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EXTERNAL FINANCIAL INFLOWS AND HUMAN DEVELOPMENT IN NIGERIA

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Abstract:
This study looked at how money coming into Nigeria from outside affects human development from 1981 to 2023. The researcher collected data on the human development index, which is a way to measure human development, along with foreign direct investment, money sent back by migrants, debt from other countries, and aid from international organisations. The data came from Nigeria's central bank, the United Nations Development Programme, and the World Bank's World Development Indicator. The main method used in the study is the Autoregressive Distributed Lag or ARDL technique. The results of the ARDL Bounds test showed that there is a long-term link between these types of financial inflows and human development. In the long run, foreign direct investment, migrant remittances, and external debt all had a positive but not very strong connection with the human development index. However, official development assistance had a negative and weak connection. In the short run, foreign direct investment, migrant remittances, and external debt had a negative effect on the human development index, while official development assistance had a positive effect. All the financial inflows were statistically significant in the short run, except for external debt. Based on these results, the study suggested that the government should guide foreign direct investment toward sectors that directly improve people's lives, such as education, health, agriculture, and manufacturing, instead of just focusing on extractive industries like oil. The study also recommended giving support to businesses that rely on a lot of workers, and building better connections between foreign companies and local businesses. The government should also encourage people to save some of the money they receive from migrant remittances instead of just spending it. To do this, they need to make it easier for people to use financial services and save money, and provide education on how to manage money properly. Finally, the government should make sure that external debt is used for projects that will help develop the country and improve people's lives.

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1. Introduction

External financial inflows comprising foreign direct investment, aid from international organisations, money sent back by migrants, foreign portfolio investment and debt from other countries are important sources of money for developing countries. These inflows help fill in the gap of domestic savings, encourage more investment, bring in new technologies, and improve people's overall well-being (Todaro & Smith, 2020). These financial inflows support human development by increasing the amount of money available for investment in key sectors like education, healthcare, and infrastructure. Foreign direct investment, official development assistance, and borrowing from abroad provide funds that governments and private companies can use to build schools, hospitals, and transportation systems. These investments make basic services more accessible and improve people's quality of life, which are important parts of human development (Todaro & Smith, 2015). In Nigeria, using these inflows effectively can greatly improve the Human Development Index (HDI) by increasing life expectancy, literacy rates, and income levels (UNDP, 2020).

Also, money coming from outside the country, especially investments from other countries, can help create jobs by starting new businesses and making existing ones bigger. This leads to more job opportunities and more money for families. When people have more money, they can afford better education, healthcare, and food, which makes their lives better overall. In Nigeria, big companies investing in areas like oil, telecom, and manufacturing have helped create jobs, but how much they help depends on the industry and how much local people are involved (Anthony-Orji *et al.*, 2018). Moreover, foreign investments bring new technologies, better management skills, and technical knowledge to the country. This helps workers become more skilled and productive, which is important for developing human resources. Better education and more skilled workers lead to better job performance and overall development. In Nigeria, sectors like telecom and banking have seen improvements because of foreign investments that brought in modern technology and better services (Oloke *et al.*, 2022).

Furthermore, external money coming from outside can help the government earn more through taxes, special payments from foreign countries, and aid. This extra money allows the government to finance public goods and services such as like healthcare, education, and social protection programmes. Especially official aid is often used to reduce poverty and improve people's lives (Nkoro & Uko, 2012). But in Nigeria, how well this works depends a lot on how well the government manages its money and how open and honest its leaders are (Todaro & Smith, 2015). Another way that outside money helps improve people's lives is through remittances. These are the money sent back by Nigerians who live abroad. This money directly helps families by increasing their income

and is often used for education, medical care, homes, and small businesses. Because of this, remittances quickly improve people's quality of life and help reduce poverty (Ovenseri-Ogbomo & Eburajolo, 2025).

Importantly, money coming from outside the country helps the financial system to grow by making more capital available and promoting financial intermediation. When foreign investors put money into banks and financial companies, it becomes easier for people to get loans and financial services work better. A strong financial system facilitates investment in education and healthcare, thereby promoting human development (Anthony-Orji *et al.*, 2018). In Nigeria, changes to the financial sector and foreign involvement have made banking operations better, but problems like not having enough access to financial services still exist.

In addition, money coming from outside countries also affects the overall health of the economy. It can influence how much the currency is worth, how high prices go up, and the general economic situation. When this money comes in steadily, it can help keep the currency stable and lower inflation, which is good for businesses and growth (Nkoro & Uko, 2012). However, too much of this money can make the currency stronger, which can hurt exports and lead to fewer jobs (Todaro & Smith, 2015). In Nigeria, changes in the amount of money coming in have caused the currency to fluctuate a lot, which can harm economic stability and human development.

Moreover, external borrowing from other countries can help fund development projects, but taking too much debt can create a heavy financial burden because of the money needed to pay it back. High debt payments take away funds that could be used for important areas like education and healthcare, which can harm overall human development (Ohiomu, 2020). In Nigeria, rising external debt has raised concerns about sustainability and its impact on public welfare. According to George-Anokwuru and Inimino (2020), if this debt is used wisely for projects that have good chances of boosting the economy, it can increase productivity and lead to higher output, which in turn raises the country's gross domestic product and improves human development by increasing income and access to essential services. However, if the debt is not managed well, it can hurt the economy. So, external debt can either help or hurt a country based on how it is used.

Over the years, Nigeria, which is one of the biggest economies in Africa, has received a lot of money from outside the country. However, even with this, the country still has poor results when it comes to human development. This is shown by its Human Development Index (HDI), which looks at life expectancy, education, and how well people live (UNDP, 2023). For example, Nigeria's HDI in 2023 was 0.560 (UNDP, 2024), which means the country has low human development. This creates a problem because the country is getting more money from outside, but it's not leading to better human development. This makes people worry about whether this money is being used properly.

Studies have yielded mixed results regarding how these external financial flows affect human development. For example, Ariyibi, Akingunola and Obadeyi (2024) found that foreign direct investment and money sent back by Nigerians (remittances) have a

negative effect on human development, while exports have a positive effect. Similarly, Oloke, Olabisi, Johnson, Awofala and Aderemi (2022) found that foreign direct investment and investments in stocks (portfolio investments) hurt the development of human capital, but help from international aid (official development assistance) is good. Also, external debt has been shown to slow down development because it takes money away from areas that could help the country grow, like businesses and education (Ohiomu, 2020). These varied results make people question whether the money coming in is actually helping improve human development in Nigeria. Because of this, this study looked at how external financial flows have influenced human development in Nigeria from 1980 up to 2023. The rest of the paper is organized into sections on literature review, materials and methods, results and discussion, and finally, conclusion and recommendations.

