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Original Research Article

Foreign Capital Inflow and National Unemployment in Nigeria

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Abstract: In the past, Nigeria had enjoyed tremendous inflow of foreign capital, making it the highest recipient among developing countries. In recent years however, total capital inflow into the country has been on the decline reducing by about 31 percent between the fourth quarter of 2016 and that of 2020. Meanwhile, unemployment continued to rise, during these periods. This study therefore, investigated the impact of foreign capital inflow on unemployment in Nigeria, using data set from the period 1986 to 2022. Specifically, the study examined the impacts foreign direct investment, foreign portfolio investment, remittances, and international trade balance exert on Nigeria's unemployment rate. Data collected were estimated using the augmented Dickey-Fuller unit root test, and the Autoregressive Distributed Lag (ARDL) Bounds technique. The unit root test confirmed that the variables were integrated of mixed order, while the ARDL Bounds test confirmed a long run relationship among the variables. Findings from the ECM model reveal that only foreign portfolio investment contributed significantly in the reduction of unemployment in Nigeria, while others had insignificant positive impacts. The study concludes that foreign capital inflow plays a vital role in reducing unemployment in Nigeria, and thus, recommended among others; robust development of the Nigerian capital market in order to make it more viable and stable so as to boost public confidence. Secondly, the security of investors' funds should be guaranteed via macroeconomic policies that would enhance a competitive and interest yielding business environment.

Keywords: National unemployment, foreign capital inflow, foreign direct investment, foreign portfolio investment, remittances, international trade balance.

1.0 INTRODUCTION

Unemployment is an economic menace bedeviling the economic progress of nations, especially less developed countries. Unemployment has been defined as an economic situation characterized by the inability of individuals to secure jobs at the prevailing market wage rates, despite their willingness to work. According to the National Bureau of Statistics (NBS) (2015), unemployment comprises persons, aged 15-64 who during the reference period were currently available for work, actively seeking for work but were without work. Unemployment also presents itself in a disguised form referred to as under-employment, which occurs when people are engaged in jobs which do not match their qualification or skills, or people working part time who would have preferred to work full time (Avila & Lunsford, 2022).

The classical school argued that unemployment occurs when nations set real wages above the equilibrium market clearing wage rate. The classical analysis was made on the premise that wages are flexible upward and downward, and that labour is homogenous. The Keynesian school on the other hand argued that the presence of labour and trade unions in the labour market restricts wages from being flexible downward. They maintained that unemployment is a function of insufficient aggregate demand, which discourages productivity, and subsequently leads to the sack of workers. Overall, this school of thought focuses on cyclical unemployment and posit that there is no involuntary unemployment due to it being an unfounded situation (Ogujiuba & Cornelissen, 2020).

The adverse effects of unemployment cannot be overemphasized. Unemployment has negative consequences on individuals and the economy at large. At the individual level, unemployment reduces human dignity, increases low self-esteem, promotes health related problems, causes viscous cycle of poverty in families, engenders feelings of shame, depression, anxiety, anger, fear, hopelessness, loneliness and social isolation (Fauzi, Guilin, & Jiao, 2023). At the economy wide level, unemployment leads to loss of productive man-hour, reduce consumer spending, low productivity, poor national income, low per capita income and reduction in overall economic wellbeing (Generation,

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2024). Unemployment also promotes insecurity and other social vices such as drug abuse and high crime rates in many countries (Anbaraki & Ismaili, 2020).

As opined by the Keynesian school, addressing the problem of unemployment in a country requires conscious and deliberate government intervention. Government intervention is often manifest in government's fiscal funding of critical sectors of the economy that have the capacity to trigger aggregate demand, and promote productive economic activities that boost employment creation. Nevertheless, most developing countries of Africa, Asia, and Latin American often face challenges in raising enough funds needed to address their economic challenges, unemployment inclusive. Hence, they resort to borrowing which further plunges their economies into huge debts, thereby worsening the unemployment problem. To this end, many countries have embraced foreign capital inflow as an alternative, with the expectation that such inflows will augment domestic resources and contribute to improved balance of payment, creation of employment opportunities and stimulation of the overall development of the economy (Onyiye *et al*., 2018).

