the USA, United Kingdom, Germany, France, Russia, Canada, Japan, and China each year. They return home to search for employment or business opportunities. This Diaspora transmits information through expatriate networks programme of the United Nations. More so, there are diasporas' political and socio-economic groups that campaign and still campaigning for democratic reforms as part of the development and impacting positively on the GDP of Nigeria. These Nigerian emigrants remit foreign

currencies, being part of their income, to their relatives back home in Nigeria. These are called “diaspora remittances”. According to Adeseye (2021) remittance inflows refers to the transfers of financial resources to households which does not require any reciprocal in economic value. On their part, the Migration and Development Brief (2022), opined that Nigeria accounts for the highest amount of diaspora remittances in Africa, followed by Ghana and Kenya. Further, the World Bank’s 2019 annual remittance data update have revealed that Nigeria is ranked the sixth highest recipient of global remittances, only after China, India, Egypt, Mexico, and Philippines (World Bank, 2019). With this upward trend and with the recognition of the beneficial contribution of diasporas as partners in the Nigerian project, the Nigerian government created the Nigerians in Diaspora Commission (NID.Com) in 2019, in order to properly utilize the rich human capital, and material resources of Nigerian diaspora community.

On the other hand, human capital development (HCD) measures the average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and having a decent standard of living. It means a process of training and increasing the number of persons with skills, education and experience that are vital for the economic and political development of a nation (Jhingan, 2007). The HDI is the geometric mean of normalized indices for each of the three dimensions (African Export-Import Bank) (2005). Certain parameters such as health, education and nutrition come to mind in the discussion of HCD. All of these are the areas in which investments could be made to develop the human capital in a country.

1.2 Statement of the Problem

Despite the surge in the value of remittances, there has been little or no effort to assess and investigate the impact of remittances on HCD in Nigeria. With a population of over 200 million Nigeria recorded an unemployment rate of 33% in the fourth quarter of 2020 and most recent multi-dimensional poverty index as released by the National Bureau of Statistics (NBS) shows poverty rate of 63% (NBS, 2022). This invariably means that there is still a lot that ought to be done in terms of investing in HCD and this is where remittances come to play.

Also importantly, with dwindling revenues and the growing government budgetary pressures amid an expanding domestic investment needs, diaspora remittances can unlock massive economic value, by stimulating the economy. Some scholars have empirically examined the interactions between diaspora remittances and economic growth and have come out with diverse results. Narang (2020), Hassan & Shakur (2017), Munguna (2018), Ineke (2016), and Fayomi, Azuh and Ajayi (2015) studies have revealed positive and significant effect between diaspora remittances and economic growth, while Didia, Didia and Ayokunle (2018), and Anetor (2019) reveals negative and significant effect. However, these studies, did not take into cognizant the growth accounting framework which offers a rich perspective to analyze the diaspora growth relationship. Also, with respect to previous, this work represents a recent attempt that examines the relationship between diaspora remittance and economic growth in Nigeria. Hence, this study was undertaken to fill the above identified gap by examining the relationship between diaspora remittance and human capital development in Nigeria.

2.0 REVIEW OF RELATED LITERATURE

Concept of Diaspora Remittance

The conceptual definitions of remittances, however, have been a subject of extensive discussions. A review of the literature shows that the definition of remittances is without question. However, two categories of the definitions are observable in literature. The narrow

or simple definition of remittances is based on the concepts of migration and defines remittances as household income received from abroad, as a result of the migration of workers to foreign countries (Young, 2011); whether the migration is temporary or permanent (International Monetary Fund, 2009). The broader definition of remittances, also known as the formal definition is derived from the Balance of Payments manual produced by the IMF and (International Monetary Fund, 2009).

Human Development Index

The Human Development Index (HDI) is a summary measure of human progress. It considers the average achievements in three basic dimensions of human development; a long and healthy life, access to knowledge and a decent standard of living. It is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and having a decent standard of living. It simplifies and captures only part of what human development entails. It does not reflect on inequalities, poverty, human security, empowerment, etc. Further, the human development indicators, generally, provide the basis for quantitative assessment of the achievement of countries in all areas of human endeavour. It is computed as a geometric mean of geometric means, calculated across the population for each dimension separately (Alkire and Foster, 2010).

