Foreign Remittance and Economic Performance of Nigeria

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Abstract
The study examines the influence of foreign remittances on the economic performance of Nigeria using time series data for the period 1986-2018. The time-series data was sourced from the World Bank. Error Correction Model (ECM) technique was adopted to determine the impact of foreign remittances on economic performance in Nigeria and how the exchange rate mediates the relationship. From the empirical examination, the paper posited that a reduction in the exchange rate is required for the foreign remittances to effectively influence the performance of the economy of Nigeria. The study, further, concluded that while the foreign remittances improve the performance of the economy of Nigeria, the exchange rate is harming it. The paper, therefore, recommends that the Government of Nigeria needs to overvalue naira and make it stable to boost the effect of the foreign remittances on the performance of Nigerian economy as well as collaborate with the money transfer agents to reduce the cost of transferring money to Nigeria and offer incentives like tax exemption for the Nigerians in diaspora when they invest certain portion of their foreign earned money. This strategy might encourage the Nigerians in diaspora to channel their resources into the investment ventures that could transform the performance of the economy of Nigeria.

Keywords: Foreign Remittance, Error Correction Model, Exchange Rate, Performance

JEL Classification: F39, F31, P17

Paper Classification: Research Paper

Introduction
The untold economic and social hardships in Nigeria, occasioned widespread low employment opportunities, have over the years marked a drastic increase in the number of people traveling, (migrating) day by day, from Nigeria to developed countries. But the money remitted by Nigerians who have successfully traveled to live abroad was reported to have accounted for a sizeable proportion of the total per capita household income in Nigeria. It is reported as the major source of household consumption, particularly food, healthcare, housing and education for many Nigerians as well as revenue source for the Government at all levels, source for funding election campaign and major determinant of policy direction and domestic investment in Nigeria more than any other source of foreign capitals (Uzoh, Nwachukwu & Uzoma, 2019).

Expanding the significant role of the foreign remittances in Nigeria, the World Bank in 2019 reported that the share of money transferred by most migrants to Nigeria in 2018 was not only
larger than the foreign private investment, foreign aids, foreign loans, and foreign earnings from crude oil in 2018, but also accounted over 80% of 2018 budget of the Federal Government of Nigeria, 6% of Gross Domestic Product of Nigeria in 2018. The foreign remittances have multiplier effects on the performance of the economy in general including a reduction in the poverty level given that 70 percent of the remittance proceeds usually channel to household consumption while 30% goes to investment, which generated millions of jobs to Nigerians (Fonta, Ayuk, & Chukwu, 2015).

The economic performance is not just considered as an increase in real income, aggregate output over time, value-added in the agriculture, industry and services sectors, increase in capital stock and the creation capacities of a nation state despite the size of its residents but it is considered transformation of the well-being of the populace through improvement in good life of the people, steady changes in the standard of living, consumption habits, and sustained increase in redistribution of income (income equality) through a well-coordinated functioning of infrastructures (Porter, 2003; Delgado, Porter, & Stern, 2014).

**Statement of Research Problems**

Nigeria is the leading recipient of inflow of remittances from abroad in Africa since 2000s and this inflow has been steadily channeled to construction of houses, consumption of food items and sponsoring of educations of loved ones in the home country, and domestic investments, which are the mechanism through which job creations and economic performance are stimulated (Urama, Nwosu, Yuni & Aguegboh, 2017). However, evidence suggests that while the inflow of foreign remittances has steadily increased over the past 20 years and even surged in the year 2015 - 2016 more than expected, the economy of Nigeria declined drastically in the year 2015 and entered recession in 2016 at the same period. Similarly, the performance of the Nigerian economy using GDP Per capita in 2018 did not improve, rather deteriorated in the corresponding period of the year 2015 and 2017 when there was a surge in the inflow of foreign remittances, thus suggesting uncertainty on how foreign remittances influence the performance of Nigeria economy (World Bank, 2019).