Foreign capital inflow refers to the inflow of financial investments from foreign countries into a domestic country. Foreign capital flow from one country to another in form of foreign private investments such as: foreign direct investment, foreign portfolio investment, remittances and others. According to World Bank (2025), foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. Foreign direct investment is the largest component of foreign capital flow available to developing nations (Katoka & Kwon, 2018). As at 2021, the estimated amount of FDI flow to developing countries was $616 billion, accounting for over 75% of total global private capital flow (UNCTAD, 2021). Foreign portfolio investment is an aspect of foreign capital flows, comprising transfer of financial assets, such as cash, stocks or bonds across international border in want of profit (Chukwuemeka, 2008). It is designed to earn a return by way of investment in foreign securities with no purpose of grabbing the voting power in the company whose stocks it purchases. Remittances involve the transferring of cash from a foreign country to a country of origin by a migrant worker. In most developing economies, remittances are one of the biggest sources of external income and ranked second after foreign direct investment (Bhattacharya *et al*., 2018).

Foreign direct investment is expected to boost economic activities in recipient countries, thereby creating job opportunities and reducing unemployment rate in the receiving countries. However, if not properly managed or channeled to the right sector, foreign direct investment could exacerbate unemployment problems in a country. Likewise, foreign portfolio investment is expected to reduce unemployment by providing funds in the capital market of recipient country, where existing or potential investors could access investment funds in order to start new businesses, or expand existing ones. When this happens, jobs are being created, which in turn lowers unemployment rate in the receiving country. However, caution is requisite as foreign portfolio investments are usually very delicate, and pose high risks, especially when the capital market is filled with uncertainties. Investors may abruptly pull out their investments thereby reducing funds available for productive economic ventures, and subsequently, engendering unemployment. In summary, fluctuations in capital flows will lead to volatility in exchange rates, interest rates, and asset prices, affecting unemployment and other macroeconomic variables (Nwikina *et al.* 2024).

Over the years, Nigeria has benefited from growing foreign capital inflows, making her one of the top recipients of capital inflows from the rest of the world (Olaleye, 2022). FDI inflows into Nigeria surged in the early 2000s reaching a peak of $8.92 billion in 2011, driven by investments in oil and gas, telecommunications, and manufacturing sectors (Nwikina *et al*., 2024). In recent times however, total capital inflow into Nigeria has exhibited declining trends. For instance, the total value of capital imported into Nigeria in the fourth quarter of 2016 was estimated to be $1,548.88 million (NBS, 2016). However, as at the fourth quarter of 2022, total capital importation into Nigeria stood at US$1,060.73 million (NBS, 2022), indicating about 32 percent decline in total capital importation into Nigeria, during this period.

While total foreign capital inflow continues to decline, unemployment in the country continue to skyrocket, jumping from 27.15 percent in the second quarter of year 2020 to 33.33 percent in the fourth quarter of same year (NBS, 2020). In light of this, it becomes imperative to assess the impact of foreign capital inflow on unemployment rate in Nigeria. It is against this backdrop that this study investigates the role foreign capital inflow plays in addressing Nigera's unemployment problem. Specifically, this study investigates the impact foreign direct investment, foreign portfolio investment, and remittances have on unemployment rate in Nigeria.

