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Diaspora remittance, financial system and sustainable economic development in Nigeria

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Abstract

The Study x-rayed diaspora remittance, the Nigerian financial system and sustainable economic development in Nigeria. The study used remittance inflows as measure of Diaspora Remittance and the Gross Domestic Product (GDP) as a measure of sustainable economic development. The study examined the absorptive capacity of the Nigerian financial system to mobilize diapora remittance and transform same into sustainable economic growth and development. Content Analysis (CA) technique was deployed to analyse and examine the data collected from the Central Bank of Nigeria (CBN) Statistical Bulletins for various years, Nigerian Bureau of Statistics (NBS) and the World Bank Development Indicators data base from 1987 to 2020. The data are comprised of the values of diaspora remittance, Gross Domestic product (GDP) and Official development Assistance (ODA). The analysis of the data revealed that the Nigerian financial system mobilized millions and billions of US dollars in remittance into the economy for the period which span thirty fours years with diaspora remittance reaching its peak of twenty six billion, eight hundred and ninety one million, nine hundred and eighty thousand two hundred dollars in 2011. Between 2011 and 2020, the Nigerian financial system raked in an average of twenty five billion US dollars in remittance inflows into the economy. Following from the foregoing findings, the study recommended that the Central Bank of Nigeria (CBN) being the monetary and regulatory authority of the banking system, should formulate policies that would further encourage the inflow of Diaspora remittance through the banking system such that diaspora remittances are well utilized to boost employment generation in order to engender sustainable economic growth and development.

Keywords: Diaspora Remittance, Gross Domestic Product, Sustainable Economic Growth and Development.

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1. Introduction

A major problem confronting most developing, less developed, emerging and frontier markets of the world economy today, Nigeria inclusive, is inadequate domestic investments. This insufficient and low level of domestic investment had its negative multiplier effects in the form of the levels of output, income, employment and consumption. The level of domestic investment in a country is directly reflected on the nature and level of the development of the country's financial sector. Investments in whatever capacities are one of the major catalysts of growing economies in the world today, and both local and foreign investments ensure the attainment of desired economic growth and sustainable development. This is due largely to the fact that lack of adequate investments creates disequilibrium between the required capital and the available saving capabilities. Many less developed, developing, emerging and frontier economies compensate for the inadequate domestic savings capital by resorting to foreign debt contraction. While some try as much as possible to attract foreign investment into their economy through the instrumentality of Transnational Corporations (TNCs) and Multinational Corporations (MNCs), others encourage their citizens abroad to send in remittances in addition to the domestic savings mobilization to grow the domestic economy. It is this remittance from foreign countries that constitutes what is globally known today as Diaspora Remittance.

According to Ajayi, Ijaiya [1], Bello and Adeyemi, (2009), Diaspora remittances are transfer of money by a foreign worker to his or her home country. They are capital transfers of financial assets made by migrants as they move from one country to another and stay for more than one year. As resources, both Diaspora and remittances, take the form of individual's initiatives and pooled efforts through "home improvement unions" and "hometown associations" by migrant groups or diasporas associations in the countries of destination [2]. It should however be noted that the level of development of the host country, especially the financial system absorptive capacity will go a long way in determining how much capital will be invested in or lent to such country, and what the impact would be as regards the country's short and long term domestic investments. The financial system is critical in the onerous task of mobilizing the needed financial resources to sustain domestic investment which will in the long run translate to sustainable economic development.

The Nigerian financial system is first classified into regulatory bodies, financial intermediaries and financial markets. The financial system and markets are controlled by the government through the agency of the various regulatory bodies like; Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC), Nigeria Deposit Insurance Corporation (NDIC), National Insurance Commission (NAICOM), Pension Commission (PENCOM) and the Federal Ministry of Finance. These regulatory bodies supervise and monitor the activities of the various players in the system to avoid markets malfeasance in order to guarantee market integrity by ensuring strict adherence to the government's fiscal and monetary policies for macroeconomic stability and sustainable economic development.

