

Remittances and Economic Growth: A Comparative Analysis between Nigeria and Uganda

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Abstract— In recent years, many developing countries have experienced a high rate of migration to developed countries, resulting in issues like brain drain, inadequate personnel, and reduced economic productivity. As such, the study examined the effect of remittances flow on economic growth in Nigeria and Uganda using a comparative approach from 1986 to 2023. The study employed Johansen Co-integration analysis and Fully Modified Ordinary Least Squares (FMOLS) as method of analysis.

The Johansen co-integration test confirmed a long-run relationship among variables. FMOLS results showed remittances had a positive and significant impact on Nigeria's economic growth, while Uganda exhibited a significant negative relationship. Inflation and exchange rate negatively impacted economic growth in Nigeria, but exchange rate was insignificant in Uganda. The findings also revealed a significant positive relationship between trade openness and economic growth in both countries. Based on these results, it was concluded that remittance flows contributed to Nigeria's growth but hindered Uganda's economy. Therefore, the study recommends Nigeria to diversify its economy beyond remittances, while Uganda to develop a skilled workforce and encourages them to stay.

Index Terms— Remittances, Trade Openness, Exchange rate, Interest rate, Real Gross Domestic Product, and Fully Modified Ordinary Least Squares

I. INTRODUCTION

In the present day, there has been high rate of migration in developing countries to developed countries. However, studies have attributed this to brain drain, need for technological know-how, improved standard of living, and education (Sunday et al., 2023; Mustapha-Jaji & Adesina-Uthman, 2023; Samuel & Pierre, 2020). Aside this, there is currently a 'japa syndrome' (looking for a greener pastures)

amongst economic active ages in Nigeria, where many of them used various means like studying abroad either for post graduate programme or others to relocate to Europe and other nations. Aside this, a similar trend is occurring in other African nations. For instance, records showed that after Nigeria with 72,000 students studying abroad as at 2024, we have others like Cameroon (27,000) and Zimbabwe (19,000) (Icef monitor, 2025).

Remittance is seen as a sum of money or goods sent by a foreign worker or a member of a diaspora community to their family or community in their home country, serving as a vital source of income, particularly in lower-income nations. However, as people migrate to developed countries; there is high rate of remittance inflow into their respective nations. As such, international remittances have become an important and growing source of foreign funds for several developing countries especially the sub-Saharan African countries. According to the World Bank (2018), remittances was US\$585.1 billion in 2016, of which US\$ 442 billion went to developing countries. It increased by 7% to US\$613 billion in 2017; and the total sum of US\$450 billion went to developing countries; while, that of 2018 was \$616 billion. Also, Nigeria received the sum of \$246.119 billion dollars in remittance from 1977-2016; while, that of Ugandan was \$15.88 billion from 1999-2020 (World Bank Development indicator, 2023; Falade et al., 2021). These figures only capture inflow of remittances received via formal channels; while, inflows through informal channels are believed to be considerable high.

According to Okewo, et al. (2021), both formal and informal routes are used to convey remittance inflows. Formal is concerned with a documented channel; while, informal is undocumented channel. However,

record showed that majority of inflow into African are non-documented. For instance, the World Bank (2020) discovered that over half of remittances received in emerging nations pass through undocumented route, resulting in an underestimation of the true overall number of remittances received on the annual basis.

Remittances impact the economy of the receiving country through a variety of transmission channels. Considering this, they are an essential source of external financing for the domestic economy, easing credit constraints, encouraging investment, and so boosting economic growth (Ishaq & Ali, 2020; Garba et al., 2020). Remittances may also benefit the domestic economy during idiosyncratic recessions by acting as an insurance mechanism, increasing disposable income and boosting consumption when other sources of domestic aggregate demand are down (Asmau, 2020). On the other hand, remittances can have unfavourable effects, particularly by reducing the availability of labour in the home country. For instance, many African countries, with the inclusion of Nigeria and Ugandan, are lagging behind in having adequate skilled labour in areas like medicine, technology, higher educational profession and others due to migration of experts in these field to developed countries, in search of greener pasture and better working atmospheres.