From the above, the understated null hypotheses was formulated for this study:

H₀₁: There is no significant relationship between diaspora remittance and human development index in Nigeria.

2.2 Theoretical review

This work is anchored on the pure altruism theory. The theory is based on the premise that international migrants remit funds back home mainly because they are concerned about the welfare of their family members in their country of origin (Kaasschieter, 2014). The theory is based on three basic assumptions. Firstly, it assumes that the level of remittances is dependent on the immigrant's income. Secondly, it is assumed that the amount of income earned by the family members of the international migrant will determine how much will be sent as remittances (that is, the lower the income earned, the higher the remittances). And lastly, the theory assumes that the extent to which the migrant is attached to his/her family in the home country, the lower the level of attachment, the lower and the remittances. The relevance of this theory to the study is that diaspora remittances affect the well-being of the relatives of the migrants.

2.3 Empirical Review

Adeagbo (2024) examined the effect of diaspora remittances, on the human capital development of Nigeria. The study employed data from World Bank World Development sources spanning from period 1981 to 2021 and were analyzed using ordinary least square regression technique. The results showed that diaspora remittances led to significant and positive effect on human capital development of Nigeria. Based on that it was recommended that diaspora remittances should be made easier and cheaper so as to ensure greater inflows particularly via government recognized channels.

Also, Orekoya and Tijani (2023) examined the effect of diaspora remittance inflows on human capital development of Nigeria. The study used data from 1980 to 2021. The study used the Autoregressive Distributive Lag (ARDL) model in carrying out its analysis. The findings

revealed that diaspora remittances inflow have a positive and significant effect on human capital development in Nigeria. It was recommended that remittances from abroad should be encouraged and formalized so as to increase the human capital development of Nigeria.

Wanger and Aras (2022), on their part, investigated the impact diaspora remittances on human capital development in Nigeria. The study collected data from the National Bureau of Statistics and World Bank sources from 1981 to 2019 and was using the Ordinary Least Squares technique. The result also confirmed a positive and significant causal relationship between diaspora remittances and human capital development. Based on that it recommended the establishment of diaspora foundations through the diaspora commissions to handle issues of people living in the diaspora since they contribute to the development of the country.

Narang (2020) also examined the trend and patterns of diaspora remittance inflows on household consumption and investments in India. The study covered a period from 1975 to 2017. Data collected were subjected to a two staged least square regression analysis and the findings showed that although direct remittances impacted the GDP indirectly. It also showed that diaspora remittances affect household consumptions as well as capital stock positively and significantly in India.

In a cross-sectional study of 48 Sub-Saharan countries, Didia, Didia and Ayokunle (2018) used Panel Multiple regression on the variables of Gross domestic product per capita, diaspora remittances, foreign direct investment, foreign aid, government expenditures, and literacy rates. Empirical results from the study showed there was a negative and statistically significant impact between remittances and economic growth in SSA, ascribing the relationship to remittances not being invested in productive endeavors within the economy.

3.0 METHODOLOGY

The study used the ex post facto research approach to look at the statistical relationship between diaspora remittance components and economic growth in Nigeria. The data used is of the quantitative kind. The data used in this study was obtained from Central Bank of Nigeria's Bulletin and the World Bank data bases. The study covers the period from 2010 to 2023, which is selected as the research year. The research employed the ordinary least square (OLS) regression technique to analyze the data. The rationale behind selecting this methodology was its intrinsic qualities of consistency, unbiasedness, and efficacy. The investigation employed the ordinary least squares (OLS) method as its methodological framework.

3.1 Model Specification

The model specified in this study expresses economic growth (GDP) as a function of diaspora remittance, as follows:

$$HDI = f(DR) \dots \dots \dots 1$$

Equation 1 is restated as:

Where:

HDI = Human Development Index

DR = Diaspora Remittance

4.0 ANALYSIS AND INTERPRETATIONS OF RESULTS

This section is concerned with the presentation and analysis of the data collected by the research in a bid to draw logical inferences on the hypothesized relationships between the variables employed in this study.