2.0 EMPIRICAL LITERATURE REVIEW

Several researches conducted on foreign capital inflow and unemployment have reported conflicting outcomes. Some authors reported positive/negative significant impacts on unemployment, while others discovered positive/negative insignificant impacts on unemployment. These variations could be as a result of the nature of data used (annual, quarterly, panel),

estimation technique, source of data, and other factors. Some empirical findings are presented below:

Adopting an Autoregressive Distributed Lag (ARDL) technique, Nwikina *et al.* (2024) examined the relationship between cross-border financial flows and unemployment. The study used data sourced from the Central Bank of Nigeria Statistical bulletin and World Bank's Development Indicators for the period 1991 to 2022. The study revealed that there is no long run relationship between cross-border financial flow and unemployment. The study therefore recommended among others that the federal ministry of trade and investment in collaboration with the Nigerian investment promotion commission should work to streamline

In another study, Nurudeen and Nenbee (2023) conducted a study to assess how foreign financial flows influence unemployment in Nigeria. The period of study was from 1986 to 2021. Data set on the selected dependent and independent variables were estimated with the aid of descriptive statistics, unit root test, bound cointegration test as well as ARDL modelling techniques. Findings from the study showed that foreign direct investment and official development unemployment to decline, while foreign portfolio investment and personal remittances caused unemployment to accentuate.

Fang, Gozgor, and Nolt (2022) analysed the effects of globalisation on labour market regulations. Measures of globalisation were interacted with economic uncertainty, to serve as potential determinants of de jure labour market conditions. For this purpose, the study considered new innovative globalisation and economic uncertainty indices (the Revisited KOF Globalisation and the World Uncertainty) in a panel dataset of 136 countries from 2000 to 2017. The findings indicated that globalisation promotes labour market flexibility, while economic uncertainty decreases it. The interaction of globalisation with economic uncertainty positively affected labour market flexibility.

Effiong, Udofia and Okon, (2020) investigated the effect of globalisation on unemployment in West Africa between 1991 and 2017. The index of globalisation was the KOF Globalisation. The study employed Fisher cointegration test, error correction mechanism, and Dumitrescu-Hurlin Granger causality test. The cointegration test showed evidence of a long-run relationship. Findings from the VECM revealed that globalisation led to an insignificant decrease in unemployment in the short run, but would lead to a significant increase in the long run. It was also found that economic globalisation reduces unemployment significantly in the short run. The Dumitrescu-Hurlin test revealed that there is no causality between political globalisation and unemployment, while economic and social globalisation exhibited bi-directional causality with unemployment. The study concluded that the economic dimension of globalisation should be encouraged as it will help in reducing unemployment in the region in the short run.

Employing data from 1980 to 2018, Ozigbu (2020) provided empirical evidence on the nexus between foreign capital and unemployment in Nigeria. Data sources for the study comprised National bureau of Statistics, World development Indicators, and International Debt Statistics. Results of the bound test indicated that multilateral and bilateral debts as well as technical cooperation grants have significant negative relationship with unemployment. Based on the findings, the study recommended among others that the Nigeria government to the best of her abilities should endeavour to make Nigeria the desired destination for foreign capital.

Worried over the rising rate of unemployment in Nigeria, Ajayi, Rafiu and Samuel (2019) investigated the impact of Foreign Direct Investment (FDI) on the employment and unemployment rate in Nigeria. The study used yearly data on employment and unemployment rate for the period 1960 – 2014. Vector Autoregression (VAR) model was used to model the relationship between FDI, employment and unemployment rate in Nigeria. The findings suggested that FDI had a significant and positive impact on employment, FDI Granger-cause employment, employment Granger-cause FDI, unemployment Granger-cause employment and employment also Granger-cause unemployment. Also, unemployment Granger-cause FDI and FDI Granger-cause unemployment. The implication of their findings is that FDI has a significant role on employment rate in Nigeria and this should not be minimised. The study therefore, recommended that policies should be formulated to exploit the role of FDI on employment in Nigeria, in an attempt to reduce the unemployment rate.

Ayesha, Tariq, Muhammad and Imran (2018) examined the impact of globalisation on unemployment and economic growth of developing countries, using panel data for the period 2003-2013. Fixed effect, and Driscoll and Kraay analysis were performed using panel data regression. The results of the panel data regression, showed that the economic and political globalisation had a significant impact on the reduction of unemployment. Meanwhile, social globalisation had a positive influence. In contrast, economic, social and political globalisation had a significantly positive influence on economic growth. Ayesha et al., concluded that globalisation provided the road-map for trade within countries which is helpful for minimising unemployment and increasing growth rate. Consequently, the study recommended, among others, that government should originate such policy that assists the economy to be globalised.