The devaluation of naira occasioned by external shocks, particularly the crash in prices of oil at the international market has increased production cost as well as the prices of most items in the market, thus making foreign remittance less effective in stimulating standard of living and overall performance of Nigeria (Adejumo & Ikhide, 2019). This assertion has been validated by Khurshid, Kedon, Călin, Meng, and Nazir (2019) who empirically observed that foreign remittances increase exchange rate, decrease competitiveness of export in emerging economies while exports are adversely affected by exchange rates in the middle-income group, which has consequences on the performance of the economy. They, however, failed to focus on the Nigerian economy.

Moreover, most extant studies (Okoro, Nzotta, & Alajekwu, 2019; Uzoh, Nwachukwu & Uzoma, 2019) in Nigeria focused on the influence of foreign remittances and how it affects growth in Nigerian market. There is little or no focus on how the practice of naira devaluation, which started when deregulation policy was launched in 1986, with the core objective of devaluing naira to make Nigeria competitive and export-oriented mediated the influence of foreign remittances on the performance of Nigerian economy. Drawing from this, the paper examined the influence of foreign remittances on the performance of Nigeria using GDP per capita as a measure of economic performance and how the exchange rate mediates this relationship to provide useful insight to policymakers and other stakeholders. It incorporated the exchange rate into foreign remittances and performance considering the exchange rate crisis in Nigeria which has heavily distorted the
standard of living and overall economy of the country coupled with the divergent view of extant studies on the influence of international remittances on the economic performance of Nigeria.

**Literature Review**

**Economic Performance**

The performance of economy reflects more than a steady increase of a country’s national income within a given period to the transformation of the well-being of the populace (improvement in the quality of life of people) through an increase in productive capacity, rapid industrialization and creation of quality jobs. This is because it is the quantitative and qualitative changes that take place in macroeconomic systems of a country (macroeconomic revolution) that involves a sustained rise in the standard of living and rising per capita Porter (2003). It is a realization of economic welfare through a sustained increase in a redistribution of income (income equality), improvement in the quality of life and an increase in per capita income, is the basic thrust of any responsible government (Delgado, et al., 2014).

However, it has been reported that the gross value added by all resident producers in Nigeria has been increasing without the correspondent increase in the prosperity or wealth (standard of living) of the nations over the past twenty years World Bank (2019). Many theorists have observed Nigeria experienced sporadic Gross Domestic Product (GDP) growth and realized the economic growth targets during the oil boom without a correspondent increase or improvement in prosperity, well-being and standard of living of its citizens Uzoh, Nwachukwu & Uzoma (2019). The rising GDP rates of Nigeria has not translated into less income inequality nor the improved standard of living but have widened the gap further as only a few individuals control a large proportion of the GDP (Migap & Ifere, 2019).

**Foreign Remittance**

Foreign remittances represent cash and non-cash from overseas economies occurring principally from the transitory or stable movement of individuals to those nations IMF (2019). It is non-financial and financial materials in the form of money and assets transferred through a formal channel (Electronic wire) and informal channel (corridors) by the Nigerians in diaspora to their loved ones at home. In Nigeria, the money transferred by Nigerians abroad in the year 2018 through official channels was reported larger than other forms of foreign capital flows. It was also reported the largest in Africa and accounted for over a third of migrant remittances flow to Sub-Saharan Africa World Bank (2019). This amount of money does not include the one transferred through informal channels like agents and corridors.

The available data on the foreign remittances in Nigeria obtained from the World Bank specifically unveiled that though foreign remittances somehow fluctuated between the periods of 1977 to 1989, it recorded a consistent growth from 1990 to 2019. Specifically, from 1977 to 1990 foreign remittance around $300 million to $10 million. It marked moderate and unstable growth from 1991 to 2004. It recorded a sporadic growth from 2005 to 2009 and further increased from 2010 to 2018 with actual figure in 2015, 2016, 2017, 2018 standing at $20.8 billion, $21.2 billion, $1.97 billion, $2.2 billion and $2.43 billion respectively.