2. Concept of Sustainable Economic Development

The concept of sustainable development came to the fore in economic development lexicon in the early 1980s by the International Union for the Conservation of Nature and Natural Resources. The official definition of sustainable development is traceable to the Brundtland Report in 1987. It defined sustainable development as meeting the needs of the present generation without compromising the needs of future generations.

Sustainable development connotes the continuous development and improvement of the human society. In the consciousness of sustainable development, human societies must live and meet their needs without compromising in whatever capacities the ability of future generations to meet their own needs. In specific terms, sustainable development is a way of organizing society so that it can exist in long term. This implies taking into account both the imperatives of present and those of the future, such as the preservation of the environment and natural resources for social and economic equity.

Sustainable development emphasizes the creation of sustainable improvements in the quality of life of all people through increase in real per capita income, improvements in education, health and general quality of life and improvements in quality of natural environmental resources. In a way, sustainable development cannot be separated from economic development as both are closely linked. In other words, sustainable development is a situation in which economic development does not decrease over time. It is the development that is continuous and everlasting which contributes to the quality of life through improvements in human and natural resources.

In achieving the Millennium Development Goals (MDGs) which has now metamorphosed into the Sustainable Development Goals (SDGs), huge amount of resources is required for which a number of countries depend heavily on foreign aids or official development assistance. Development Assistance (DA) was introduced in the 1970s by the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD). As per the definition, Development Assistance comprises all official flows (financial or otherwise) disbursed from bilateral donors or multilateral institutions to developing countries listed on the Development Assistance Committee List of Aid Recipients for the primary purpose of promoting sustainable economic development and social welfare [3].

According to the Organization for Economic Co-Operation and Development, in order to be classified as Development Assistance, flows should satisfy the following criteria:

- They must be administered by the official sector of the donor country
- Have as a primary objective the promotion of sustainable economic development and social welfare and
- Must be given on concessional terms with a grant element, that is, an implicit subsidy included on the loan of at least 25% of the face value of the loan, calculated as the ratio of the grant equivalent part of the loan to the face value of a concessional loan and discount rate of 10% [4].

In addition to financial flows, Development Assistance also includes technical assistance or technical cooperation costs, however it does not include grant, loans/credits or equipment for military or peace-keeping purposes and nuclear energy [3,5].

According to Hudson and Mosley (2001) [4], transfer payments to private individuals, donations from the public, commercial loans and foreign direct investment (FDI) are also not considered as part of Development Assistance. The Organization for Economic Co-Operation and Development approach to defining and measuring official development aid has some shortcomings beginning with, perhaps unsurprisingly, that it includes too little. By excluding among others contributions by Non-Governmental Organizations (NGOs), faith based organizations and other charity institutions, Development Assistance cash-flow-based measurement leaves out increasingly important efforts and the impact that these institutions are playing in the developing world [6].

Further, in a continually evolving global environment, donors are providing more efforts in terms of guarantees, callable capital etc. These are not classified as Development Assistance but play important role in mobilizing investment for development particularly in present times when many developing countries require huge loans and equity, rather than grants, to boost infrastructure and finance sustainable economic growth and development [7].

Since 2000, official development assistance increased rapidly particularly within the framework of the Millennium Development Goals (MDGs) which were agreed upon in the Millennium Declaration agreed by members of the United Nations in 2000 [7]. The Millennium Development Goals which has now transformed into the Sustainable Development Goals (SDGs) set a range of objectives to be met by 2015- 25, with the targets extended to 2030 with coming on board of sustainable development goals which required large amount of financial support to developing countries (Doucouliagos & Paldam, 2013).

3. Financial System as a Channel of Diaspora Remittance and Catalyst for Sustainable Economic Development in Nigeria.

For Diaspora remittances to be meaningfully sent from the migrant host country to the migrant home country for sustainable economic development, the need for a robust and vibrant financial system cannot be overemphasized. This is due largely to the inherent absorptive capacity and ability of the financial system to mobilize humongous financial resources from every sector of the economy and across countries. The financial system of every country is responsible for regulating the financial environment of the economy, determining the types and amounts of funds to be floated, cost of funds and the uses of the funds so procured.

