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Role of Diaspora Investment in the Economic Development of Sub-Saharan Africa: Evidence from Nigeria

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ABSTRACT

Diaspora investment encompassing remittances, diaspora direct investment, diaspora bonds, and diaspora-led entrepreneurship has become one of the most consistent sources of external finance available to Sub-Saharan African economies, frequently exceeding official development assistance and rivalling foreign direct investment in scale (Ngundu & Baum, 2025). Using Nigeria as a reference case, this study examines the extent to which diaspora investment contributes to economic development in Sub-Saharan Africa and identifies the channels through which this contribution occurs. The study is anchored on the New Economics of Labour Migration (NELM) theory and the Two-Gap (savings-investment gap) theories, which explain diaspora capital flows as both a household risk-diversification strategy and a macroeconomic gap-filling mechanism. Adopting a desk-based analytical design, the article synthesises secondary time-series data from the Central Bank of Nigeria (CBN) and the World Bank's Migration and Development Briefs (2015–2024) alongside a comparative review of recent Autoregressive Distributed Lag (ARDL) empirical studies on remittances, foreign direct investment, and Nigerian economic performance. Findings show that diaspora remittances to Nigeria have remained the largest and most stable component of the country's non-oil external finance, averaging over USD 20 billion annually since 2015, although empirical evidence on their long-run growth effect is mixed, with some studies reporting significant positive effects and others reporting adverse macroeconomic consequences such as exchange-rate appreciation. The study concludes that diaspora investment holds substantial development potential for Nigeria and Sub-Saharan Africa, but that this potential remains under-exploited because policy attention has been skewed towards remittances rather than the broader diaspora investment ecosystem. It recommends deepening diaspora bond instruments, formalising remittance channels, and establishing diaspora-targeted investment vehicles as policy priorities.

Keywords: Diaspora Investment, Economic Development, NELM Theory, Two-Gap Theory, Remittances

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Introduction

Over the last two decades, diaspora investment has grown from a peripheral household coping mechanism into one of the most significant and stable sources of external development finance available to Sub-Saharan African economies, with Nigeria standing out as the region's largest beneficiary. Diaspora remittances to Nigeria stood at USD 19.5 billion in 2023, representing approximately 35 per cent of total remittance inflows to Sub-Saharan Africa that year (Addeh, 2024). This then rose further to an estimated USD 20.98 billion in 2024, the highest level recorded in five years (Moses-Ashike, 2025). Cumulatively, the World Bank estimates that Nigerians in the diaspora remitted over USD 168 billion to the country between 2015 and 2022 alone (Dan-Awoh, 2023). These figures routinely exceed the combined value of official development assistance and, in several years, rival or surpass net inflows of foreign direct investment (FDI) into the country (Ngundu & Baum, 2025).

This scale of inflow is not incidental. It reflects the size and economic weight of the Nigerian diaspora, officially estimated at over 17 million persons spread across the globe, whose engagement has increasingly been institutionalised through platforms such as the Nigerians in Diaspora Commission

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(NiDCOM) and the annual Nigeria Diaspora Investment Summit (Diaspora Nigerians, Stakeholders Seek Investment Opportunities Optimisation, 2022). Diaspora inflows have also demonstrated resilience in the face of macroeconomic shocks. Although remittances fell sharply from USD 23.81 billion in 2019 to USD 17.21 billion in 2020 following the onset of the COVID-19 pandemic, they rebounded steadily thereafter, underscoring their comparative stability relative to more volatile capital flows such as portfolio investment (Dan-Awoh, 2023). Yet, despite this scale and resilience, policy and scholarly attention has historically treated diaspora capital narrowly, as household consumption support, rather than as a structured, investable resource capable of being channelled into productive sectors of the economy. This narrow framing is the central puzzle motivating the present study.

Explaining how diaspora capital translates, or fails to translate, into national economic development requires theoretical grounding that operates at both the household and the macroeconomic level. In the New Economics of Labour Migration (NELM) theory, Stark and Bloom (1985) frame remittances and diaspora investment as part of a household-level risk-diversification and self-financing strategy, in which migration and the resulting transfers insure families against income shocks and fund productive activity such as education, health, and small enterprise. The Two-Gap theory of Chenery and Strout (1966), by contrast, explains diaspora capital inflows at the macroeconomic level, as one of several forms of foreign capital capable of closing the savings-investment gap and the foreign-exchange gap that constrain growth in countries such as Nigeria, whose foreign-exchange scarcity has repeatedly featured in recent policy discourse (Premium Times, 2024). Taken together, these two theories provide a dual lens of household and macro-structural setting through which the contribution of diaspora investment to Sub-Saharan Africa's economic development can be systematically examined. This dual-theory foundation guides the objectives, research questions, and proposals that follow.