Altiner, Bozkurt and Toktas (2018) also examined the effects of economic globalisation on

unemployment for 16 emerging market economies for the period 1991-2014. Within the scope of research, KOF economic globalisation index as the economic globalisation, unemployment rates based on the estimations of ILO for the unemployment were used. Cross-sectional dependency was examined by using CDLM1 and CDLM2, and then the stationarity of series was examined by using SURADF unit root test, whereas the long-term relationship between the series was analysed by using Durbin-Hausman cointegration test. The cointegration coefficients were estimated by using DSUR method. The results indicated that the increase in economic globalisation increased the unemployment rates in Colombia, Hungary, India, Malaysia, Poland, South Africa, and Turkey, whereas the increase in economic globalisation decreased the unemployment rates in Brazil, China, Indonesia, Mexico, Pakistan, Peru, Philippines, Russia, and Thailand. The study concluded that globalisation has both positive and negative effects on unemployment.

Babasanya (2018) examined the relationship between foreign direct investment and employment generation in Nigeria between 1999 and 2016. The study had employment rate as the dependent variable, while the independent variables include foreign direct investment, gross domestic product and exchange rate. The estimation techniques employed in analysing the data comprised of Augmented Dickey-Fuller unit root test, Johansen cointegration test and the Error Correction Mechanism. Findings showed that foreign direct investment had a positive impact on employment rate in Nigeria. It was suggested that government should make concerted efforts to attract foreign investors into Nigeria so as to encourage production and generate employment opportunities.

Johnny, Timipere, Krokeme, and Markjackson (2018) examined the impact of foreign direct investment on unemployment rate in Nigeria from 1980 to 2015. The study employed two explanatory variables (foreign direct investment and capital formation). Tests carried out for analytical purpose include unit root test, and co-integration test, using ordinary least squares methodology. The findings revealed a negative and insignificant relationship between foreign direct investment and unemployment rate in Nigeria, and a positive and significant relationship between capital formation and unemployment rate in Nigeria. It was recommended among others that government should implement policies that will attract foreign investors to Nigeria in order to make more investments and should also ensure that all resources for productive activities are fully employed before going into any form of savings.

Antonia and Lius (2017) investigated the link between economic globalisation and unemployment for a sample of 20 OECD countries over the 1981-2013 periods. Controlling for the usual determinants of unemployment, the results showed that unemployment is related in a complex way to global economic factors. Specifically, the study showed that outflows of foreign direct investment and restrictions reduce the unemployment rate, whereas capital account openness raised it.

3.0 METHODOLOGY

3.1 Research Design

The study adopts the ex post facto research design. This research design is considered as it gives the researcher the leverage to examine the impact of the independent variables on the dependent variables, without altering or manipulating any of the variables. In essence, data on the variables are employed as given.

3.2 Model Specification

In this section, we present the functional and econometric models. The functional form of the model is given as follows:

$$NUE = f(SFDI, SFPI, SITB, SREM) \quad 1$$

While the econometric form of the model is presented as:

$$NUE = \beta_0 + \beta_1 SFDI_t + \beta_2 SFPI_t + \beta_3 SREM_t + \beta_4 SITB_t + u_t \quad 2$$

Where, NUE denotes National Unemployment Rate; SFDI denotes Foreign Direct Investment as a share of Gross Domestic Product; SFPI denotes Foreign Portfolio Investment as a share of Gross Domestic Product; SREM denotes Migrant Remittances as a share of Gross Domestic Product; SITB denotes International Trade Balance as a share of Gross Domestic Product; u denotes error term; t denotes time trend and β_1-β_4 are coefficients, that is, parameters to be estimated, while β_0 is the intercept. It is worthy to mention that international trade balance was introduced as a control variable.