The financial system of any country refers to a set of institutional and other arrangements that facilitate the transfer of savings through the economy from those who generate them to those who ultimately use them for investments and consumption purposes. According to Maduka and Onwuka (2013) [8] in Isenmila (2017) [9], Nigerian financial system consists of various institutions, instruments and regulations. The Nigerian financial system is made up of financial intermediaries, financial markets; financial instruments, rules conventions and norms which facilitate and regulate the flow of funds through the economy.

A critical part of the Nigerian financial system is the financial intermediaries. Financial intermediaries can be categorized into depository and non-depository intermediaries. While the depository intermediaries include Deposit Money Banks (DMBs), savings-thrift and loan associations, credit unions and discount houses; the non-depository intermediaries include insurance companies, investment companies and pension funds. The interaction between these intermediaries brings owners and users of funds together. They all operate in the different segments of the financial market.

The financial markets are the various facilities provided by the financial system for the creation, custodianship and the distribution of financial assets and liabilities. The Nigerian financial market is the collection of financial institutions set up for the granting of short, medium and long term loans. The market has three segments; the money market, the capital market and the foreign exchange market. The foreign exchange market is reputed to be largest in terms of the volume and value of diaspora remittance and foreign capital mobilization for sustainable development. The market has, for the past several decades, remained the most effective mechanism for mobilizing foreign financial resources into the economy for sustainable economic development.

Generally, in every economy, there are surplus units and deficit units. The surplus units are presumed to have money in excess of their immediate needs. While the deficit units, presumably, do not have enough to meet their consumption and capital needs. To bridge this gap, financial institutions are required to link them while government use monetary policies such as money supply control influence over cost of money-interest rates, control of credit to pursue economic and political goals and objectives. To link the surplus units with deficit units that do not have enough for their expenditures or investment plans, financial intermediaries develop facilities and instruments to link the required lending and borrowing. They link the savers and borrowers by providing convenient ways for lenders to save money, packaging amounts lent by savers as loans and overdrafts to borrow in bigger amounts, reducing risks such as bad debt-applicable to strong intermediary, and providing maturity transformation. It should however be noted, that not all financial intermediaries intermediate only between savers and investors. For example, discount houses intermediate between institutions, and almost all intermediaries place funds with other institutions. The financial system provides the engine of growth for sustainable economic development. The financial system has the responsibility for regulating the financial environment, determining the types and amounts of funds to be issued, cost and use of funds. Financial institutions are firms that supply financial services to the economic community by filling the diverse needs of both ultimate borrowers and ultimate lenders. The financial markets are broadly made up of the money market and the capital market.

4. The Money Market

The money market provides facilities for exchange of financial obligations whose maturities vary from one day to one calendar year [10]. The money market refers to the mechanism involving transactions in short term funds and financial instruments with tenor that covers overnight to one year, that is, securities less than one year such as treasury bills and certificates, negotiable certificates of deposits, commercial papers, bankers' acceptances, bills of exchange and such other financial assets whose maturity tenor does not exceed one year and others; and for implementing monetary policies to arrest economic problem in order to stabilize the economy and ensure sustainable economic development.

The money market has two components; namely: the primary and secondary markets. The primary market deals with the trading of new issues of short-term financial assets, while the secondary money market deals with existing short-term securities traded at rates determined by market forces. In this market, short-term instruments can be rediscounted before their due dates of maturity. This is the function of the discount houses. The discount houses constitute the operators of the secondary money market. A well developed money market is not only an asset but essential to any economy as it performs several important functions. These functions can be divided into those performed for the economy, for the commercial banks, for the Central Bank and for the Government.