2. Literature Review

2.1 Conceptual Clarification

2.1.1 External Financial Inflows

External Financial Inflows (EFI) refer to the inflow of financial resources from foreign sources into a domestic economy, including foreign direct investment (FDI), remittances, official development assistance (ODA), and external debt. In Nigeria, these inflows are important because the country doesn't save enough money to invest in development. They help fill this gap and support projects that aim to improve the country. However, Nigeria still faces problems like not enough industry and poor infrastructure, so these inflows are crucial to support the economy. But whether these inflows actually helped to improve things like education, healthcare, and living standards is still being studied (Todaro & Smith, 2020; UNDP, 2020).

Nigeria's EFI structure is dominated by a mix of private and public inflows. Private inflows, particularly FDI and remittances, constitute a significant share, while public inflows include aid and concessional loans from institutions such as the World Bank and the International Monetary Fund. A lot of the foreign investments are in the oil sector, which makes the inflows focused on one area and not spread out, which limits progress in other areas. While remittances help families directly, public funds are usually used for public services. However, how well these funds are used and managed often affects how much they help improve the country's Human Development Index (HDI) (UNCTAD, 2022; World Bank, 2023).

Foreign Direct Investment (FDI) is a key way that foreign money comes into Nigeria, especially in the oil and gas industry. FDI can help improve people's lives by creating jobs, sharing new technology, and building better infrastructure. But studies show that the benefits from FDI in Nigeria aren't spread out equally. Important areas like education and healthcare don't get much help from FDI. This happens because there are weak rules and systems in place, and the oil and gas industries operate in a way that's mostly separate from the rest of the economy. So even though FDI helps the country's

economy grow, it doesn't have a big effect on things like education and health (Aremu, 2018; UNCTAD, 2022).

Remittances are one of the most dependable and big sources of money coming into Nigeria from abroad. These funds go directly to families and are often used for daily expenses, schooling, and medical care, which help improve people's lives in small ways. Nigeria gets a lot of remittances compared to other African countries, and this money has been shown to lower poverty and make basic services more accessible. However, the long-term benefits are limited because the money isn't often used for things that can create lasting change, and there are other challenges in the economy (World Bank, 2023; UNDP, 2020).

Official Development Assistance (ODA) helps Nigeria improve people's lives by supporting projects in health, education, and reducing poverty. International donors and groups often give aid to build better social systems and help during emergencies. Although ODA has helped in areas like vaccinations and basic education, its overall effect is sometimes weakened by problems like corruption, poor management, and not aligning well with the country's main development goals. Some people say that depending too much on aid can harm the country's ability to take care of itself and hold officials accountable (OECD, 2021).

Borrowing money from outside is a big part of Nigeria's financial strategy, especially for building infrastructure and covering budget shortfalls. While taking on debt can help development when used wisely, Nigeria now has to spend a lot on repaying its debts. This takes money away from important areas like health and education, which hurts efforts to improve people's well-being. Keeping debt under control is a major worry for government planners (Debt Management Office Nigeria, 2022; Stiglitz, 2002).

External financial inflows give Nigeria access to capital, technology, and international markets, all of which are important for the country's economic growth and the well-being of its people. These inflows can boost productivity, create jobs, and help build better infrastructure, which in turn can lead to an improved quality of life. In theory, more financial inflows should help increase important aspects of human development, like longer life expectancy, better education, and higher income levels. However, the actual benefits depend a lot on how well the country is governed, how consistent its policies are, and how strong its institutions are (OECD, 2021; UNDP, 2020).

Even though there are benefits, Nigeria also faces risks from these inflows. Capital flows, especially from portfolio investments, can be unpredictable and cause instability in the economy, affecting the value of the currency. Additionally, when foreign companies take profits back to their home countries, it reduces the actual benefit that the country gets from the investment. Poor regulation and corruption also stop these inflows from helping human development as much as they could. These problems show the need for strong institutions and good economic policies to manage these resources properly (Stiglitz, 2002; UNCTAD, 2022).

Studies on Nigeria show mixed results about how these inflows affect human development. Some research suggests that remittances, or money sent back by people living abroad, can help reduce poverty. But other studies show that foreign direct

investment and external debt may not have a big positive effect, or even a negative one, on human development indicators because of how they are managed and the country's overall structure. This means that the impact of these financial inflows isn't automatic, but depends on how well the country can absorb and use them, along with the policies in place. Therefore, improving institutions and making sure that these inflows are used effectively is key to achieving real improvements in human development in Nigeria (UNDP, 2020; World Bank, 2023).

A careful examination of the stylised issues on capital importation by nature of investment in Nigeria reveals that over the years, external financial inflows have fluctuated. For instance, looking closely at how different types of foreign capital entered Nigeria's economy, we can see that the amount of money coming in has changed a lot over time. For example, in 2013, the total money brought in was $23.6 billion, which was more than the $16.7 billion in 2012. This money came from three main sources: foreign direct investment (which was 7.1%), portfolio investments (which made up 81.1%), and other types of investments (11.8%). Foreign direct investment dropped by 18.1% from 2012 to 2013, going down to $1.7 billion. This was mostly because of a decrease in other capital. Most of this FDI came in the form of equity capital, which made up 71.5% of the total. Portfolio investments, on the other hand, went up by 42.7%, reaching $19.1 billion. This was a big increase from the $13.4 billion seen in 2012. This growth was mainly because of more equity investment, which accounted for 88.1% of the total portfolio inflows. Breaking it down further, bonds increased by 6.3%, and money market instruments went up by 5.6%. In the other investment category, loans made up the biggest part of the inflow, accounting for 80.7%. Currency deposits were only 0.2%, and other claims made up 19.1% (CBN, 2013).

In 2014, an analysis of capital coming into the economy showed that the total capital imported was US$20.8 billion, which was less than the US$23.6 billion in 2013. This means there was an 11.9 per cent drop in the amount of capital coming in. When we looked at what kind of capital was coming in, the biggest part was portfolio investment, which made up 71.8% of the total. Foreign direct investment was next, accounting for 11.0%, and the rest was 'other investments' making up 17.2%. In 2014, foreign direct investment increased to US$2.31 billion, a 37.5% rise from 2013. This included US$2.3 billion in equity and US$0.01 billion in other claims. On the other hand, portfolio investment fell by 22.0% to US$14.9 billion. This was broken down into equity, bonds, and money market instruments, which were US$11.4 billion, US$2.5 billion, and US$1.0 billion, respectively, making up 76.7%, 16.4%, and 6.9% of the total. The 'other investments' category saw an increase of 28.8%, reaching US$3.6 billion. This included trade credit, loans, and other claims, which made up 0.6 per cent, 40.0%, and 59.4% of the total, respectively (CBN, 2014).

Looking at data from Central Banks for 2015, it was found that US$9.79 billion of new capital flowed into the economy, which was a 53.0 per cent decrease compared to the previous year. When broken down by type of investment, portfolio investment remained the largest share at 62.2 per cent, followed by other investments at 22.7 per cent. Foreign direct investment made up the rest, with 15.1 per cent of the total. Of that, FDI

equity was US$1.47 billion. Further details showed that portfolio investment inflow was US$6.09 billion, which included US$4.69 billion in equity capital, US$0.83 billion in bonds, and US$0.57 billion in money market instruments. The 'other investments' category totaled US$2.22 billion, consisting of loans at US$1.69 billion, other claims at US$0.53 billion, and currency and deposits at US$0.008 billion (CBN, 2015).