4.1 Data Analysis

Table 4.1 Descriptive Statistics

	REMIT	HDI
Mean	3936.136	0.506190
Median	3203.800	0.506000
Maximum	13226.40	0.583000
Minimum	130.5908	0.450000
Std. Dev.	3284.586	0.032811
Skewness	0.979412	0.342968
Kurtosis	3.723643	2.655278
Jarque-Bera	4.360650	0.515673
Probability	0.113005	0.772721
Sum	94467.26	10.63000
Sum Sq. Dev.	2.48E+08	0.021531
Observations	24	21

Source: Author's Computation using Eviews

The results above indicate that HDI has mean and standard deviation of 0.5 and 0.03, respectively. Given that the standard deviations are lower than the mean, there are less variability in the data. Furthermore, all the variables are positively skewed and also less peaked. On the other hand, the Jarque-Bera statistics and probability values indicate that all the variables are normally distributed.

Table 4.2: Correlation Statistics

	REMIT	HDI
REMIT	1.000000	
HDI	0.522105	1.000000

Source: Author's Computation using Eviews

Table 4.3 reveals that remittances has moderate positive correlation with the dependent variables.

Table 4.3 Least Square Regression (Model 1)

Dependent Variable: HDI

Method: Least Squares

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Sample (adjusted): 2003 2023

Included observations: 21 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
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LNREMIT	0.025897	0.003874	6.685016	0.0000
C	-0.239223	0.111577	-2.144014	0.0452
R-squared	0.701677	Mean dependent var	0.506190	
Adjusted R-squared	0.685976	S.D. dependent var	0.032811	
S.E. of regression	0.018387	Akaike info criterion	-5.063999	
Sum squared resid	0.006423	Schwarz criterion	-4.964521	
Log likelihood	55.17199	Hannan-Quinn criter.	-5.042410	
F-statistic	44.68944	Durbin-Watson stat	0.987105	
Prob(F-statistic)	0.000002			

Source: Authors' Computation using E-views

From the result in Table 4.4, remittance determines 68.6% of the variations in HDI. The F-statistic and probability of 44.69 and 0.000, respectively, show that the model has a very high goodness of fit. Similarly, the t-statistic of 6.685 and its associated probability of 0.0000 reveal that diaspora remittances has a significant positive effect on HDI in Nigeria.

4.3 Discussion of Findings

From the results in table 4.4, remittance has a t-statistic of 6.685 and probability value of 0.0000. Given that the probability value of 0.000 is less than 0.05, the null hypothesis is rejected. Thus, diaspora remittance has a significant positive effect on HDI in Nigeria. This is in tandem with the a priori expectation, and implies that an increase in remittances will lead to an increase in HDI. This is hinges on the fact that the remittances made from the diaspora provides funds that are utilized in business venture or used to fund welfare needs, such as housing, food, etc. Consequently, such funds aid in improving both the social and economic qualities of life thereby enhancing development. The findings above agreed with the results by Adeagbo (2024), Orekoya & Tijani (2023) and Wanger & Aras (2022), who all found positive and significant causal relationship between diaspora remittances and human capital development. Based on that it recommended the establishment of diaspora foundations through the diaspora commissions to handle issues of people living in the diaspora since they contribute to the development of the country.

5.0 CONCLUSION AND RECOMMENDATIONS

The aim of the study was to establish the effect of diaspora remittance on human development index in Nigeria. The study employed the secondary data which was obtained from the CBN statistical bulletin and National Bureau of Statistic. Data analysis involved descriptive data analysis, correlation analysis and the regression analysis. The result of the study reveals that diaspora remittance has a significant positive effect on HDI in Nigeria. This is in tandem with the a priori expectation, and implies that an increase in remittances will lead to an increase in HDI. In conclusion, Diaspora remittance is very paramount to Nigeria HDI. Based on the findings and conclusion of this study, it was recommended that the Central Bank of Nigeria (CBN) should encourage those in diaspora to open online naira account without much hassles. Secondly, the Nigerian state must continue to work on strengthening its internal security, ease of doing business and monetary policies to compete with those other developing economies so as to attract remittance investments from Nigerian Diaspora community. No one invests where

his assets can be razed down overnight due to conflicts in order to enhance overall quality of life index in Nigeria.

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