Services to the Economy: The money market in its functions as a borrower and lender of short term funds discharges an important function for the economy by ensuring that no loose funds lie idle. It therefore promotes an efficient allocation and utilization of resources in the economy. As a borrower, the money market provides the facility by which those who have more funds than required for the moment can invest them for profit; in this way it ensures that no funds lie idle in the economy. As a lender, it provides opportunities for those who need short-term funds to borrow for productive investment. It lends to the commercial banks through the call money facilities, to the Government through treasury bills. By these means, the money market tends to bring about a more efficient allocation and utilization of funds in the economy. According to Osamwonyi, (2016), [11] the existence of money market ensures that funds raised in the economy are used in the economy. Money market provides a fund of specialized skill and knowledge through constant and continuous dealings in the market. This specialized skill and knowledge tend to enhance the reputation of the country.

Services to the Commercial Banks: The money market gives the central bank of Nigeria (CBN) a channel for the injection and withdrawal of cash from the system and for the performance of its functions as lender of last resort. By the cash and liquidity ratios, which it helps the commercial banks to maintain, the money market provides a fulcrum for the Central Bank to carry out open market operations and operate special deposits. By these techniques, the Central Bank attempts to control the financial system. The money market is the traditional channel by which the authorities make the bank rate or rediscount rate effective. Through the operations of open market operations and special deposits, they can ease or tighten the money in the market, which will reflect in the structure of interest rates in the market.

By acting as the principal buyer, the money market enables the Central Bank to use treasury bill finance without putting too much cash in the market, as would be the case if Central Bank granted direct advance to the government.

Services to the Government: For the Government, the money market is an important source of borrowing short term funds. The Government borrows from the market through treasury bills; call money funds, treasury certificates and special deposits. Such borrowing enables the government to even out flows in its revenue. When revenue is short of planned expenditures, borrowing becomes inevitable in order to make up the short fall from the market, and when there is surplus, the excess is used to redeem previous borrowing. The existence of the money market thus enables the government to carry out its programme of spending without worrying about whether enough funds will be available. By making government financing easier, it reduces the need for direct advance by the Central Bank to the government and thus allows the function, which such a financing arrangement normally brings about (Osamwonyi, 2016) [11].

Eurodollar or Eurocurrencies Markets– these are markets where banks lend and borrow in foreign currencies. Eurodollar or Eurocurrencies are deposits of freely convertible currencies placed with banks outside the country and available for lending. Most currencies held by banks outside the country of the currency are in US dollars, hence the markets are often described as Eurodollars. Eurodollar are dollar – denominated deposits in foreign commercial banks and in foreign branches of the home (where the bank is domiciled) bank. Interest rates are structured into seven days notice, one month, three months, six months and one year.

5. The Capital Market

The capital market is a broad term which includes primary markets, secondary markets, term lending institutions, bank investors, and anybody engaged in providing long term capital(whether equity capital or debt capital) to firms and government. It is a complex of institutions through which intermediate term fund and long term funds are pooled and made available to business, government and individuals. The capital market deals in ordinary stocks, shares and debentures of corporations, and bonds and securities of government.

Capital market is a financial market that provides facilities for mobilizing and dealing in medium and long term funds. The players on the capital market are the operators who act as intermediaries between the providers of the funds and the fund users. Ugwu (2006) describes the capital market as a financial platform that provides facilities for mobilizing and dealing in medium and long term funds through transfer from where they are less needed to where they are needed more through the operators who act as intermediaries between the providers of the funds and the users of such fund. [12] Cooley and Roden (2009) see capital market as any place where securities greater than one year are bought and sold.

According to Al-Faki (2006), [13] The Nigerian capital market was created with the intent of creating a chain for the supply of medium and long term capital for investment in various economic projects that spur development, the organization of a well-designed network of specialized financial institutions, series of processes and infrastructure. Because of the delicate structure of the capital market, funds are pushed to where they are needed the most and thus it increases the level of economic output because capital is being put to its best use. [14]

Fluctuations in business outputs can be easily controlled in a country where the capital market is more developed. [15] This is because of the presence of a strong structured system that can easily finance projects when needed, so businesses can have access to the funds they need and there will be lower chances of an economic downturn compared to those with less developed capital market. The World Bank (1994) indicated that capital market development helps in predicting future growth rates of the inflow of capital, GDP and productivity levels.