**Exchange Rate**

This is the price of one country’s currency in terms of another Marzovilla & Mele(2015). It is the amount or cost it requires for individuals in one country to buy one unit of another country’s
currency. The exchange rate is the actual price for a country’s currency alternative to another country’s currency. It a critical determinant of the well-being of most nations in the developing world given its key role in trading activities, actual return of individual investment, cost of doing business, and even the standard of living of a country. Following the observation of Urama, Edeh and Urama (2019) that a country’s transactions in relation to others is influenced by the movements in its exchange rate as the higher the currency of a country, the more expensive the country’s export and cheaper imports in the international markets while the lower the currency, the cheaper the country’s exports making the country’s imports more expensive in international markets. They asserted that when a country’s exchange rate is higher, its trade balance is expected to be lower whereas, its trade balance is expected to increase when its exchange rate is lower.

However, Nigeria has experienced different exchange regimes through the experience of series of naira devaluation with the belief that the devaluation of naira would make the country less import-dependent and more export-oriented, thus making the country position her economy for growth trajectory. The practice of naira devaluation started when structural adjustment programs (SAP) were introduced, with the core objective of devaluing naira to make Nigeria competitive and export oriented. The country draws from economic theory and assumptions that the devaluation of a country currency should make the citizens of the affected country pay higher prices when importing, thus encouraging domestic production of tradable goods, advocating local firms to patronize domestic inputs and making export industries in the country more viable in the global market. But this has not been the case in Nigeria as the devaluation of naira has brought untold hardships to the people of Nigeria through the increase in the cost of production and prices of goods without corresponding increase in aggregate demand in the economy and overall performance of the economy (Urama, Edeh & Urama, 2019).

Theoretical Consideration

The neo-classical economists are of the view that an increment in labour supply in addition to an advance dechelon in output of labour and capital are needed to improve the level of economic performance and development of any country. The model is of the view that a continuous addition to capital investments triggers economic performance. It advocates, therefore, that capital such as foreign remittances should be allowed to come from developed to underdeveloped countries to achieve the desired level of development among poor nations. This theoretical assumption has been supported when a study maintained that if resources were permitted to flow liberally, novel investments would take place in the poorer country, and this would continue to be true until the return to investments is in the state of equilibrium in all economies Lucas(1992). Against this backdrop the policy makers in Nigeria signed and passed Diaspora Commission Establishment Bill into law in July 2017, which set to engage and harness the human, capital and material resources to freely flow to Nigeria through Nigerian migrates, with the primary aim of ameliorating the socio-economic, cultural and political challenges facing the country and their consequences on the life of many Nigerians. It is expected that the efforts to sustain this policy will engender massive mobilization of foreign remittances that stimulate consumption, investment and savings imperative for the country to improve its creditworthiness, access capital and lowering borrowing costs needed to reduce unemployment problems and improve the standard of living of the populace. Hence, foreign remittances when effectively channelised into productive sectors may have multiplier effects on widespread reduction in poverty, income inequality, poor standard of living and underdevelopment which has historically persisted in Nigeria.
Empirical Review

Numerous studies have been carried out extensively on foreign remittances and economic performance of diverse economies. These studies have been carried out using different methodologies like system generalized method of moment (SGMM), auto regressive distributed lag (ARDL), fully modified ordinary least squares (FMOLS), error correction model (ECM), vector error correction model (VECM) and vector auto regressive (VAR). The submissions of different researchers have been different, some found positive relationship between foreign remittances and economic performance and others reported a negative and significant relationship.