A Priori Expectation of the Variables

Share of Foreign Direct Investment is expected to reduce national unemployment if properly used and vice-versa. Share of Foreign Portfolio Investment is also expected to reduce national unemployment if adequately utilised and vice-versa. An increase in international trade can either reduce or increase unemployment depending on the volume of export and import of a country. Thus, Share of International Trade Balance is expected to reduce national unemployment if export is more than import. On the other hand, it is expected to increase unemployment if import is more than export. Share of Migrant Remittances is expected to reduce national unemployment.

3.3 Sources of Data

Data on the respective variables were sourced from the Central Bank of Nigeria Statistical Bulletin, 2022 edition, and from World Development Indicators of the World Bank. The data set spanned through the period 1986 to 2022.

3.4 Method of Data Analysis

The impact of foreign capital inflow on national unemployment which is the focus of this study is

analysed using the Autoregressive Distributive Lag (ARDL) technique developed by Pesaran *et al.* (2001) for testing the existence of co-integration relationship between variables. The ARDL technique is chosen due to the mixed order nature of the variables as indicated by the Augmented Dickey-Fuller unit root test. In other words, some of the variables were stationary at levels, while others became stationary after first difference. Furthermore, the model was evaluated using both statistical and econometric criteria. The t-statistic, F-statistic and probability values were employed as the statistical criterion for evaluation, while the serial correlation test, multicollinearity test and others were employed as the econometric criteria for evaluation. The results of the estimates are presented and discussed in section 4.

4.0 PRESENTATION AND DISCUSSION OF RESULTS

4.1 Unit Root Test Result

Table 4.1: Augmented Dickey-Fuller Unit root test result

Series	Augmented Dickey-Fuller Test			
	Levels	**First Diff.**	**5% C.V**	**Ord. of Int.**
SFDI	-3.942	-	-2.948	I(0)
SITB	-1.468	-7.955	-2.954	I(1)
NUE	-0.279	-6.249	-2.951	I(1)
SREM	-1.867	-6.098	-2.951	I(1)
SFPI	-3.857	-	-2.948	I(0)

Source: Author's Computation

Table 4.1 shows that the variables used in the study have mixed order of stationarity. SFDI, and SFPI are observed to be stationary at level, meaning that these series have unit root in their various level forms. However, the variables SITB, NUE, and SREM were not stationary at level but after differencing once, they all became stationary. Since all the variables are not stationary of I(1), which is the prerequisite for the determination of the long-run properties of the series using Johansen co-integration test, the requirement for Johansen cointegration test is thus, violated. The mixed order of stationarity as seen in Table 4.1 is a sufficient condition to test for the long-run properties of the variables in the study using the Autoregressive Distributed Lag (ARDL) bounds testing approach proposed by Peseran, Shin and Smith (2001). Thus, Autoregressive Distributed Lag (ARDL) bounds test was conducted, and the results are presented in Table 4.2.

4.2 Autoregressive Distributed Lag (ARDL) Bounds Test

Table 4.2: ARDL Bounds Test for NUE, SFDI, SFPI, SREM, and SITB

Dependent Variable: D(NUE)				
Selected Model: ARDL(3, 0, 2, 0, 0, 4)				
Case 2: Restricted Constant and No Trend				
F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	**Value**	**Signif.**	**I(0)**	**I(1)**
			Asymptotic: n=1000	
F-statistic	5.412710	10%	2.08	3
K	4	5%	2.39	3.38
		2.5%	2.7	3.73
		1%	3.06	4.15
Actual Sample Size	32		Finite Sample: n=35	
		10%	2.331	3.417
		5%	2.804	4.013
		1%	3.9	5.419
			Finite Sample: n=30	
		10%	2.407	3.517
		5%	2.91	4.193
		1%	4.134	5.761

Source: Authors Computation

Table 4.2 shows the long-run properties of the variables in the model specified in equation 3. The result revealed that the variables exhibit joint convergence in the long-run. In other words, there is a long-run relationship among the variables in the model. This is because the ARDL F-statistic value of 5.412710 is greater than the 5% upper bound (I1 Bound) value of 3.38. Thus, the null hypothesis of "no level relationship" or "no long-run relationship exists" is rejected and its alternate hypothesis is accepted. By implication, the

result shows that there exists a long-run relationship between foreign capital inflow variables and national unemployment rate in Nigeria. This is a sufficient condition to estimate the conventional ARDL error correction model (ECM). The results of the ARDL ECM are presented in Table 4.3.