Economic growth is seen as the expansion of the economy over time with the ability to produce the goods and services required to improve the welfare of a larger proportion of its citizens. However, the growth rate of Nigeria and Ugandan aggregate output over the years have shown to be more encouraging as this may be linked to inflow remittance. For instance, from 1991-2000, Ugandan GDP witnessed accumulative growth rate of 5.8%, Nigeria (7.81%); from 2001-2010, 6.7% for Ugandan, Nigeria grew at (11.2%); while, that of 2011-2020 were 6.2% for Uganda and 9.91% for Nigeria (The World Bank, 2024). This progressive factor witnessed in gross domestic product have been attributed to some level of capital inflow into these two countries, especially remittance inflow. However, a critical link of this growth with the annual inflows from remittances still showed some level of wide disparity between the duo, with higher inflow of remittances and low proportional economic growth.

Meanwhile, Nigeria is located within the West African region, while Ugandan is East African. Despite wide gap in their population grow and annual gross

domestic product base, both countries have very high potential for economic growth, which is driven by agriculture, service and natural resources. This motivates the rationale for selecting these two countries. Aside this, from 2021-2022, remittance inflow has been a significant source of foreign exchange earnings that lowers the Nigerian and Ugandan current account deficit, strengthening the position of the balance of payments, and lowering reliance on external borrowing (World Bank, 2024). Considering this, the study examines the effect of remittances inflow on economic growth through a comparative approach in Nigeria and Uganda from 1986 to 2023.

Research Problem

Despite the surge in remittances inflow into Nigeria and Uganda, available statistics have further put the migration amongst economic active age in these two countries into a better perspective. In 2018, for instance, Schengen countries such as Germany, Hungary, Finland, Italy, and Spain, which are Nigerians' popular destinations, saw an increase in visa applications from Nigeria. According to recent statistics released by the UK government, 486,869 study visas were granted as of June 2022, 71% more than in 2019, where Nigeria ranks third after India and China; while, 231 working visas were granted to medical personnel in 2022 from Nigeria (Onyike et al., 2023). For Ugandan, there was 105% growth in international student from 2019-2022, implying that 21,881 applied for UK's student visas (Icef monitor, 2025). Going by these huge numbers, there is high rate of brain drain amongst the skilled worker, as well as, students going for further study in Nigeria and Uganda.

According to Medical and Dental Consultants' Association, prior to the high rate of migration to Europe and other developed countries, the ratio of doctor to patient was 1:1000 in 2010; while, it was 1:1600 in 2022 (Omiyi et al., 2025). While, Ugandan ratio of doctor to patient has moved from 1: 11000 in 2010 to 1: 25,000 in 2024 (Ajari & Ojilong, 2020). This shows that the high rate of such migration has resulted in loss of medical personnel to less developed countries, as well as, fall below the recommended 1:1000 of the WHO. On this note, studies have shown that remittance is not a blessing, as the best brains in term of human capital are contributing positively to

other countries' growth (Sunday et al., 2023; Okeke et al., 2019). Also, Ugandan was rated amongst the top ten countries with highest refugees in Europe as at 2022, with 17,541 student granted students to Europe in 2020 (Abubakar & Folawewo, 2019).

Meanwhile, remittances have been proven to have both beneficial and detrimental effects on economic growth by researchers (Ari, 2020; Buhari, Muhils, and Osman, 2018; Chowdhury, 2015). Furthermore, other research indicates that remittances have zero effect on economic (Garba et al., 2020). Therefore, there is no definitive answer to the question of how remittances affect economic growth. This is because there are a number of potential explanations for the inconsistent results, including different methods, time periods, geography, and the economic conditions of various countries. Considering this, the present study examines the effect of remittances inflow on economic growth in Nigeria and Uganda from 1986 to 2023, using a comparative approach.