In 2016, the returns from commercial banks showed that new investments coming into the economy were $5.12 billion, which is less than the $9.79 billion from 2015. This means there was a big drop of 47.7%. When we looked closer at the different types of investments, the biggest part came from loans, which made up 44.2% of the total, valued at $2.27 billion. Investments in stocks and bonds (portfolio investments) added up to $1.81 billion, which is 35.4% of the total. The rest, 20.4%, came from foreign direct investment, which was $1.04 billion. Further breakdown showed that loans, trade credits, and other claims made up $2.24 billion under other investments. Stock investments were $0.86 billion, while bonds and money market investments were $0.40 billion and $0.56 billion, respectively. The foreign direct investment came mostly from equity, totaling $1.04 billion, with a small part from other capital, $0.09 billion (CBN, 2016).

In 2017, the returns from commercial banks showed that new investments into the economy increased to $12.40 billion compared to $5.11 billion in 2016. Looking at the different kinds of investments, portfolio investments were the largest, totaling $7.43 billion, which is 60.0% of the total. Of this, investments in stocks made up the biggest part, accounting for 29.0%, which is worth $3.59 billion. Portfolio investments also included money market instruments worth $3.31 billion (26.7%) and bonds worth $0.53 billion (4.3%). Foreign direct investments came mainly from equity, amounting to $1.04 billion, which is 8.4% of the total. Other investments, like loans, other claims, and trade credits, totaled $3.93 billion, or 31.6% of all investments. Of this, loans were the biggest part, worth $2.89 billion (23.3%), followed by other claims at $0.74 billion (6.0%) and trade credits at $0.30 billion (2.4%). The rest was from currency deposits (CBN, 2017).

From the perspective of security and workplace safety, it was found that the amount of new capital injected into the economy was US$18.41 billion in 2018, compared to US$12.40 billion in 2017, indicating an increase of 48.5%. A breakdown of the capital imported by type of investment showed that portfolio investment, at US$12.97 billion, accounted for the largest share, which was 70.4% of the total. Of this amount, money market instruments amounted to US$9.34 billion; equity securities, US$2.61 billion; and bonds, US$1.02 billion. Others included: inflow of foreign direct investment equity, US$1.28 billion or 7.0% of the total; and other investment inflow, US$4.16 billion or 22.6% of the total. A breakdown of other investment inflow showed that loans amounted to US$3.82 billion; other claims, US$0.32 billion; trade credits, US$0.02 billion; and currency deposits, the balance (2018).

In 2019, returns from commercial banks showed that the aggregate new capital injected into the economy was US$23.99 billion in 2019, compared with US$17.08 billion in 2018, indicating an increase of 37.6 percent. A breakdown of the capital imported by type of investment showed that portfolio investment, at US$16.37 billion, accounted for the largest share, which was 68.2 percent of the total. Of this amount, money market

instruments amounted to US$13.45 billion, representing 56.1 percent of the total; equity securities, US$1.89 billion or 7.9 percent; and government bonds, US$1.02 billion or 4.3 percent of the total. Inflow of FDI was US$0.93 billion (3.9 percent of the total), of which equity was US$0.92 billion or 3.8 percent, while FDI "other" capital amounted to US$0.01 billion or 0.1 percent. Other investment inflow at US$6.69 billion constituted 27.9 percent of the total. A further breakdown of other investment inflow showed that loans amounted to US$5.08 billion, which was 21.2 percent of the total, while other claims at US$1.61 billion accounted for 6.7 percent. Trade credit and currency deposits accounted for the balance (CBN, 2019).

From the perspective of security and work safety, it was found that the total amount of new capital injected into the economy was US$6.51 billion in 2021, compared with US$10.48 billion in 2020, indicating a decrease of 37.9 percent. A breakdown by type of investment showed that portfolio investment, amounting to US$3.16 billion, accounted for the largest share of 48.5 percent of the total. Of this amount, money market instruments were US$2.39 billion, representing 36.7 percent of the total; government bonds, US$0.56 billion or 8.7 percent; and equities, US$0.21 billion or 3.2 percent of the total. Inflow of FDI was US$0.69 billion, representing 10.6 percent of the total inflow, of which equity accounted for 99.1 percent of the total FDI inflow. Other investment inflow at US$2.66 billion constituted 40.9 percent of the total. A further breakdown of other investment inflow shows that loans were US$2.4 billion or 36.8 percent of the total, while other claims at US$0.26 billion accounted for 3.9 percent. Trade credit and currency deposits accounted for the balance (CBN, 2021).

In 2022, new capital injected into the economy was US$5.42 billion in 202223, compared with US$6.51 billion in 2021, indicating a decrease of 16.4 percent, reflecting tighter global financial conditions. A breakdown of capital importation by type of investment showed that the inflow of portfolio investment, at US$2.49 billion, accounted for the largest share of 45.9 percent of the total. Of this amount, the purchase of money market instruments amounted to US$1.45 billion, representing 26.8 percent of the total; government bonds, US$0.98 billion or 18.1 percent; and equities, US$0.06 billion or 1.0 percent of the total. Inflow of FDI was US$0.50 billion, representing 9.3 percent of the total inflow, of which equity accounted for the total FDI inflow. Other investment inflow at US$2.43 billion constituted 44.8 percent of the total, of which loans were US$2.32 billion or 42.9 percent of the total, while other claims at US$0.10 billion accounted for 1.8 percent. Trade credit and currency deposits accounted for the balance of 0.1 percent (CBN, 2022). In 2024, capital inflow declined mainly due to lower inflows of loans. Capital inflow declined to US$1.63 billion in November 2024, from US$1.89 billion in October 2024. A breakdown showed that portfolio investment inflow decreased to US$1.36 billion, from US$1.41 billion, mainly due to lower purchases of equity and shares. Similarly, foreign direct investment decreased to US$0.12 billion from US$0.18 billion in October 2024. "Other investments," mainly loans, also decreased to US$0.15 billion from US$0.30 billion in the preceding month. In terms of share, portfolio investment inflow constituted 83.59 percent, while "other investment" and direct investment accounted for 9.11 and 7.30 percent, respectively (CBN, 2024).

2.1.2 Human Development

Human development is a multidimensional concept that goes beyond economic growth to include improvements in people's overall well-being and quality of life. It looks at how people's lives improve in many ways, like their health, education, and general happiness. The goal is to give people more choices and opportunities to live the kind of life they want. Instead of only looking at how much money people have, human development considers health, education, and living conditions as important signs of progress. This idea became well-known through the United Nations Development Programme, which created the Human Development Index (HDI) to show how developed a country is (UNDP, 2020). The main areas used to measure human development are: a long and healthy life, knowledge, and a decent standard of living. These dimensions are operationalized through indicators such as life expectancy at birth, mean and expected years of schooling, and gross national income per capita. Together, these indicators show a more complete picture of how well people are doing than just looking at money. Putting these areas together shows that development should help people get both their physical and mental abilities stronger (Todaro & Smith, 2020).