Table 4.3: ARDL Error Correction Regression for NUE, SFDI, SFPI, SREM, and SITB

Dependent Variable: D(NUE)				
Selected Model: ARDL(3, 0, 2, 0, 0, 4)				
Included observations: 32				
ECM Regression				
Case 2: Restricted Constant and No Trend				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-28.17622	7.269356	-3.876027	0.0012
NUE(-1)*	-0.343878	0.208497	-1.649316	0.1174
SFDI**	0.409551	0.638945	0.640980	0.5301
SFPI	-10.50717	1.929980	-5.444189	0.0000
SITB**	0.140777	0.145134	0.969976	0.3457
SREM**	-0.786483	0.557853	-1.409840	0.1766
D(NUE(-1))	-0.699164	0.246624	-2.834942	0.0114
D(NUE(-2))	-0.361564	0.218567	-1.654249	0.1164
D(SFPI)	-3.473022	0.860960	-4.033894	0.0009
D(SFPI(-1))	3.139380	0.979710	3.204396	0.0052
CointEq(-1)*	-0.343878	0.048030	-7.159717	0.0000
R-squared	0.758295	Mean dependent var		0.900000
Adjusted R-squared	0.674223	S.D. dependent var		4.351492
S.E. of regression	2.483694	Akaike info criterion		4.889629
Sum squared resid	141.8809	Schwarz criterion		5.301868
Log likelihood	-69.23407	Hannan-Quinn criter.		5.026275
Durbin-Watson stat	2.081799			
F-statistic	21.01312			
Prob(F-statistic)	0.000000			

Source: Author's computation

The ARDL error correction model result presented in Table 4.3 shows that foreign direct investment as a percentage of GDP (SFDI) has a positive impact on national unemployment rate in Nigeria as the coefficient of SFDI has a positive value of 0.409551. An increase in FDI ordinarily should result in the reduction of unemployment in any economy. This is because, as FDI inflows increases, it is expected that more jobs would be created, which will in turn result in the reduction of national unemployment. However, from the result in Table 4.3, the reverse is the case for Nigeria for the period covered by this study. The positive value of 0.409551 for foreign direct investment indicates that a one percent increase in SFDI would result to about 0.41% increase in national unemployment rate, all other things being equal. The absolute student t-statistic value for SFDI of 0.640980 and its corresponding probability value of 0.5301 showed that foreign direct investment had an insignificant impact on national unemployment rate over the period of the study. This assertion is made because the absolute student t-statistic value for percentage share of foreign direct investment (SFDI) of 0.640980 is less than 2 and its corresponding probability value of 0.5301 is greater than the 5% (0.05) level of significance.

Table 4.3 also shows that international trade balance as a percentage of GDP (SITB) had a positive impact on national unemployment rate in Nigeria, as the coefficient of SITB had a positive value of 0.140777. An increase in international trade ordinarily should reflect a reduction of the unemployment figure. This is because an increase in international trade implies that output level in the local economy is also increasing, which is also as a result of increase in productive manpower in the domestic economy. Thus, it is expected theoretically that international trade and unemployment rate generally should have an inverse relationship. The positive value of international trade balance as a percentage of GDP indicates that a one percent increase in SITB would result to about 0.14% in national unemployment rate, all other things being equal. The absolute student t-statistic value for international trade balance of 0.969976 and its corresponding probability value of 0.3457 indicate that international trade balance had no significant impact on national unemployment rate over the period of the study. This assertion is also made because the absolute student t-statistic value for SITB of 0.969976 is less than 2 and its corresponding probability value of 0.3475 is greater than the 5% (0.05) level of significance.