II. LITERATURE REVIEW

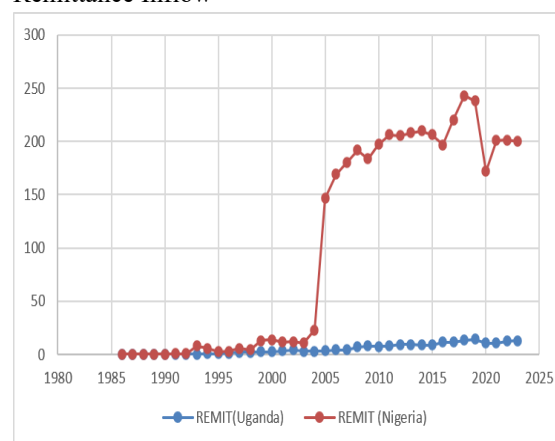
2.1 Concept of Remittance

Ouni (2019) defined remittance inflow as movement of cash or kinds through formal or informal channels by migrant from the country of resident to country of his birth or origin. International Monetary Fund (IMF) interprets and records remittances in three different sections of the balance of payments which include: compensation of employee's, workers' remittances and migrants' transfers. In this study, it is defined as inflow of both cash and kinds into the recipient's country from migrant in other country. In transferring international remittances inflow, channel and level of financial development of a country play an essential role. Financial development contains the quality delivery by financial institutions in terms of efficiency in financial instruments, the payment system, and financial services (Alabi, et al 2020).

In addition, remittance figures are still faced with the challenge of underestimation or under recording. Sutradhar (2020) observed that officially transferred remittances published in the recipient countries balance of payments grossly underestimate the actual level of remittances. The degree of under recording and leakage varies from country to country. There are two types of leakages: one due to erroneous (imprecise accounting) and the other due to the choice of

informal, unsupervised channels for remittances. Erroneous practices happen due to the tendency of treating informal remittances as foreign exchange leakages from the labour exporting country. The leakages of this form are categorized as follows: (1) personal imports of migrant workers (i.e. goods imported by returning migrants under the duty free allowance facility or brought along with them under personal baggage/ gift facilities) and (2) the savings brought home on return (in the form of cash or traveler's cheques) that are latter converted into local currency at domestic banks (Falade et al., 2021). The informal means include: retention of remittance savings in personal accounts of migrants, hand carrying and use informal foreign exchange intermediaries (Tersoo, & Abubakar, 2019).

Figure 2.1: Trend Analysis of Nigeria and Uganda Remittance Inflow



Source: Output from Excel (2024)

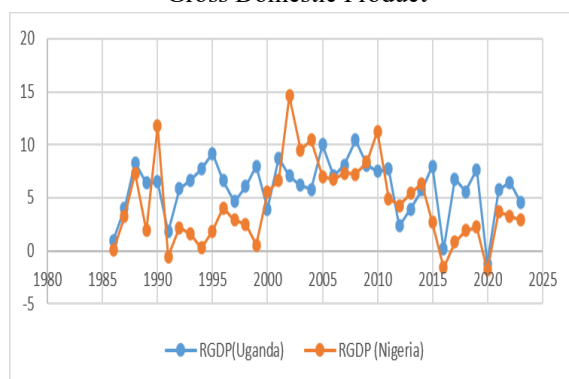
It was revealed that remittance inflow into Nigeria was much higher than that of Uganda. For Uganda, it is considered having lower rate of remittance when compared with Nigeria. The rational for such is due to large population of Nigerian citizens that are currently outside the country.

2.2 Concept of Economic Growth

Economic growth is the increase in the inflation adjusted market value of the goods and services produced by an economy over time (Okeke et al. 2019). It is conventionally measured as the percent rate of increase in real domestic product, or real GDP. It is increasing capacity of an economy to produce goods and services, compared from one period of time

to another. It can be measured in nominal or real terms, the latter of which is adjusted for inflation (Mogaji et al., 2020). The impact of remittances on economic growth appears controversial, covering the full gamut from positive effects, to negative effects and to conditional effects. This inconclusiveness may not be unconnected with the reliance of the earlier studies on the direct relationship between remittances and economic growth. Despite this, Ouni and Miniaoui (2019) argument that impact of remittances on economic growth may be conditional on the quality of financial institution and warning that, the humanly devised incentive structure of the receiving countries environment in question are crucial. Figure 2.2 depicts the trend and pattern for both countries from 1986-2023.

Figure 2.2: Trend Analysis of Nigeria and Ugandan Gross Domestic Product



Source: Output from Excel (2024)

It was discovered from the depicted trend analysis that both Nigeria and Ugandan had the same growth level in 1986-1988. However, a quick change was observed in 1990, with Nigeria having higher value when compare with Uganda economy growth. Meanwhile, a low level was recorded in 1991; while, that of Uganda was negative level. Ever since 1992 till 2023, both countries' real gross domestic product was instable, with that of Nigeria greater than that of Uganda.