The capital market can be further sub-divided into the primary capital market and the secondary capital market. The primary capital market deals with new issue of securities. It can be referred to as new issues market. Privatization also comes to the primary market. The secondary market on the other hand, is the market that deals with second hand securities. The secondary market is made possible through the instrumentality of the stock exchange. According to Osamwonyi (2016), [11] It is a complex mix of institutions and mechanisms through which funds longer than one year are pooled from surplus unit or institutions are made available to business, government and individual in exchange for instruments. Important institutions and participants in the capital market include the stock exchange, share registrars, issuing houses, stockbrokers, underwriters and Securities and Exchange Commission. While in the relationship structure the Central Bank of Nigeria (CBN) controls both the money market through the banks, the capital market through the Nigerian Securities and Exchange Commission directly controls the Nigerian stock Exchange where equities, term loans and gilts are traded.

The capital market always complements the effort of the banking sector by mobilizing financial resources for long-term private investment [16]. Bencivenga, Smith, and Starr [17] were of the opinion that a long lasting economic growth rests on the well performing and properly functioning financial market. However, Ahmed and Ansari [18] iterated that capital markets work well and contribute to sustainable economic growth and development when the Government policy is directed toward efficient allocation of financial resources. Another very important segment of the financial market is the foreign exchange market.

6. The Foreign Exchange (FOREX) Market

Foreign exchange is the conversion of the currency of a country into the currency of another country; and in the case of Nigeria, the conversion of naira to other foreign currencies. The value of such currency can be pegged to another country's currency, such as the U.S dollar, or even to a basket of currencies, though such value is determined by market forces in a free market economy. A country's currency value may be fixed by the country's government. It should however be noted that most countries float their currencies freely against other countries currencies which enable them to be in constant volatility or fluctuation.

The foreign exchange market is where all transactions involving the sale and purchase of foreign currencies or conversion of local currencies to foreign currencies. The foreign exchange market is the market in which the participants can buy, sell, exchange and speculate on currencies. The market is made up of banks, commercial companies, and central banks, firms that manage investment, hedge funds, foreign exchange brokers and investors. According to Osamwonyi (2016), a foreign exchange market is a market for the interaction of sellers and buyers of foreign exchange. The market provides for sale and transfer of foreign currencies, for access to trade credits, and for hedging in the forward component. He asserts that market forces, real rates, international reserves, and foreign borrowing impact nominal exchange rate. The foreign exchange market allows for the exchange of one currency for another. Large commercial banks serve this market by holding inventories of each currency, so that they can accommodate requests by individuals or multinational companies. Individuals rely on the foreign exchange market when they travel to foreign countries.

According to Obadan (2013), [19] it is made up of key convertible currencies that are generally acceptable for the settlement of international transactions and other external obligations undertaken. It is the largest financial market in the world. For instance, trading in foreign exchange market was averagely estimated at $5.1 trillion per day in April 2016, this is according to the 2016 Triennial Central Bank Survey of foreign exchange and over-the-counter (OTC) derivatives markets. The market therefore provides for sale and transfer of foreign currencies, for access to trade credits, and for hedging in the forward component. It is important to outline major determinants and channels for accessing the market. Market forces, real rates, international reserves, and foreign borrowing impact nominal exchange rate. Monetary and fiscal policies are important. Economic policies have an inverse relationship with exchange rate. For example, researches have shown that low interest rates can drive down cost of credits, increasing credits leading to increased demand for foreign exchange and imports. Domestic inflation reduces competitive exports and inversely affect exchange rate. Policy intervention and parallel market have inverse relationship with exchange rate while bank liquidity and inflation have positive relationship. According to Nnanna, Englama, and Odoko (2004),[20] foreign exchange is the means of effecting payments for international transactions. Migrant monetary remittance from the host country to the home country of the migrant are often channeled through the foreign exchange markets via the banking system.