Similarly, Table 4.3 also shows that the share of foreign portfolio investment in gross domestic product

(SFPI) had a negative impact on national unemployment rate (NUE) in Nigeria as the coefficient of SFPI has a negative value of -3.473022. This conforms to a priori theoretical expectation as increase in foreign portfolio investment is expected to increase the productive base of the domestic economy, thus, leading to reduction in unemployment rate, all other things being equal. The negative value of -3.473022 for SFPI indicates that a one percent increase in foreign portfolio investment would result to about 3.5% reduction in national unemployment rate, holding every other variable constant. The absolute student t-statistic value for SFPI of 4.033894 and its corresponding probability value of 0.0009 showed that foreign SFPI had a significant impact on national unemployment rate over the period of the study. This assertion is also made because the absolute student t-statistic value for share of foreign portfolio investment in GDP of 4.033894 is greater than 2 and its corresponding probability value of 0.0009 is also less than the 5% level of significance.

On the impact of personal remittance received from abroad on national unemployment rate, Table 4.3 reveals that the share of personal remittance in GDP received from abroad (SREM) also has a negative impact on national unemployment rate in Nigeria during the period of the study as the coefficient of SREM has a negative value of -0.786483. This also conforms to a priori theoretical expectation as increase in SREM should result to a reduction in the rate of unemployment in the domestic economy. Thus, the negative value of -0.5786483 for SREM indicates that a one percent increase in SREM received from abroad would result to about 0.79 percent reduction in national unemployment rate in Nigeria, holding every other variable constant. The absolute student t-statistic value for share of personal remittance received from abroad (SREM) of 1.409840 and its corresponding probability value of 0.1766 showed that SREM received from abroad also had no significant impact on national unemployment. This assertion is also made because the absolute student t-statistic value for SREM of 1.409840 is less than 2 and its corresponding probability value of 0.1766 is also greater than the 5% level of significance.

The variable (cointEq(-1)) in Table 4.3 is the error correction term and it accounts for the speed of adjustment in the model. The result shows that any short-run disequilibria among the variables in the model will be corrected at the speed of 34%. In other words, if there is a short-term disturbance in the system that makes the variables in the model to oscillate or drift away from their equilibrium path, in the long-run, they would return at the speed of just 34%. This is because the coefficient of the error correction term (CointEq(-1)) is negative as expected (i.e, -0.343878), and its corresponding probability value of 0.0000 is also significant at the 0.05 level.

The adjusted R^2 value of 0.674223 showed that the estimated model has a good fit. It also shows that the explanatory variables, percentage share of foreign direct investment in GDP, percentage share of foreign portfolio investment in GDP, percentage share of international trade balance in GDP, and percentage share of personal remittance received from abroad jointly explained about 67% of the variations in national unemployment rate in Nigeria, while the remaining 33% is being accounted for by the stochastic variable in the model. The Durbin-Watson statistic of 2.081799 indicates that the estimated model is free from serial or autocorrelation. This is further validated by the serial correlation test result in table 4.4.

Table 4.4: Breusch-Godfrey Serial Correlation LM Test for NUE, SFDI, SFPI$_t$ SREM, and SITB

F-statistic	**0.470905**	**Prob. F(2,15)**	**0.6334**
Obs*R-squared	1.890497	Prob. Chi-Square(2)	0.3886

Source: Author's computation

The result in table 4.4 shows that the model estimated does not have the problem of serial or auto-correlation as observed R-squared (Obs*R-squared) value of 1.890497 and its corresponding probability Chi-Squared (Prob. Chi-Square(2)) of 0.3886 are not statistically significant at the 0.05 level of significance. Thus, the null hypothesis of the residuals of the model being serially correlated is rejected and its alternate hypothesis of no serial correlation is accepted. This also makes the estimates of the model valid for making predictions and also for policy options.