Stojanov, Nemec and Zidek (2019); El-Hamma (2019); Peprah, Kwesi, Ofori, & Asomani (2019); Migap and Ifere (2019); Uzoh, Nwachukwu, and Uzoma (2019); Ajide (2019); Ewubare and Okpoi (2019); Okoro, Nzotta, and Alajekwu(2019); Urama, Edeh, and Urama (2019); Ubi and Essien (2018); Olayungbo and Quadri (2018); Loto and Alao (2016); Oluyemi, Dominic, and Lady (2015); Akpan, Okon, and Udoma (2014); Olowa and Olowa (2013); Iheke (2012); Balde (2011); Idris and Sallahuddin (2011); Anyanwu and Erhijakpor (2010) all found a positive and significant impact of foreign remittance on economic performance within different scopes. Conversely, Polat (2019); Adeniyi, Ajide, and Raheem (2019); Konan and N’Zué (2019); Hameed, Agboola and Kafilah (2019); Khurshid, Kedon, Călin, Mengand Nazir (2019); Anetor (2019); Tsaurai (2018); revealed a negative and significant relationship.

Methodology and Data

The study adopts an ex-post facto research design to explore the relationships between foreign remittances and economic performance in Nigeria. The rationale for the chosen ex-post facto research design is attributed to its power in gauging the influence of one variable on another and the data being historical in nature, the researcher cannot manipulate the data.

The study used secondary data sourced from the World Bank and the CBN Statistical Bulletin on foreign remittances and economic performance in Nigeria covering the period of 1986 – 2018. This period is extensive to accommodate for the loss of a degree of freedom. Economic performance is expressed as Gross Domestic Product (GDP) per capita. The essence of using GDP per capita is that it remains the key measure of prosperity/wealth, consumption pattern and standard of living of any country. This is so as an increase in per capita income enables the community to consume more goods and services, improve and expand the range of economic and social choices, which propels the economy forward to a higher economic growth trajectory. Arise in per capita income increases the purchasing power, raises the level of demand of goods while a decrease in per capital reduces/erodes purchasing power, hence slacks resources for future production of goods and services necessary for growth with the resultant effect on full utilization of productive capabilities of the economy. It is, therefore, not surprising that economic planners, forecasters and policymakers are more comfortable to use the GDP per capita not only to track changes in social and economic welfare but also, to verify the nature of productivity and growth of the nation to see whether the economy is improving or not in a more comprehensive manner (long term economic performance of a country). The GDP per capita is usually calculated by GDP/population.

Model Specification

To ascertain the influence of foreign remittances and economic performance in Nigeria, the functional model is given as.
ECOPER = f (REMIT, EXRATE, U) ......................... (1)

The econometric form of the model is specified as follow:

ECOPER_t = β_0 + β_1 REMIT_t + β_2 EXRATE_t + U_t .................. (2)

The error correction model equation is specified below as:

$$\Delta ECOPER_t = \alpha_0 + \beta_1^{\hat{\alpha}} \Delta REMIT_{t-1} + 1 + \beta_2^{\hat{\alpha}} \Delta EXRATE_{t-1} + 1 + \gamma Ecm(-1) + \epsilon_t$$

Where:
ECOPER = Economic Performance
REMIT = foreign remittance
EXRATE = Exchange Rate (Control variable)
α_0 = Constant (Intercept)
“β1 and β2 “ = Coefficients
ε_t = Error term
Ecm(-1) = error correction term
t = respective variables at time t

Specifically, the coefficients β, β_1, β_2, are the parameters in the equation, and they express the magnitudes and potencies of the association linking ECOPER and independent variables while the Et represents stochastic error term which captures additional features that possibly will cause deviations in the dependent variable (ECOPER) but not integrated in the specified model. The apriori expectations for the variables are that remittances should positively relate to economic performance while the exchange rate is to have a negative relationship with economic performance.

**Unit Root Test**

The axioms of the conventional regression model necessitate both the stationarity of variables and that error to have a zero mean and finite variance (Engle & Granger, 1987). The unit root test was appraised by means of the Augmented Dickey-Fuller (ADF) to verify the stationary of the time series variable as:

$$\Delta Y_t = \alpha_0 + \beta t + \delta Y_{t-1} + \gamma \Delta Y_{t-1} + \epsilon_t$$

Where:
α_0 = the drift
t = deterministic trend
m = is a lag length large enough to ensure that ε_t is a white noise process.