Although the notion of remittances conjures only monetary aspect, remittances embrace monetary and non-monetary flows, including social remittances [21]. The North South Centre of the Council of Europe (2006) defines Diaspora social remittances as ideas, practices, mind-sets, world views, values and attitudes, norms of behaviour and social capital (knowledge, experience and expertise) that the diasporas mediate and either consciously or unconsciously transfer from host to home communities.

They are capital transfers of financial assets made by migrants as they move from one country to another and stay for more than one year. As resources, both Diaspora and remittances, take the form of individual's initiatives and pooled efforts through "home improvement unions" and "hometown associations" by migrant groups or diaspora associations in the countries of destination (Singh, Haacker, Lee & Goff, 2010).

It has been noted that "diaspora organisations can act as important intermediaries between traditional development actors and between diasporas and local communities for example, identifying needs and priorities of local communities and communicating those to donor organisations, foreign direct investment and diaspora members to solicit funding and expertise[22].

There are different transfer mechanisms available to migrants to send remittances, namely, banks, credit unions, small and large money transfer institutions such as Western Union, Money gram, hand delivery by the sender through a third party and other informal mechanisms (Singh, Haacker, Lee & Goff, 2010). However, lack of administrative structures and mechanisms for government to tap (leverage) directly into these foreign inflows from the Diaspora as an asset for investment and sustainable national economic development. Thus remittances including unrecorded flows through formal and informal channels, is believed to be even larger. According to Fayissa and Nsiah (2010), Remittance flows have other significant characteristics beyond their volume

The 2003 World Bank report also noted that they are more stable than other kinds of external financial flows, and indeed seem to be counter cyclical (Jongwanich, 2007). In times of crisis, whether natural or man-made, migrants tend to send more money to their families to help them survive or recover, whereas foreign investment and lending tend to dry up (Singh et al. 2010). There are two fundamental important characteristics of remittances that are worth underscoring; namely; they are largely not affected by political or financial crises, tending to increase in times of hardship and they are equally spread among developing countries than are other financial flows (Ratha, 2003; Jongwanich, 2007).

Diaspora remittances are experiencing growth and due to huge sums involved, it is now being recognized as an important contributor to the recipient country's economic growth and sustainable development (Rao & Hassan, 2011). Migrants living abroad typically send money home to help their families. Remittances are an important source of external financing to the recipient country and may alleviate credit constraints and act as a substitute for financial development (Schiopu & Siegfried, 2006). Unlike private capital flows, remittances tend to rise when the recipient economy suffers an economic downturn following crisis, natural disaster, or political conflict because migrants send funds during hard times to help their families and friends (Jongwanich, 2007).

In other words, diaspora remittances in the recipient country and the economic hardship therein have positive relationship. The more the economic hardship experienced in the migrant home country, the more the remittance inflows. On the other hand, the economic hardship of the migrant host country and the level of remittance outflow have inverse relationship. In other words, the more severe the economic hardship of the migrant host country, the less the level of remittance the migrant is able to send home. This is because the earning ability of the migrant is limited when its host economy is experiencing downturn.

7. Specific Channels of Diaspora Remittance in Nigeria

There are several channels through which migrants' remittances are made. With the globalisation and automation of the Nigerian financial system, many easy channels of diaspora remittance have been developed and evolved over the years by International Money Transfer Operators (IMTO). According to the International Monetary Fund, remittances are household income from foreign economies arising mainly from the temporary or permanent movement of people to those economies. Remittances include cash and noncash items that flow through formal channels such as electronic wire, or through informal channels, such as money or goods carried across borders.A few of such channels are presented below:

i. Electronic Fund Transfer (ETF): The electronic fund transfer system allows a customer's account to be credited or debited electronically within 24 hours anywhere in Nigeria. The defunct Universal Bank of Nigeria plc was the first to venture into the Electronic Fund transfer System (ETF) in 1992. The Electronic Fund Transfer (ETF), provides a more convenient and suitable way of transferring funds. The ETF is even cost effective when compared to the traditional methods of transferring funds such as mails and telegraphic transfers. It is more secured and time saving when money is transferred electronically by individual banks through their accredited agents or branches.