The idea behind human development started with the capability approach, created by the economist Amartya Sen. This approach says that development should be judged by what people are actually able to do and be, like being healthy, getting an education, and taking part in society. Instead of just looking at how much money people have, it focuses on the real opportunities they have. In this view, poverty isn't just about having little money, it's about not having the basic abilities needed to live a good life (Sen, 1999). Although economic growth is important, human development sees it as a tool to help people, not the main goal. Growth can help by providing more money for schools, hospitals, and roads, but a high income per person doesn't always mean everyone is better off. Differences in how wealth is shared and access to services can stop growth from helping people's lives improve. Because of this, human development focuses on fairness and making sure everyone gets a chance to grow (Todaro & Smith, 2020).

To measure human development, people often use composite indexes. The most famous one is the Human Development Index, or HDI. This index puts together data on health, education, and income into one number that goes from 0 to 1. Countries are then put into groups like low, medium, high, or very high development. Other indexes, like the Inequality-adjusted HDI and the Gender Development Index, add more details by showing how differences within a country affect development (UNDP, 2020).

Human development is closely tied to reducing poverty because it focuses on making sure people have access to important things like education, healthcare, and good nutrition. When people's abilities improve, they can take part more in work and better their lives. In this way, poverty isn't just about not having enough money, it's also about not having good opportunities and choices. So, policies that improve human development are very important for cutting down both income poverty and other kinds of poverty (World Bank, 2023).

Inequality is a big issue for human development because differences in who gets access to resources and chances can stop progress overall. Even in countries where people

generally have a good income, if wealth and services are not shared fairly, some groups may still have poor development outcomes. Things like unfair treatment between men and women, differences between regions, and being left out of society are major factors that affect how well people develop. So, tackling inequality is key to making development work for everyone in a fair and lasting way (UNDP, 2020).

Having good governance and strong institutions is important for supporting human development. When public systems work well, they can make sure resources go to areas like education, healthcare, and support for those in need. But if there's corruption, weak systems, or bad policies, development efforts can fail, and people may not get the services they need. Countries that have clear and open governance are more likely to achieve better human development results because they can hold people accountable and use resources more effectively (OECD, 2021).

In developing countries, human development continues to be a significant policy challenge due to limited resources, rapid population growth, and structural economic constraints. Many of these countries face problems such as insufficient healthcare systems, low literacy rates, and high unemployment. International support, domestic reforms, and strategic investments are often necessary to improve human development outcomes. In countries like Nigeria, human development is a key indicator used to assess progress in social and economic well-being (UNDP, 2020).

3. Theoretical Review

3.1 The Dependency Theory

This study is based on dependency theory, which helps us understand how money coming from outside affects human development in Nigeria. This theory, developed by scholars such as Andre Gunder Frank in the 1960s, challenges the idea that modernization theory has about progress. It says that the world economy is not fair, and it works in a way that helps rich countries while holding back poorer ones (Frank, 1967). Dependency Theory believes that being underdeveloped isn't just a step in becoming more developed; it's a result of past actions like colonialism, unfair trade, and unequal sharing of resources. Poorer countries are stuck in a system where they depend on richer ones for money, technology, and markets. This makes it hard for them to grow on their own and keeps them in a weak position economically. In this view, the relationship between rich and poor countries is key. Rich countries control most of the world's production, money, and new ideas, while poorer countries like Nigeria mainly provide raw materials and depend on money from other places. This outside money, such as investments, aid, money sent from abroad, and loans, is mostly controlled by people and groups in developed nations. Because of this, poorer countries often have limited control over the conditions that come with these financial flows (Todaro & Smith, 2020).

From the viewpoint of dependency theory, money coming from outside can make a country rely more on others instead of growing on its own. For example, foreign aid is often given with certain rules that might not match what the country needs to develop. Similarly, foreign companies investing in places like Nigeria usually focus on industries

like oil and gas, where they make lots of money but don't help build local skills or businesses. This means the country doesn't really get the full benefit from the investment. Dependency theorists worry a lot about debt from outside. Many developing countries borrow money to build things, but too much debt can trap them in a cycle where they have to keep paying back the loans instead of using money for important areas like schools, hospitals, and roads. In Nigeria, a big part of government money goes to paying off debt, which leaves less for these key areas. This has a big impact on people's lives, as not enough money for education, health, and basic needs leads to lower life expectancy, less knowledge, and poorer living conditions.

Another key idea in dependency theory is unequal trade. This happens when developing countries sell raw materials for low prices and buy expensive finished products from other countries. Also, profits from foreign investments are often sent back to the companies' home countries, taking money out of the local economy. In Nigeria, oil companies send a lot of their profits overseas. This means the country doesn't get much benefit from the foreign money and it doesn't help improve the lives of people. The theory also highlights how weak local institutions can keep a country from developing. When a government depends too much on money coming from outside, it might not work on building its own income sources or improving how it runs things. Sometimes, getting help from foreign aid or loans can make officials less responsible and lead to waste or corruption. In Nigeria, problems like bad policies, corruption, and weak rules have stopped the country from using foreign money well. Because of this, people's lives haven't improved as much as they should have. But it's important to remember that Dependency Theory doesn't say all foreign money is bad. Some critics say that if managed right, foreign money can help development. For example, money sent back by Nigerians living abroad has helped families get more income, support education, and access better healthcare. Also, foreign investments can create jobs and bring in new technologies if the right policies and systems are in place (Omodero & Ekwe, 2020).

This study uses dependency theory because it helps explain why Nigeria has more foreign money than ever but still struggles with development. The theory suggests that global economic unfairness, how the country deals with foreign investors, and weak local systems are to blame. So, this study looks at how different types of foreign money like FDI, remittances, aid, and debt impact development in Nigeria. The theory explains why these money flows don't always lead to better living conditions and shows that strong policies and local systems are key to using foreign money well. In inference, the theory shows Nigeria needs to cut down on depending too much on foreign money and instead build strong local systems, diversify the economy, and use foreign capital better. By tackling these issues, the country can improve people's lives and achieve real development.

3.2 Empirical Literature

Several scholars have used dependency theory to look at how foreign financial flows relate to human development. For example, Felix and Amuche (2017) looked closely at how foreign portfolio investment connected to the growth of human capital in Nigeria

from 1986 to 2015. They used econometrics methods and found a strong and positive link between foreign portfolio investment and the growth of Nigeria's human capital.

Gökmenoğlu, Apinran, and Taşpınar (2018) studied how aid from abroad and foreign direct investment affected human capital development in Nigeria between 1990 and 2018. They used World Bank data. Their analysis showed a long-term link between foreign aid, FDI, and HDI. The regression results indicated that aid from abroad had a positive influence on HDI, while investment from foreign countries had a negative influence.