2.3 Empirical Review

2.3.1 Empirical Review Form Nigeria

Onyike et al. (2023) investigated the effect of international remittances on the economic growth of Nigeria for the period covering 1986 to 2017, suing VECM. It was discovered that in the long run, remittances, human capital and inflation rate had

positive effect while GDI and interest rate had negative effect on the economic growth of Nigeria. In the short run remittances, human capital, GDI and inflation rate had a positive effect, while interest rate had a negative effect on the economic growth of Nigeria. A similar study with the same technique by Sunday et al. (2023) discovered that a long and short-run relationship exists between international remittances on economic growth during the period reviewed. Furthermore, Silva and Jonah (2023) used Vector Autoregression (VAR) and discovered that growth of remittance results in exchange rate appreciation when pass through official channel, and vice versa. While, controlling for FDI, exchange rate movement improves with growth of FDI in the short run, and decreases due to improper capital control mechanism.

Mustapha-Jaji and Adesina-Uthman (2023) study was limited 1981 to 2021 and discovered that international remittances had a positive and significant impact on banking sector development while international remittance had insignificant impact on stock market development. Similar study by Ejelolu et al. (2022) from 1986-2020 used a multiple regression analysis. The result showed that increasing the values of exchange rate in Nigeria will reduce economic development trend in the country, an increase in the position of foreign direct investment in the nation implies an increase in economic development and that increasing the inflows of personal remittance will likewise increase the growth rate and development of the economy in general. Also, Muogbo (2021) was concerned with causal relationship for the period 1981Q1 to 2020Q4, using Toda and Yamamoto causality test. it was discovered that unidirectional causality relationship existed between remittances and private investment in Nigeria. A similar study in the same year by Adeniyi et al. (2021) for 18 Sub-Saharan African (SSA) countries for the period of 1990 – 2017 using the Panel ARDL model estimation showed that higher remittances have significant and negative effect on savings-investment gap in the long-run.

Adeseye (2021) the used multiple linear regressions and discovered that significant relationship existed between remittance and gross domestic product, exports and imports in Nigeria while inflation has no significant relationship with remittance. Also, Adeleye et al. (2021) used ordinary least square from 1980 to 2019. The study found that FDI has a negative

relationship with economic growth and remittances seem to have a positive effect on economic growth. Similarly, John et al. (2020) OLS. From the analysis, it was revealed that there was a significant relationship between total remittances and gross domestic product in Nigeria. Furthermore, Ishaq and Ali (2020) discovered that an increase in remittances, foreign direct investment, trade openness and domestic investment, increases economic growth of SSA countries. Using ARDL approach, Aladejana et al. (2020) from 1986-2018 confirmed short-run and the long-run estimate between the identified variables in the model. For the short-run, it was discovered a direct and significant effect existed between remittances and poverty reduction with a similar finding reached for the long-run also.

Okeke et al. (2019) used OLS and discovered that remittances increase the rate of private investment in Nigeria and the previous investment is a determinant of the current investment. A similar study by Abubakar and Folawewo (2019) on the impacts of various types of remittances on households' investment in the rural areas, urban areas and in the geo-political zones of Nigeria using the Probit regression technique, result showed that impacts of remittances on households' investments are felt in the rural areas, urban areas and in the geo-political zones of Nigeria. Also, Anetor (2019) ARDL from 1981 to 2017. The results also showed that remittances have a negative and significant effect on economic growth both in the long-run and short-run.

2.3.2 Studies from Uganda

Abdulrazak (2021) used generalized least squares from 1999 to 2018. The study's conclusions demonstrate that remittances significantly and favorably impact economic growth. In fact, remittances promote economic expansion. Uganda's economic growth may also be attributed to trade liberalization, foreign direct investment, and capital investments in tangible assets. A similar study by Cazachevicia et al. (2019) used a meta-analysis. In a quantitative survey of 538 estimates reported in 95 studies, the study finds that approximately 40% of the studies report a positive effect, 40% report no effect, and 20% report a negative effect. Furthermore, the results indicate publication bias in favor of positive effects. Correcting for the bias using recently developed techniques, we find that the mean effect of

remittances on growth is still positive but economically small. Nevertheless, the results uncover noticeable regional differences: remittances are growth-enhancing in Asia but not in Africa.