The services of the Electronic Fund Transfer (ETF) system extended beyond the shore of Nigeria as deposit money banks capitalised on the services and repositioned and diversified their portfolio of foreign exchange as a strategy to attract foreign exchange inflows. Among the various funds transfer protocols and products owned by Nigerian deposit money banks are the Western Union Money Transfer and the RIA service owned and operated by the First Bank of Nigeria Plc. The United Bank of Nigeria Plc also owns and operates the Money Gram scheme. These three products and schemes have facilitated the movement and transfer of funds to any locations in Nigeria from over a hundred overseas countries. The schemes are operated in such a coded way that the recipients are only required to provide correct answers to coded question(s). This is to prove and ascertain that the funds get to the right ownership for collection. It should however be noted that the recipient does not have to be an account holder with the bank before he or she is allowed to collect the proceeds. Though some deposit money banks in a bid to mobilise and retain foreign exchange will request the funds collector to open an account with them as a yardstick for collection.

ii. The Swift: The SWIFT stands for Society of Worldwide Interbank Financial Telecommunication. It is a financial telecommunication network system that is made up of computer based centres located and scattered around the various locations of the world and interconnected through telephone leased lines or packet switches. The SWIFT network has a hub and is located in various access points usually one per country. The Nigerian access point is located in the domain of the Central Bank of Nigeria (CBN). With the SWIFT innovative technology in place, Nigerian banks have access and the opportunities to perform a number of innovative services which but not limited to funds transfer to and from any location abroad, documentary credits and collection and money and security market operations. The SWIFT technology has the merits of granting the users direct accessibility to the whole banking world. International payments are made easier, cheap, efficient and more secured with SWIFT technology. It is the safest and universally accepted means of transferring funds from one country to another and it has enhanced the portfolio performance of deposit money banks in Nigeria.

8. Recent Update and Policy Measure of the Central Bank of Nigeria (CBN) to Attract Diaspora Remittance Inflow

Due mainly to scarcity of foreign exchange in the country and the declining state of the external reserves, the Central Bank of Nigeria pronounced a policy intervention known as the Naira4dollar initiative. The Naira4dollar policy intervention of the apex bank was to curb withholding of foreign exchange by deposit money banks and boost external reserves of the country. It is a policy incentive which rewards recipients with N4 for every $1 they receive from licensed International Money Transfer Organisations (IMTOs) and deposit money banks. The policy incentive was introduced in 2020 amidst exchange rate depreciation and fluctuation. The Central Bank of Nigeria however, extended this initiative indefinitely earlier in May 2021, with a view to increasing remittances so as to boost external reserves.

According to the review of Nigeria's balance of payment as released by the Central Bank of Nigeria (CBN), Diaspora remittances into Nigeria increased by 15.6% Quarter on Quarter QoQ to $9.22 billion in first half H1 2021 compared to $7.98 billion recorded in the second half of 2020. It also represents a marginal 2.2% increase compared to $9.02 billion recorded in the corresponding period of 2020. The increase follows the continuation of the Naira4dollar policy initiative by the apex bank.

From the release by the Central Bank, it is observed that although Nigeria's inflow is yet to reach pre-pandemic levels, it is beginning to move upwards compared to 2020, which was soured by the global economic downturn caused by the covid-19 pandemic. Notably, in H1 2021 diaspora remittance inflow into Nigeria rose to its highest levels since H2 2019. The latest increase in diaspora remittances has also supported the Nigerian current account balance, which has been on a net deficit since Q1 2021. However, Nigeria's current account deficit improved to $424 million in the second quarter of 2021, from a deficit of $2.1 billion recorded in the previous quarter.