Fagbemi and Osinubi (2020) used two methods, non-linear autoregressive distributed lag (NARDL) and linear (ARDL) bounds test, to check if foreign direct investment and human capital development in Nigeria are connected. They also used the VECM Granger causality method to study how these two factors interact from 1981 to 2018. Their findings showed foreign direct investment does not have a strong influence on human capital development in the long run. But in the short run, it does have a significant impact. Looking at the asymmetric relationship, they found that when foreign direct investment rises to a certain level in the long run, it can lead to a bigger increase in human capital development. This means that the amount of foreign direct investment matters a lot for the economy. Also, since foreign direct investment requires technical skills and more skilled workers, it can help improve human capital. The results also showed that there is a one-way relationship between FDI and human capital in the long run, with human capital influencing FDI. This suggests that having better human capital makes a country more attractive to foreign investment.

Ayomitunde, Ololade, Moses and Babatunde (2020) looked at how official development assistance relates to poverty reduction in Nigeria using an error correction model. They found that official development assistance has a strong negative effect on household consumption per capita. However, foreign direct investment has some effect on poverty reduction, but it is not as strong.

Oloke, Olabisi, Johnson, Awofala and Aderemi (2022) investigated how foreign capital inflows are connected to human capital development in Nigeria from 1990 to 2020 using the FMOLS approach. Their result showed that openness of trade has negatively and significantly influenced human capital development. Direct investment from foreign countries and portfolio investment have also negatively and significantly influenced human capital. Aid from foreign organisations positively and significantly influenced human capital development, and the effect is strong at a 10 percent level. The rate of currency exchange positively and significantly influenced human capital development. Loan from foreign countries and money sent back by migrants positively and significantly influenced human capital development.

Okoye (2022) examined how foreign capital inflows affect human capital development in Nigeria using the Ordinary Least Square (OLS) technique. The results showed that foreign portfolio investment, debt from abroad, direct investment from foreign countries, and aid from foreign organisations all have significantly influenced the human capital development index. The study concluded that foreign capital inflows have

positively influenced human capital development in Nigeria during the time period studied.

Amaechi (2022) looked into how portfolio investment and human capital development worked in Nigeria from 1987 to 2018. They used a method called Autoregressive Distributive Lag (ARDL) bounds testing. Their findings showed that foreign portfolio investment had both short-term and long-term positive and important effects on human capital development.

Ali, Jehan and Sherba (2022) studied the effect of foreign capital on human development in 65 developing countries from 1984 to 2014. They used a two-step system GMM estimation method. They found that the impact of foreign capital depends on the human development indicators and the type of foreign capital. Both foreign direct investment and foreign portfolio investment had negative effects on per capita income and secondary school enrollment. Remittances, however, had positive effects on all human development indicators except for life expectancy.

Githaiga and Kilongi (2022) studied how the quality of institutions affects the link between external capital flows and the development of human capital in the sub-Saharan region of Africa. They covered 34 nations from 2009 to 2019. Their outcome showed a positive connection between money sent back by migrants, direct investment from foreign countries, the quality of institutional, and the development of human capital. Aid from foreign organisations negatively and significantly influenced the development of human capital. They also found that the effect of money sent back from migrants and direct investment from foreign countries on the development of human capital is influenced by the quality of institutions. But the effect of official development assistance is not affected by the quality of institutional.

Ifeosame (2023) studied the trends of foreign capital inflows and their impact on the Nigerian economy spanning 1986 to 2018. They used an error correction model and a Granger Causality test. Their results showed no significant link between foreign portfolio investment and the human development index in Nigeria. The Granger causality tests found no bidirectional cause-and-effect relationship between foreign capital inflows and the human development index. There was a one-way causality flowing from the human development index to foreign portfolio investment. This suggests that changes in the nation's development are likely to happen only when there are changes and inflows of foreign portfolio investment.

Ariyibi, Akingunola and Obadeyi (2024) used the Autoregressive Distributed Lag (ARDL) bounds testing method to look at how financial inflows from abroad, government policy and the index of human development affect Nigeria from 1991 to 2022. They used direct investment from foreign countries, foreign aid, remittances from migrants, net exports, and foreign debt to measure financial inflows. For the policy of the government, they looked at the expenditure incurred by the government on education and health. The results showed that direct investment from foreign countries and money sent back by migrants had a negatively and significantly influenced the index of human development, while net exports had a positive and significant effect. Spending made by the government on education positively and significantly influenced the index of human

development (HDI), but spending made by the government on health negatively and significantly influenced HDI.

Briggs, Omekwe and Obayori (2025) used the Auto Regressive Distributed Lag modeling method to study inflows of external capital on human development in Nigeria, spanning 1981 - 2022. Their findings showed that direct investment from countries and diaspora remittances helped increase the human development index, but multilateral debt reduced it during the study period.

Mohammed, Obumneke and Aigbedion (2025) looked at the different effects of foreign direct investment on human development in West Africa using panel data from 2010 to 2022.

They used Panel Quantile regression to analyze the data and found noticeable differences in the effect of FDI on human development across the 25th, 50th, and 75th quantile levels. Their results showed that FDI had a negative effect on human development in West African countries with low HDI, but a positive effect in countries with high HDI. The effect was strongest in countries at the 75th quantile HDI level.

Even though there have been many studies on external financial inflows, there are still several gaps. Most of these studies focus on economic growth rather than human development indicators like the Human Development Index (HDI). The findings from these studies are not consistent and sometimes even contradict each other (Ariyibi *et al.*, 2024; Oloke *et al.*, 2022). Very few studies look at a reasonable number of the different parts of external financial inflows at the same time. This study aimed to fill these gaps by providing a complete analysis of external financial inflows and their impact on human development in Nigeria from 1981 to 2023.

4. Materials and Methods

The study used an ex-post facto research design. The researcher analyzed data from 1981 to 2023. The data came from a report by Nigeria's main bank, the United Nations Development Programme (UNDP), and the World Bank's World Development Indicators. The study aimed to find out how external financial inflows affect human development in Nigeria. For this, the researcher modified a model developed by Briggs, Omekwe, and Obayori in 2025. Their model looked at how external capital inflows have influenced human development between 1981 and 2022. It connected external capital inflows like foreign direct investment, diaspora remittance (which is personal remittances divided by GDP), and multilateral debt (which is represented by external debt stocks divided by GDP) to the human development index. In order to create a strong and systematic framework, this study excluded diaspora remittance (personal remittances divided by GDP) and external debt stocks divided by GDP. Instead, it included aid from foreign organisations, migrant remittances inflow, and external debt. The study also expanded the time frame to include data up to 2023. Therefore, the model used in this study is as follows:

$$HDI = F(FDI, MRI, EDT, ODA) \quad (1)$$

The log form of equation (1) produced:

$$HDI_t = \alpha_0 + \alpha_1 LnFDI_t + \alpha_2 LnMRI_t + \alpha_3 LnEDT_t + \alpha_4 LnODA_t + e_t \quad (2)$$

Where: HDI is human development index, FDI = foreign direct investment, MRI = migrant remittances inflow, EDT= external debt, ODA = official development assistance, α_0 = intercept parameter, Ln = natural log, $_t$ is the period of time, e = error term, and $\alpha_1 - \alpha_4$ = slope parameters. It is expected that $\alpha_1 - \alpha_4 > 0$.