Ainembabazi and Francis (2022) examined remittances and employment in family-owned firms using Nigeria and Uganda as case study. the study discovered that employment of family members into family-owned firms is high in households receiving small amounts of remittances relative to their household income. As the share of remittance transfers in household income increases, the likelihood of hiring family members decrease as it increases for hired workers. The threshold point appears to occur when remittance transfers contribute more than a half of household income. The implication of our findings is that remittance transfers induce an income effect by increasing reservation wage of family members which reduces their likelihood of work in family business, which in turn opens up employment opportunities for non-family individuals.

Mulatu (2020) analyzed the possible effect of international remittances on the economic growth in three selected economies among three IGAD (Intergovernmental Authority on Development) member countries, namely, Ethiopia, Kenya, and Uganda from 1990 to 2017. The pooled estimation result from the panel fully modified least squares (FMOLS) shows that the logarithm of remittances impacts the dependent variable, economic growth, positively but it is not statistically significant. The Kao panel residual cointegration shows that the null hypothesis is not sufficiently supported by the data. There is a statistically significant long-run relationship between the variables in the series. This implies that international remittances have a long-run impact on the economic growth of the countries considered in this study. In addition, remittances Granger cause economic growth, significantly at a five percent level of significance in the long run. To verify the results from dynamic panel regression, fixed-effects and random-effects estimation are used as a robustness check. Both fixed-effects and random-effects estimation results confirm the same findings as in the panel regression results. The findings from this paper will present important policy inputs for policymakers on how remittances impact the economic growth of the countries included in this study.

III. METHODS

This present study adopted the exogenous growth theory as developed by Swan and Solow (1956) as the theoretical framework. The following is the expression of the notion of capital inflow to the disaggregated sector of the economy, using the Cobb-Douglas (1928) production function, generally known as the neoclassical production function:

$$Y = L^a K^b T \dots \dots \dots (i)$$

Where;

$a+b=1$, Y= Agricultural output, L= Labour, K= Capital, T= Time or the rate of technological progress. Adding a and b that are assumed to be foreign aid to equation (i) that represents the proportion of Y that accrues to labour (L) and capital (K).

The model for this study was built on Sunday et al. (2023) model with modification. Therefore, the basic model for Sunday et al. (2023) is given below;
 $RGDP = f(REM, FDI, EXR)$. (ii)

Where; RGDP = Real GDP, REM = Remittances, FDI = Foreign direct investments and EXR = Exchange rate

Modifying equation (ii) above, trade openness was added to the model because theory assumes that any country that intends receiving aids, remittance and others must open its economy. Also, lending interest rate was included in the model to know the implication of remittance on borrowing. Since some recipients of remittances inflow save some portion with bank.

The modified model is re-specified below as follow;

$$RGDP = f(REM, INF, EXR, OPEN, INT)$$
. (iii)

Where;

GDP: Gross Domestic Product, REM: Remittance, INF: Inflation Rate EXR: Exchange Rate, OPEN: Trade openness and INT: Interest Rate

The econometric form, of equation (iv) is given below as follow;

$$RGDP = \delta_0 + \delta_1 REMIT + \delta_2 INF + \delta_3 EXR + \delta_4 OPEN + \delta_5 INT + \mu_t$$
. (iv)

Where; δ_0 is the intercept; $\delta_1, \delta_2, \delta_3, \delta_4$ and δ_5 are parameter estimates and U_t is Error Term (white noise).

Table 1 Measurement of Variables

Variable	Description	Measurement	Source
RGDP	This is the percentage of gross domestic product adjusted from inflation on annual basis	Percentage (%)	Central Bank of Nigeria Statistical Bulletin 2023/ Word Bank Development Indicator, 2023
EXR	Monthly average official effective exchange rate of Naira/Uganda shilling relative to US dollar (N/\$) (Ugx/\$)	Rate	Central Bank of Nigeria Statistical Bulletin 2023/ Word Bank Development Indicator, 2023
REMIT	This is the sum of the annual remittance's inflow received in the country as a percentage of GDP.	Percentage (%)	Word Bank Development Indicator, 2023
OPEN	The sum of imports and exports of goods and services divided by GDP in constant prices, multiply by 100	Percentage (%)	Central Bank of Nigeria Statistical Bulletin 2023/ Word Bank Development Indicator, 2023
INF	Consumer Price Index	Percentage (%)	Word Bank Development Indicator, 2023
INT	The percentage of lending interest rate.	Percentage (%)	Central Bank of Nigeria Statistical Bulletin 2023/ Bank of Uganda Statistical Bulletin 2023