The breakdown of the data as released by the Central Bank of Nigeria (CBN) shows that Nigeria has recorded diaspora remittance inflow of $115.15 billion in over 5 years, while outflow stood at $1.18 billion in the same period, indicating a net credit of $113.96 billion. It is worthy of note that Nigeria's diaspora remittance outflow in the first half of 2021, dropped by 30.1% from $34.59 million recorded in H2 2020 to $24.18 million. It also recorded a marginal decline of 10.6% compared to $21.86 million recorded in the corresponding period of 2020. The implication of this is that the Naira4dollar policy intervention of the Central Bank of Nigeria designed to incentivized foreign exchange inflow has a positive impact on the economy.

According to a report released by Agusto Consulting titled: 2021 Nigeria Diaspora Remittance Report & Survey. Nigeria has over $21 billion annually in inflows from diaspora remittances, making it the second-largest recipient of remittances on the continent, only after Egypt. The remittances from the Nigerian diaspora have become a major mainstay of the country's economy. At the macro level, diaspora remittances represent the second-largest source of foreign exchange inflow into the country, second only to crude oil earnings.

9. The World Bank Report

According to the World Bank Economic Review Report, Nigeria had returned to growth in remittance inflows in 2021 as a result of the increasing influence of policies intended to channel inflows through the banking system, pointing at the Naira4dollar policy scheme by the Central Bank of Nigeria (CBN). The report also indicated that Nigeria is currently the largest recipient of remittance inflows in the Sub-Saharan region of Africa in 2021. Meanwhile, remittance inflows to Sub-Saharan Africa grew by 6.2% to $45 billion in 2021, and are projected to grow by 5.5% in 2022.

According to the World Bank, remittances to low-and middle-income countries are projected to have grown by 7.3% to reach $589 billion in 2021. In a statement by Michal Rutkowski, World Bank Global Director for Social protection and jobs, he said: "Remittance flows from migrants have greatly complemented government cash transfer programs to support families suffering economic hardships during the COVID-19 crisis. Facilitating the flow of remittances to provide relief to strained household budgets should be a key component of government policies to support a global recovery from the pandemic,"

According to the World Bank, factors contributing to the strong growth in remittance are migrants' determination to support their families in times of need, aided by economic recovery in Europe and the United States which in turn was supported by the fiscal stimulus and employment support programs. The topmost bank (World Bank) also stated that in the recovery of outward remittances in the Gulf Cooperation Council (GCC) countries and Russia, was facilitated by stronger oil prices and the resulting pickup in economic activity. It therefore follows that the economic prosperity of the migrants host countries and economic adversity of migrants home countries of origin combined to influence the direction and magnitude of diaspora remittances. This reasoning is in tandem with the report of Nairametrics earlier in the year that remittances into the country fell by 24% in the first quarter of 2021, which was attributed to the downturn in developed economies, coupled with some Nigerian foreign policy that had left diaspora Nigerians with little option but to transfer funds through black market channels.

10. Concluding Remarks

Diaspora remittances represent one of the most important sources of external flows of capital and foreign exchanges for many developing countries. They play an important role in the lives of their recipients. It is the second-largest source behind Foreign Direct Investment (FDI) of external funding for developing economies. The Diaspora remittances play a very important role in the economy. When they are low, the amount of foreign exchange in circulation becomes low and people start chasing dollars which causes its value to skyrocket against the Naira.

It should however be noted that the Central Bank of Nigeria (CBN) reports diaspora remittances as workers' remittances in its balance of payment report. This, in the view of this study, is a matter of semantics. Workers's remittance or diaspora remittances are one and same thing.

However, with the clampdown of the Central Bank Nigeria (CBN) on cryptocurrency transactions in the country and the incentive to Nigerians for every unit of dollar received through official channel, the country has started recording appreciation in diaspora remittances. This increase, if it continues will boost dollar liquidity in the banking sector and the economy in general and help the apex bank continue foreign exchange market intervention to sustain liquidity so as to ensure sustainable economic development.

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