4.1 Techniques of Data Analysis

This investigation employed the techniques of the Augmented Dickey Fuller test (ADF) and the Autoregressive Distributed Lag (ARDL) approach. The ADF test is utilized to check if the data is stationary, meaning it does not change over time in a manner that influences the outcomes. The general formula for the ADF test is:

$$\Delta y_t = \alpha_0 + \alpha_1 y_{t-1} + \Sigma\alpha_1 \Delta y_i + \delta_t + u_t \quad (3)$$

Where: y represents a time series, t is a linear time trend, Δ denotes the first difference operator, α_0 is a constant, n is the optimum number of lags in the explanatory variables, and u is a random error term. To examine both short-term and long-term associations between financial inflows from abroad and human development, the Autoregressive Distributed Lag – ARDL technique was used. This approach helps mitigate problems such as autocorrelation and endogeneity, providing unbiased and efficient results. The ARDL model used in this investigation is presented thusly:

$$\begin{aligned}\Delta HDI_{t,j} = {} & C_0 + C_1 HDI_{t-1,j} + C_2 FDI_{t-1,j} + C_3 MRI_{t-1,j} + C_4 EDT_{t-1,j} + C_5 ODA_{t-1,j} \\ & + \sum_{i=1}^{n1} a_{1i,j} \Delta HDI_{t-1,j} + \sum_{i=0}^{n2} a_{2i,j} \Delta FDI_{t-1,j} + \sum_{i=0}^{n3} a_{3i,j} \Delta MRI_{t-1,j} \\ & + \sum_{i=0}^{n4} a_{4i,j} \Delta EDT_{t-1,j} + \sum_{i=0}^{n5} a_{5i,j} \Delta ODA_{t-1,j} + \lambda ECMt - 1 + \mu_t \; - - \; - - \\ & - (4)\end{aligned}$$

Where; change operator takes the symbol Δ, white noise or error term is μt, optimal lag length is n, short run dynamics of the model are $\alpha_1, \acute{\alpha}_2, \acute{\alpha}_3, \acute{\alpha}_4, \acute{\alpha}_5$ and long run elasticities are c_1, c_2, c_3, c_4, c_5 and error term is μ_t. The error correction term obtained from the co-integration model is ECM_{t-1} . The error coefficients ($\lambda 1$) demonstrate how fast the co-integration model amends any unevenness from the preceding period or the speed at which it corrects to get back to the long-term stability. The coefficient of ECM is anticipated to be negative and statistically noteworthy. A negative and noteworthy ECMt-1 coefficient suggests that any short-term movement between the outcome and explanatory variables will ultimately return to the elongated term association.

5. Results and Discussion

To prevent incorrect conclusions, this study used the Augmented Dickey-Fuller (ADF) test to determine if the data is stable. The test has two main hypotheses: the first, called Ho, suggests the variable has a unit root and is not stable, while the second, known as H1, states the variable does not have a unit root and is stable. The results of the test are presented in Table 1.

Table 1: Unit Root Test Outcome Using Augmented Dickey-Fuller

Variables	Level form		First difference		Order of integration
	ADF Statistics	5% Critical Value	ADF Statistics	5% Critical Value	
HDI	-0.651796	-2.935001	-10.35329	-2.935001	1(1)
FDI	-0.510328	-2.933158	-8.181521	-2.935001	1(1)
MRI	-0.668235	-2.933158	-6.016717	-2.935001	1(1)
EDT	-1.204670	-2.935001	-3.892673	-2.935001	1(1)
ODA	-4.384934	-2.933158	-	-	1(0)

Recall: HDI, FDI, MRI, EDT and ODA as defined previously.
Source: Author's Computation, 2026.

The ADF test results for each series in Table 2 show that at the 5% significance level, ODA is stationary at its original level 1(0) because its ADF statistic is higher than the 5% critical value. On the other hand, HDI, FDI, MRI and EDT become stationary after one difference, which means they are 1(1). Since the variables are integrated of order 1(0) and 1(1), it meets the requirement to use an ARDL model to check for long-run relationships.

Table 2: ARDL Bounds Test for Co-integration

Model		**F-Statistic =** 9.765732
HDI= F(FDI, MRI, EDT, ODA)		K = 4
Critical Values	**Lower Bound**	**Upper Bound**
5%	2.56	3.49

Recall: HDI, FDI, RMI, EDT and ODA as defined previously.
Source: Author's Computation, 2026.

The ARDL bounds test for co-integration shows there is a long-term connection between the variables (HDI, FDI, MRI, EDT and ODA). This is because the F-statistic, which is around 9.77, is higher than the upper critical value at the 5% significance level. This result means we can reject the idea that there is no long-term relationship between these variables at the 5% level. As a result, the study was able to determine both the long-run and short-run effects of the variables.

Table 3: Estimated ARDL Long Run Coefficients. Dependent Variable: HDI ARDL (3, 3, 4, 3, 4)

Regressors	Coefficient	t-Statistic	P-Value
LOG(FDI)	0.002559	0.557679	0.5848
LOG(MRI)	0.003555	0.940626	0.3609
LOG(EDT)	0.000958	0.409872	0.6873
LOG(ODA)	-0.002629	-0.409620	0.6875

Recall: FDI, MRI, EDT and ODA as defined previously.
Source: Author's Computation, 2026.

The long-run coefficients from Table 3 reveal that in Nigeria, foreign direct investment, migrant remittances inflow and external debt have a positive relationship with human development. That is, foreign direct investment, migrant remittances and external debt are associated with a higher human development index in the long run. On the other hand, official development assistance has a negative relationship with human development. That is, official development assistance is associated with a lower human development index in the long run. However, not all the variables have a strong impact.

Table 4: Error Correction Representation for the Selected ARDL Model ARDL (3, 3, 4, 3, 4)

Regressors	Coefficients	t-Statistic	P-Value
LOG(FDI)	-0.003408	-2.022670	0.0602
LOG(MRI)	-0.016187	-2.957119	0.0093
LOG(EDT)	-0.008519	-1.836262	0.0850
LOG(ODA)	0.004686	2.633771	0.0181
ECM (-1)	-0.297850	-5.104135	0.0001
R-squared = 0.957098 **D-W stat. =** 1.920104 **Adjusted R-squared =** 0.922369 **Akaike info criterion** = -6.492213 **Schwarz criterion** = -5.724416			

Recall: FDI, MRI, EDT and ODA as defined previously.
Source: Author's Computation, 2026.