If the data set is stationary and integrated of the same order, Engle and Granger (1987)
two-stage co-integration process will be engaged to verify if there exists a connection (long-run) between the dependent variable and the explanatory variables. The essence is to make sure that the variables converge in the long run, as a variable that does not converge may be disadvantageous in policy recommendation.

Method of Data Analysis

Error Correction Model (ECM) was endorsed in this article to investigate the relationship between foreign remittances and economic performance in Nigeria. The study adopted ECM framework because it facilitates combination of the short-run and long-run characteristics of the variables. Besides this, ECM was used because of the flexibility and ability of the techniques to gauge the speed of adjustment of the dependent variable when it deviates from its steady-state path due to uneven fluctuations in the independent variables. To check/verify the usefulness and reliability of the model, hence authentication of analysis, the following post regression test; Durbin-Watson statistic, Breusch-Godfrey serial correlation tests were carried out. All the analyses were conducted with econometric software (E-view 8.0)

Presentation and Discussion of Results

In this segment, the report of preliminary data analyses (tests), model estimation, post estimation analyses and discussion of findings was examined.

Preliminary Data Analyses

<table>
<thead>
<tr>
<th>Table 1: Unit root test result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Augmented Dicky-Fuller Test</td>
</tr>
<tr>
<td>Variables</td>
</tr>
<tr>
<td>ECOPER</td>
</tr>
<tr>
<td>REMIT</td>
</tr>
<tr>
<td>EXRATE</td>
</tr>
</tbody>
</table>

NB: significant at 1%, 5% and 10% critical levels.

From Table 1, all the variables under the ADF test were found not to be stationary at levels. As a result, and to avoid spurious regression, tests on all the variables were carried out at first-order difference to confirm their stationarity. At first, differencing I(1) the estimated ADF test statistics reveals that all the variables were stationary at the first-order differences. The estimated ADF test statistics reject the null hypothesis of unit root at 5% and 10% significance levels when compared with their corresponding critical values as the tests decisively confirm stationarity of each variable at the same order of integration i.e. I(1) behavior at 1% level of significance. Thus, the Engle and Granger two-stage co-integration method is used to ascertain the long-run relationship amongst the variables.

<table>
<thead>
<tr>
<th>Table 2: Engle and Granger Co-integration test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Augmented Dicky-Fuller Test</td>
</tr>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>RESID (ECM)</td>
</tr>
</tbody>
</table>

NB: not significant 1%, 5% and 10% critical levels.
The Engel and Granger (1987) two-stage co-integration procedures result in Table 2, which portrays that the residuals from the regression result, are not integrated at level. This is an indication that all the independent variables (foreign remittance, exchange rate) are not co-integrated with economic performance in Nigeria over the periods under consideration (1986 – 2018). Hence, there is no trace of a long-run stable relationship between the economic performance, foreign remittance and exchange rate of dollar to naira in Nigeria.

Model Estimation and Interpretation

This section shows the presentations and interpretation of the results of the model specified (see Table 3).