Source: Self-developed (2025)

IV. RESULTS AND DISCUSSION OF FINDINGS

4.1 Pre-test Technique

4.1.1 Augmented Dickey Fuller (ADF)

Nigeria					Ugandan			
Variable	Test value	5% level	Level	Decision	Test value	5% value	Level	Decision
RGDP	/5.011743/	/2.945842/	I (1)	S	/5.167398/	/2.951125/	I (1)	S

REMIT	/5.295271/	/2.945842/	I (1)	S	/5.797795/	/2.948404/	I (1)	S
INF	/5.343479/	/2.945842/	I (1)	S	/3.569061/	/2.948404/	I (1)	S
INT	/5.108374/	/2.951125/	I (1)	S	/7.860773/	/2.945842/	I (1)	S
OPEN	/6.164807/	/2.948404/	I (1)	S	/3.567871/	/2.945842/	I (1)	S
EXR	/4.645544/	/2.945842/	I (1)	S	/5.413021/	/2.945842/	I (1)	S
Where; S indicates Stationary; NS non-Stationary								

Source: E-view Output (2025)

The ADF result confirmed that real gross domestic product (RGDP), remittance (REM), inflation rate (INF), exchange rate (EXR), trade openness (OPEN) and interest rate (INT) were stationary at first level

difference in both countries. The implication of this finding is that at first level difference each of the identified variables was not characterized with unit root problem.

4.1.2 Johansen Co-Integration Test

Nigeria				Ugandan		
H ₀	Trace value	5% level	Prob.	Trace Value	5% level	Prob.
r = 0	125.7573	95.75366	0.0001**	161.3233	95.75366	0.0000**
r = 1	70.49956	69.81889	0.0441**	96.47010	69.81889	0.0001**
r = 2	38.60436	47.85613	0.2763	47.21254	47.85613	0.0574
r = 3	18.59332	29.79707	0.5224	21.00412	29.79707	0.3574
r = 4	4.973829	15.49471	0.8116	7.625725	15.49471	0.5062
r = 4	1.477969	3.841466	0.2241	0.028731	3.841466	0.8653
** indicates statistically significant						

Source: E-view Output (2025)

It was proven from the Trace estimates that a two-level co-integration did occur between the variables in the model.

4. 2 Fully Modified Least Squares (FMOLS) (Dependent Variable: RGDP)

Nigeria.					Uganda			
Variable	Coefficient	Std. Error	T-value	Prob.	Coefficient	Std. Error	T-value	Prob.
REMIT	0.2132	0.1711	1.2458	0.2224	-0.2411	0.1003	-2.4017	0.0225**
INF	-0.6932	0.2156	-3.2146	0.0011**	0.2112	0.0896	2.3559	0.0052**
INT	-0.3673	0.1051	-3.4924	0.0009**	-0.1278	0.0617	-2.0707	0.0468**
OPEN	0.2906	0.1434	2.0263	0.0547*	0.3990	0.1245	3.2032	0.0004**
EXR	-0.2984	0.1004	-2.9723	0.0038**	-4.2200	4.0003	-1.0549	0.9128
C	6.3511	1.9061	3.3318	0.0023**	10.3716	1.5702	6.6050	0.0000**
R-squared	0.729044				0.645498			
Adjusted R-squared	0.553885				0.507675			
Long-run variance	14.93138				3.113037			
Sum Square resid	424.6070				190.4232			
** & * indicates statistically significant at 5% & 10% significance level								

Source: E-view Output (2025)

V. DISCUSSIONS OF FINDINGS

Findings show that there is a positive and non-significant effect of remittances (REM) on real gross domestic product (RGDP) at 5% for Nigeria; this means that remittances (REM) has zero effect on real gross domestic product (RGDP), and its implication is that transfers of funds by workers (remitters) who are

living and working in developed (host) countries to their families in Nigeria is not sufficient to stimulate economic growth. Also, the non-significant may be attributed to the fact that large percentage of the inflow received are not directed to more economic activities, but rather tentative cash relief initiatives like food, and some basic needs. For instance, Anetor (2019) discovered that remittances are primarily used by

households to alleviate short-term cash constraints through consumption of immediate family's need, which do not have positive impact on long-term economic growth. This is in line with the work of Asmau (2020)

For Uganda, there is significant and indirect effect of remittances (REM) on real gross domestic product (RGDP). This implies that remittances inflows had worsen aggregate output which may be due to brain drain of experts in various economy fields that deprive the country of her scarce skilled labour. A good instance of such is the 1: 25,000 ratios of doctor to patient in 2024 (Ajari & Ojilong, 2020). According to Abubakar and Folewewo (2019), migration worsening the problems of development in developing nations through brain drain. This result is in line with the study of Okeke et al. (2019).