Table 4 displays the results of the short-term dynamic coefficients that are linked to the long-term associations found in the ECM equation. In the model, the Error Correction Term has the correct sign, which is negative, and it is statistically significant. This means the model adjusts towards long-term equilibrium over time. In other words, it shows how the model moves from short-term balance to long-term balance. This suggests that any differences from the short-term human development eventually return to the long-term equilibrium. The Durbin Watson value of 1.920104 shows that there is no problem of autocorrelation in the model. Additionally, the dynamic connections between the variables, as shown by the ECM, reveal that the model's ability to describe the data measured by R-squared is around 0.96. This means the model fits the data well. It indicates that during the time period studied, about 96 percent of the changes in human development can be explained by the variables included in the model, while the remaining 4 percent is explained by other factors not included in the model, and these are captured as the error term.

In addition, the coefficient for foreign direct investment is negative in the short run. This means that if foreign direct investment increases by one percent, it will lower

the human development index by about 0.003408 percent. At the same time, the coefficient for foreign direct investment is statistically significant. This result validates the findings of Ariyibi, Akingunola and Obadeyi (2024), which looked at the effect of financial inflows from abroad, government policy and the index of human development in Nigeria from 1991 to 2022 using an Autoregressive Distributed Lag (ARDL) bounds testing technique. They found that direct investment from foreign countries negatively and significantly influenced the index of human development. Importantly, the negative relationship between direct investment from foreign countries and the index of human development in Nigeria means that as FDI increases, human development outcomes (such as education, health, and standard of living) tend to worsen instead of improve. This is unexpected, since FDI is usually assumed to promote development.

The implications of this result are: First, it shows that Foreign Direct Investment (FDI) might not be helping the general public. In Nigeria, most FDI goes into the oil and gas industry, which needs a lot of money and doesn't create many jobs. Because of this, the money made from this sector doesn't really help spread wealth or improve people's living conditions much. Second, it means that foreign companies aren't really connected to the local economy. If big companies work on their own, like bringing in materials and sending money back home, they don’t share much knowledge, skills, or technology with Nigerians. This limits improvements in education and how productive the country can become. Third, the negative connection seen in this study could be due to companies taking profits back to their home countries and moving money out of the country. When this happens, less money is available locally for important areas like health, education, and infrastructure key parts of the Human Development Index (HDI). Fourth, it highlights problems with the system and how the country is governed. Bad policies, corruption, or weak rules can stop FDI from going into areas that really help people's well-being. Fifth, it suggests that FDI by itself isn't enough for development. Without good government actions, such as investing in education, making sure local businesses get fair chances, and sharing resources fairly, FDI might actually make inequality and social problems worse.

Furthermore, the coefficient of migrant remittances inflow has a negative sign. This means that a percentage increase in migrant remittances inflow, it will lead to a decrease in human development index by 0.016187 percent. The coefficient for migrant remittances inflow is statistically significant. This result supports the findings of Ariyibi, Akingunola and Obadeyi (2024), which looked at the influence of financial inflows from abroad, the policy of government and the index of human development in Nigeria spanning 1991 to 2022 using an Autoregressive Distributed Lag (ARDL) bounds testing technique. They found that migrant remittances inflow has a negative significant effect on human development index. The negative relationship between migrant remittances inflow and the Human Development Index (HDI) in Nigeria suggest that as remittances increase, overall human development (health, education, and standard of living) tends to decline rather than improve. This is counterintuitive, since remittances are usually expected to support households and reduce poverty.

The results show a few important things. First, it means that money sent back from abroad is mostly used for everyday living, like buying food, paying rent, or for ceremonies, rather than being used to improve the future. Many families might not use this money to invest in education, healthcare, or activities that help them grow and become better over time. Second, it shows that people might become too reliant on money from overseas. If families depend a lot on this income, they may not have as much motivation to work, save, or take part in local businesses. This can slow down the country's progress and economic growth. Third, there is a negative effect because skilled workers from Nigeria leave the country, which hurts the quality of people and skills in the nation. Even though money comes in, the loss of important professionals like doctors, teachers, and engineers weakens key areas that are key to improving people's lives and overall development. Fourth, the way remittances are shared is not fair. Not everyone gets this money, and if only a few people benefit, it can make the gap between rich and poor bigger. This can stop other parts of people's lives from improving or even make them worse. Fifth, the big amount of money coming in can cause problems for the whole economy. It can make the currency stronger than it should be, making local businesses less competitive. This can lead to fewer jobs and less income for people in Nigeria. Sixth, it means that just having remittances isn't enough to improve people's lives. Without help from the government, like making it easier to use money, encouraging investments, and better public services, the money sent back may not lead to better health, education, or living conditions.

The coefficient of external debt has a negative sign. This is not what was expected beforehand. What this means is that, when there is a percentage increase in external debt, it will lead to a decrease in human development index by 0.008519 percent. The coefficient for external debt is not statistically significant. This result is consistent with the findings of Briggs, Omekwe and Obayori (2025), which employed the technique of Auto Regressive Distributed Lag modeling to investigate the impact of external capital inflows on human development in Nigeria from 1981 to 2022. They found that bilateral debt reduced human development index in Nigeria. The negative relationship between external debt and the Human Development Index (HDI) in Nigeria suggests that as external borrowing increases, human development outcomes such as education, health, and standard of living tend to decline rather than improve. This suggests that debt is not translating into better welfare for the population.

The results show that the way borrowed money is used is not working well. Usually, loans are supposed to help build things like roads, schools, and hospitals. But if the money isn't being used properly, it might be wasted or used for things that don't really help people. This means the money isn't improving people's lives as it should. Also, the country is taking on more debt, which means a lot of the government's money has to go towards paying back loans and the interest on them. This takes money away from important areas like health and education, which makes the country's development index lower. Another issue is that the government can't spend as much on development projects because they have to pay off their debts. This leads to poor infrastructure, weak healthcare systems, and not enough money for schools. There may also be problems with

how the government is run. If there is corruption, or if officials aren't held accountable, then the money from loans might not be used for what it's meant to do. This can stop development from happening. Another concern is that the country could end up stuck in a cycle of debt. If Nigeria keeps borrowing without seeing real growth or progress, it might have to take on even more debt just to keep up with the payments. This can make the economy worse and reduce the quality of life for people. To sum up, the way the country is using its external debt isn't effective. If debt is used for good projects and supported by strong policies, it can help development. But if it's not managed well, it can hold back progress and make life harder for people.

The coefficient of official development assistance has a positive sign. This is consistent with economic theory. What this means is that, when there is a percentage increase in official development assistance, it will lead to an increase in human development index by 0.004686 percent. The coefficient for official development assistance is statistically significant. This result is consistent with the findings of Okoye (2022), which international capital inflows and human capital development in Nigeria using Ordinary Least Square (OLS) technique. The researcher found that official development assistance has positive and significant effect on human capital development index in Nigeria. The positive relationship between official development assistance (ODA) and the Human Development Index (HDI) in Nigeria suggest that as foreign aid increases, human development outcomes such as health, education, and standard of living also improve. This suggests that aid is contributing meaningfully to people's welfare.