### Table 3: Parsimonious Error Correction Model (ECM) Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>83.29275</td>
<td>37.74046</td>
<td>2.206988</td>
<td>0.0360</td>
</tr>
<tr>
<td>D(REMIT(-1))</td>
<td>3.47E-08</td>
<td>1.52E-08</td>
<td>2.274067</td>
<td>0.0311</td>
</tr>
<tr>
<td>D(EXRATE(-1))</td>
<td>-6.866201</td>
<td>1.664530</td>
<td>-4.125008</td>
<td>0.0003</td>
</tr>
<tr>
<td>ECM(-1)</td>
<td>0.171461</td>
<td>0.118498</td>
<td>1.446958</td>
<td>0.1594</td>
</tr>
<tr>
<td>R-squared</td>
<td></td>
<td></td>
<td></td>
<td>0.496292</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.440325</td>
<td></td>
<td></td>
<td>0.440325</td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>172.3824</td>
<td></td>
<td></td>
<td>172.3824</td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>802324.0</td>
<td></td>
<td></td>
<td>802324.0</td>
</tr>
<tr>
<td>Log-likelihood</td>
<td>-201.4869</td>
<td></td>
<td></td>
<td>201.4869</td>
</tr>
<tr>
<td>F-statistic</td>
<td>8.867503</td>
<td></td>
<td>1.766103</td>
<td></td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.000296</td>
<td></td>
<td></td>
<td>0.000296</td>
</tr>
</tbody>
</table>

**Model Equation:**

\[
D(\text{ECOPERM}(-1)) = 83.29 + 3.47D(\text{REMIT}(-1)) - 6.86D(\text{EXRATE}(-1)) + 0.17\text{ECM}(-1)
\]

\[2.27\] \[1.45\]

\[
R\text{-squared} = 0.496 \quad \text{Adjusted R-squared} = 0.440
\]

**Output Summary:**

- The R-square and adjusted R-square yielded approximately 50% and 44% as shown from the output above. This implies that the model captured 50% of what happens to economic performance in Nigeria before subjecting the model to the degree of freedom and captured 44% after subjecting the model to a degree of freedom. The F-statistic test of 8.86 reveals that there exist statistically significant linear relationships between foreign remittances and exchange rate in the group and economic performance of Nigeria.

- The t-statistics value of 2.274067 at p-value of 0.0311 which is of excess of 5% level of significance in the ECM model revealed that in the short-run foreign remittance (REMIT) has a positive significant impact on economic performance. However, the exchange rate (EXRATE) has a significant negative impact on economic performance in the short run as indicated by the
t-statistics value of -4.125008 and p-value of 0.0003 at 5% level of significance. The ECM with the Durbin Watson-statistic value of 1.766 indicates no evidence to accept the presence of serial correlation in the model. However, due to the presence of a lagged dependent variable on the right-hand side of the equation, the Durbin-Watson statistic is not sufficient and appropriate as a test for serial correlation in this case. Thus, the Breusch-Godfrey serial correlation test was carried out to validate the result to guarantee the nonexistence of autocorrelation in the model.

\begin{table}[h]
\centering
\begin{tabular}{l l l}
\hline
F-statistic & 0.368810 & Prob. F(2,25) & 0.6953 \\
\hline
\end{tabular}
\caption{Breusch-Godfrey Serial Correlation LMTest}
\end{table}

The test showed no serial correlation since the probability value of 0.6953 > 0.05. This indicates the absence of serial correlation in the model and thus the model is valid and can be used for policymaking without re-specification.

\section*{Discussion of Findings}

The findings of the paper showed foreign remittances have a positive significant impact on economic performance in Nigeria in the short run. This finding is consistent with the theoretical framework and the findings of many previous studies (Idris & Sallahuddin, 2011; Iheke (2012; Joseph, \textit{et al}, 2015; Okoro, \textit{et al}, 2019; Uzoh, \textit{et al}. 2019) that foreign remittances significantly and positively influence growth of Nigerian economy. However, the paper observed that in the long run, the performance of the economy, foreign remittances and exchange rate were insignificantly related from 1986 to 2018. This finding deviated from the study of Loto and Alao (2016) that foreign remittance elements demonstrate a long-run positive, statistically significant relationship with the economic performance in Nigeria. The possible reasons are that 70 percent of the remittances are usually channeled to household consumption or imported products, which has only short run effect on the performance of the economy unlike when the bulk of remittances are channeled to investment, savings or job creations (Fonta, Ayuk\& Chukwu, 2015).