The coefficient of inflation rate (INF) is 36% which is negative with a p-value less than 5% significance level for Nigeria; while that of Uganda is positive and significant at 5%. The positive sign of the FDI in Uganda was in consonance with a priori expectation. The economic implication of this finding in Uganda is that moderate inflation rate increases aggregate output that promote economic growth; while, spiral general price level within Nigeria worsens aggregate out that affect economic growth. On this note, Ishaq and Ali (2020) and Aladejana et al. (2020) showed a positive and significant relationship between inflation and real GDP; while, Abubakar and Folewewo (2019) and Augbaka et al. (2019) discovered a significant and positive relationship between inflation and real gross domestic product.

The coefficient of interest rate is 36.7% which is negative and significant for Nigeria; while, that of Uganda is also negative and significant at 5% level. The negative sign of the interest rate was in consonance with a priori expectation. The economic implication is that, reduced lending rates on deposited remittance inflows induces the demand for funds by manufacturing sector; therefore, promotes productivity in the sector. In corroboration, Olayungbo and Quadri (2019) revealed that the demand for funds depends on the opportunities available for using borrowed funds efficiently and profitably. That is, the more profitable the usage of funds, the greater the demand for funds. Similar to the determination of the prices of goods and services, the prices of funds, i.e. the general level of interest rates

are determined by the demand for and the supply of funds. This finding was also in line with the study of Asmau (2020), Umeokeke and Salman (2020) and Abubakar and Folewewo (2019) that discovered that interest rate in Nigeria had a negative effect on the contribution of the manufacturing sector to GDP as well as on the average capacity utilization of the Nigeria manufacturing sector.

The result shows that trade openness is positively related to real gross domestic product (RGDP) and significant at 0.05 and 0.1 conventional level for Uganda and Nigeria respectively. Hence, implying that trade openness had a direct effect on economic growth. However, the significance of trade openness may be due to the fact that trade openness facilitates others capital inflow that are essential to economic growth for Nigeria and Uganda, since trade openness comprises of the sum of imports and exports of goods and services divided by GDP in constant prices. This corroborates the studies of Loto and Alao (2016), and Oshota and Badejo (2015).

The result of the exchange rate variable shows that exchange rate is negatively related to real gross domestic product and significant at 5% conventional level for Nigeria; while, that of Uganda is negative and non-significant. For Nigeria, it means that exchange rate appreciation influences economic growth. The implication is that exchange rate appreciation causes fall in net exports of local exported goods and services, therefore reduce injection of net exported goods in the economy, i.e when there is a fall in net exports, there would be high tendency of slower growth of real GDP. For Uganda, this is an indication of unstable exchange rate policy, that leads to reduction in local economic and productivity. Ainembabazi and Francis (2022) discovery also corroborates with these findings.

VI. CONCLUSION AND RECOMMENDATIONS

This study examined the effect of remittances inflow on economic growth in Nigeria and Uganda through a comparative analysis approach, from 1986 - 2023. The study concluded that the inflow of remittances into Nigeria cannot alone promote economic growth; while, higher remittance inflow into Ugandan worsens economic growth through brain drain. Therefore, the study recommended that Nigerian government should not solely depend on remittances inflow as a means through which economy can grow. But rather

implement other policies with remittances inflow to spur the desired growth within the economy; while, government of Uganda should put in place policy especially for profession and other skilled workers in order to discourage brain drain.

The study also recommends that market forces should be allowed to determine the exchange rate operation without any hindrance in order to encourage more inflow of remittances to Nigeria.

In addition, government of both countries should encourage trade liberalization of external trade. No nation exists in isolation. On this, government should encourage liberation especially in areas the countries have comparative advantage so as to increase foreign earnings and also solicit for more inflow of remittance. Finally, Apex bank of both countries should always embark on interest rate reforms to enable the countries to witness massive productivity.

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