The results are promising: First, it shows that aid money is being used well. Official Development Assistance (ODA) is probably going to important areas like education (such as schools and training for teachers), health (like hospitals and vaccination programmes), and basic infrastructure (like clean water and sanitation), which directly help improve human development indicators. Second, it means that donor support matches Nigeria's own development goals. When aid is planned and worked on together with the country's plans, it leads to real progress in things like education levels, life expectancy, and income. Third, it shows that aid helps build skills and share knowledge. ODA often includes things like training, technical help, and support for policies, which can improve Nigeria's workforce and government systems over time. Also, it shows that ODA can be a good way to help development if it is handled properly. Instead of making the country depend on aid, it helps create lasting improvements in people's lives and overall well-being. In inference, the good connection between ODA and human development in Nigeria shows that aid is being used effectively, targeted well, and managed properly, so outside help can lead to real and noticeable improvements in human development.

5.1 Post Estimation Diagnostic Tests Results

Diagnostic tests were conducted in this study to see if the model's estimates can be relied upon for making policy predictions or recommendations. The study included specific tests such as the Wald test to check restrictions on coefficients, the Breusch-Godfrey Serial

Correlation LM Test, and a normality test as part of the analysis after estimating the model. The results from these tests are carefully displayed in Table 5, Table 6, and Figure 1.

5.2 Wald Test

The Wald test is used to check if the coefficients of the cause variables in the ECM model are all important together. The F-statistic in Table 5 was used to determine this.

Table 5: Wald Test Result

Wald Test:			
Equation: Untitled			
Test Statistic	**Value**	**Df**	**Probability**
F-statistic	729054.5	(5, 16)	0.0000
Chi-square	3645273.	5	0.0000

Source: Author's Computation, 2026.

The results in Table 5 show that the F-statistic is around 729055 and the probability value is 0.0000, which is lower than 0.05 at the usual 5 percent significance level. This means all the predictor variables included in the model together play a significant role in explaining the human development in Nigeria during the time covered by the study.

5.3 Test for Serial Correlation

Table 6: Breusch-Godfrey Test for Serial Correlation

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	0.018574	**Prob. F(2,14)**	0.9816
Obs*R-squared	0.103211	**Prob. Chi-Square(2)**	0.9497

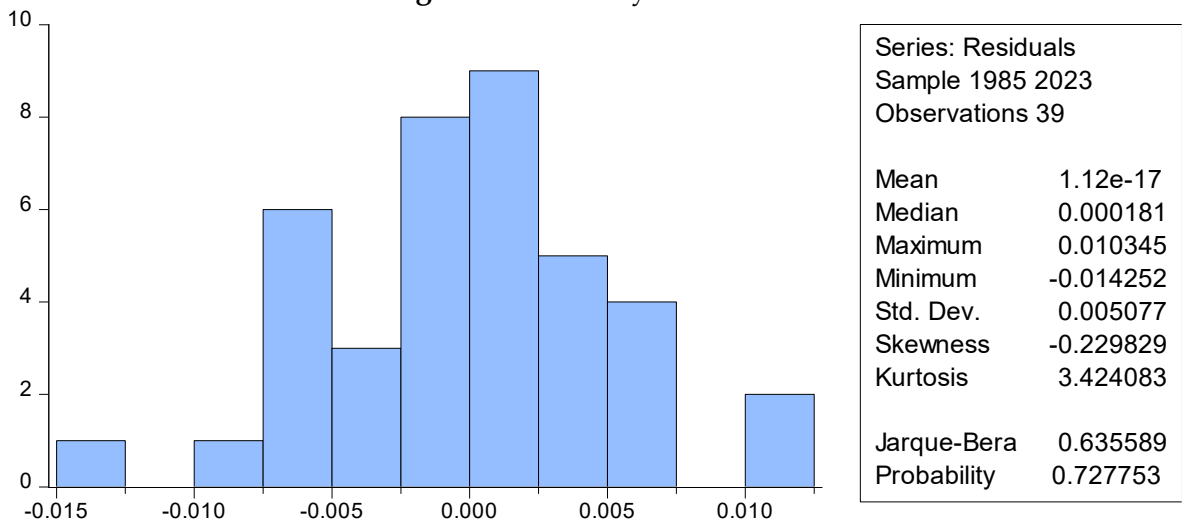
Source: Author's Computation, 2026.

The results shown in Table 6 indicate that the error correction model does not have a serial autocorrelation issue. This is because the chi-square value and the associated probability of the chi-square statistic are both above 0.05.

5.4 Normality Test Result

The Jarque-Bera statistic was used to check if the error term in the inflation rate model follows a normal distribution at the 5 percent significance level.

Figure 1: Normality Test Result



Source: Author (2026).

The result in Figure 1 shows that the error term is normally distributed at the usual significance level, which is 5%. This is because the probability value, or p-value, for the Jarque-Bera statistic is about 0.7278, which is higher than the standard 0.05 level. This means the assumption that the residuals in the ECM model are normally distributed is supported by the Jarque-Bera test.

6. Conclusion and Recommendations

Numerous studies have looked at how external financial inflows affect economic growth, but not much research has focused on how external financial inflows relates to human development in Nigeria. Existing findings are inconsistent and sometimes contradictory (Ariyibi *et al.*, 2024; Oloke *et al.*, 2022). This study aimed to find clearer answers by examining Nigeria between 1981 and 2023. The data employed for this study came from Nigeria's central bank statistical reports, United Nations Development Programme and World bank - World development indicators and included information on human development index, direct investment from foreign countries, money sent back by migrants, debt from foreign countries and aids from foreign organisations. The study used an Autoregressive Distributed Lag - ARDL technique to examine how these variables relate in both the short term and the long term. The study found that in the long term, foreign direct investment, money sent back by migrants, and foreign loans do not have a strong positive effect on the human development index in Nigeria. However, help from other countries (official development assistance) is not helpful and does not have a strong negative effect either. In the short term, foreign direct investment, migrant money, and foreign loans have a negative effect on human development in Nigeria. But help from other countries has a positive effect during the time studied. Most of these financial flows are not statistically significant in the short run, except for foreign loans. Based on these findings, the study suggested that the government should direct foreign investments on areas that will directly improve people's lives, like education, healthcare, agriculture, and

making goods, instead of focusing mostly on industries that take resources (like oil). The government should also give support to investors in areas that need a lot of workers and help foreign companies work more closely with local businesses. They should also encourage families to save migrant money instead of just spending it. To do this, the government should make it easier for people to use banking services and save money, and offer programmes that teach people how to use the money they receive from abroad better. The government should also support knowledge sharing from professionals living abroad. They need to make sure that foreign loans are only given for projects that help the economy and society, like building roads, hospitals, and schools. They should borrow money only for projects that clearly benefit the economy and people. They should also improve how they manage and track debt and be more open and clearer about how they use borrowed money. They should not borrow money for everyday expenses.

Conflict of Interest Statement
The author declares no conflicts of interest.

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