Moreover, the study observed that foreign exchange negatively and significantly influences economic performance in the short run. This confirms the devaluation of naira that brought untold hardships to the people of Nigeria through the increase in the cost of production and prices of goods without a corresponding increase in aggregate demand in the economy and overall performance of the economy (Urama, Edeh \& Uma, 2019). The devaluation of naira caused a decrease in the aggregate manufacturing index, deterioration in average capacity utilization in industrial sectors and stagnation in export demand which, in turn, created a remarkable deficit in terms of trade, negative economic growth and increase in poverty (Adejumo & Ikhide, 2019).

Moreover, the outcome of the study recommended that the exchange rate supports the positive influence of foreign remittances on the performance of Nigerian economy in the long run. These findings confirm the theoretical assumption of Marzovilla and Mele, (2015). It also supports the Adejumo and Ikhide (2019) assumption that devaluation of naira occasioned by external shocks makes the effect of foreign remittances less effective in stimulating standard of living and overall performance of the Nigerian economy. This assertion has been validated by Khurshid, Kedon, Călin, Meng, and Nazir (2019) when they empirically observed that foreign remittances increase exchange rate, decrease competitiveness of export in emerging economies whereas exports are adversely affected by exchange rates in the middle-income group, which affects performance of economy.
Conclusion and Recommendations

As per the study, a reduction in the exchange rate is required for foreign remittances to effectively impact on the performance of Nigerian economy. The study further concluded that while foreign remittances improve the performance of the economy of Nigeria, but the exchange rate is impairing it, such that the need to overvalue naira and make it stable is critical to boosting the performance of Nigerian economy. The study also recommends that the government should offer incentives like tax exemption for Nigerians in diaspora when they invest a certain portion of their foreign earned money in the industrial sector as a sustained increase in capital investments triggers economic performance. This strategy will encourage Nigerians in diaspora to channel money into an investment that could transform the level of industrial development and generate more employment and a high standard of living for the teeming population which connotes economic performance. Moreover, the government should work with money transfer agents and banks to reduce the cost of sending money by Nigerians in diaspora as well as develop mobile applications to conveniently and timely send money without having to contact the representative of banks or money transfer agents abroad. This will encourage more Nigerians abroad to send money to the home country (Nigeria).

References


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**Okharedia Goodheart Akhimien** is currently pursuing a higher academic qualification of Ph.D. in Global Business in the Department of Business Administration, University of Benin. This is after obtaining M.Sc. degree in the same discipline

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**Abstract**  
This study empirically investigated the impact of cashless economic policy and financial inclusiveness in Nigeria. The Research design used was the cross-section survey and descriptive design. The data source was primary valid responses through questionnaires. The analytical techniques used were percentages, tables and Chi-Square. The findings of the study divulged that cashless economic policy impacted positively on financial inclusiveness in Nigeria. The study suggested that, intensive and consistent education about the electronic channels in financial services should be carried out in the country to enhance general awareness including those outside urban centers, service charges and cost of transaction be made affordable or free where necessary because unnecessary charges may discourage the unbanked population to increase, the requirements for financial inclusion through opening of bank accounts in the rural areas should be made less stressful and easy for the rural dwellers. Lastly, infrastructural facilities to aid financial inclusiveness, such as POS and ATM should be made more efficient, more secure and ever available for use, as this will put more confidence in users and potential users.

**Keywords:** Cashless Policy, Financial Inclusiveness  
**JEL Classification:** G20, G28, G30  
**Paper Classification:** Research Paper

**Introduction**  
Studies have shown that the crucial role played by financial inclusion to strengthen the growth and development of any economy of the world cannot be over emphasized. In fact, for an economy to achieve its desired development there must be an easy access to mobilization and circulation of fund within all strata of the economy. This can only be achieved where there is a robust and functional banking system and inclusive financial services that are available to all and sundry in that economy. In the present digital world, various ranges of personal finance options are available for every income class of the population. This is what is generally called financial