Table 4.5: Multicollinearity Test for NUE, SFDI, SFPI, SREM, and SITB

Variance Inflation Factors			
Included observations: 32			
	Coefficient	**Uncentered**	**Centered**
Variable	**Variance**	**VIF**	**VIF**
SFDI	0.408251	6.322225	2.177672
SFPI	0.741253	3.200129	2.127355
SITB	0.021064	6.279898	2.871593
SREM	0.311200	20.04580	6.414173

Source: Author's Computation

A test for multicollinearity was also conducted to ascertain whether the independent variables in the equation are correlated among themselves and the result is presented in Table 4.5 above. The Variance Inflation Factor (VIF) method was adopted for the test. The rule of thumb for the test is that, any variable with VIF greater than 10 has a problem of multicollinearity with other variables, therefore, could pose a problem in the regression equation, which may also affect the forecasting power of the estimates in the model estimated. Thus, such variable may be dropped from the equation. From Table 4.5 all the VIF values for the variable are very low (lower than 10), meaning that the variables in the equation do not have multicollinearity problem, which also implies that the estimates of the ARDL model in Table 4.3 are good enough for making predictions and also for policy options.

4.2 DISCUSSION OF FINDINGS

From the results in Tables 4.3, foreign direct investment had a positive and insignificant impact on national unemployment. What this implies is that over the years, with an upward increase in foreign direct investment, national unemployment rate also increased but insignificantly. This could be an indication that the foreign direct investment inflows into the country over the years have either been mis-managed or channeled into unproductive sectors of the economy, thereby resulting to the increase in urban unemployment rates. In addition, most foreign direct investments in Nigeria like the multi-national corporations employ capital intensive technologies or technique of production which limits their ability to employ local man power. This contributes to unemployment rate in the economy.

The result in Table 4.3 revealed that foreign portfolio investment had a negative and significant impact on national unemployment rate in Nigeria. This implies that as foreign portfolio investment increases, national, unemployment rate would decline, all other things being equal. This also implies that foreign portfolio investment is an essential variable to regulate the unemployment figure (that is, national, unemployment rate) in Nigeria.

From the results in Tables 4.3, migrant remittances had a negative and insignificant impact on national unemployment. What this implies is that over the years, with an upward increase in migrant remittances, national unemployment rate decreased but insignificantly.

Also, from the results in Tables 4.3, international trade balance had a positive but insignificant impact on national unemployment. What this implies is that over the years, with an upward increase in international trade balance, national unemployment rate also increased but insignificantly over the years. This could be indicative of the fact that Nigeria's international trade is heavily hinged on a single product (crude oil). Nigeria is more of import dependent country given that it imports more than it exports. More so, most manufacturing companies, source for raw materials from abroad rather than from the domestic economy.

5.0 CONCLUSION AND RECOMMENDATIONS

From our findings, as seen in Table 4.2, the study concludes that there exists a long-run relationship between the variables. The study also concludes that of the four independent variables, only the percentage share of foreign portfolio investment proved to be a veritable channel for unemployment reduction in Nigeria. SFDI, and SFPI exhibit insignificant positive effects, while SREM exhibited insignificant negative effects. Based on these, the following recommendations are suggested:

1. Upgrade and development of the Nigerian capital market in order to make it more viable and stable so as to boost public confidence.
2. Guarantee security of investors' funds via macroeconomic policies that would enhance a competitive and interest yielding business environment. This could be achieved through favouarble monetary policies that can help stabilise the capital market and reduce volatility risk.
3. The Nigeria government through the monetary authorities should set capital market interest rates at rates that would attract more portfolio investment from abroad. This would avail the capital market with funds and investments that can transmit into reducing unemployment rate in the country.
4. The monetary authorities should encourage more migrant remittances from abroad as it has shown potential for possible unemployment reduction in the country. This can be achieved by relaxing regulations that impede the free flow of money transfers from abroad.

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