Statement of the Problem

Notwithstanding the scale of diaspora capital flowing into Nigeria, the country's development outcomes, measured against poverty incidence, infrastructure deficits, and per-capita income growth, remain weak, raising a puzzle as to why such a large inflow of external finance has not translated into commensurate development gains. The empirical literature is itself unresolved. Some ARDL studies on Nigeria report a significant positive long-run effect of remittances on growth (Nwagu & Amedu, 2024; Orumwense et al., 2025). Meanwhile, others report a significant negative effect, alongside evidence of exchange-rate appreciation consistent with Dutch Disease dynamics (Ikwuagwu et al., 2023; Amadi & Odozi, 2024; Kuffour & Boateng, 2024). This contradictory evidence suggests that the relationship between diaspora capital and development depends on the institutional channels through which such capital is absorbed. At the same time, Nigeria's diaspora engagement has remained skewed towards remittance facilitation, while broader instruments such as diaspora bonds and diaspora direct investment (DDI) remain underdeveloped (Chand, 2016; Frimpong Boamah et al., 2017). This combination of contradictory evidence and underdeveloped institutional channels constitutes the problem which this study investigates.

Research Questions

This study is guided by two research questions:

i. To what extent has diaspora investment, comprising remittances and diaspora direct investment, contributed to Nigeria's economic development between 2015 and 2024?
ii. What institutional and policy channels can Nigeria and other Sub-Saharan African countries strengthen to convert diaspora capital into productive investment rather than consumption expenditure?

Research Objectives

In line with the research questions, the study pursues two objectives which are:

i. To examine the trend and contribution of diaspora remittances and diaspora direct investment to Nigeria's economic development between 2015 and 2024.

ii. To assess the institutional and policy channels available for converting diaspora capital into productive investment in Nigeria and Sub-Saharan Africa.

Research Proposals

From the econometric convention adopted in the reviewed literature, and through narrative synthesis of secondary empirical evidence, the study makes the following proposals:

i. Diaspora remittances have a statistically significant long-run effect on Nigeria's economic development, and
ii. Institutional and policy diaspora-investment channels, such as diaspora bonds and formal remittance infrastructure, have a significant effect on the conversion of diaspora capital into productive investment in Nigeria.

Significance of the Study

The study is significant to policymakers at the Central Bank of Nigeria, the Debt Management Office, and the Nigerians in Diaspora Commission, who are directly responsible for designing instruments to mobilise diaspora capital for national development. It is equally relevant to Sub-Saharan African governments seeking to replicate or adapt Nigeria's experience, given that other countries in the region, including Ghana, Kenya, and Senegal, face comparable diaspora-engagement challenges (Ripples Nigeria, 2022). For the academic community, the study contributes a dual theoretical framework, combining household-level and macro-structural perspectives, which can guide future empirical work on migration and development finance. Finally, the study is of practical value to diaspora investors and diaspora-focused financial institutions seeking a clearer, evidence-based understanding of the Nigerian diaspora investment landscape.

Scope of the Study

The study focuses on Nigeria as a reference case within the wider Sub-Saharan African region, given its position as the region's largest recipient of diaspora capital. The analysis draws on secondary time-series data covering the period 2015 to 2024, sourced from the Central Bank of Nigeria and the World Bank's Migration and Development Briefs, complemented by a review of Autoregressive Distributed Lag (ARDL) studies published between 2015 and 2025. The study is desk-based and analytical in design. It does not involve primary data collection or the estimation of a new econometric model, but rather synthesises and evaluates existing empirical evidence against the stated proposals.

Literature Review

Conceptual Review

Remittances

Remittances could be vaguely defined as the diaspora's living currency of belonging remitted to his country of origin. That is the quiet, steady flow of money, goods, and opportunity that turns distance into devotion of a diaspora, transforming foreign earnings into hometown hope, family resilience, and national lifelines. They are household-to-household cross-border transfers of money and goods made by migrant workers to their families and communities in their home countries. According to IMF (2009) "personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from nonresident households. Workers' remittances are current transfers by migrants who are employed in other economies and considered residents there."

Furthermore, the World Bank describes remittances as "cross-border earnings sent by migrant workers back to their families and communities in their countries of origin, serving as a critical lifeline for household consumption and human capital investments" (WB, various years).

Diaspora Investment

Diaspora investment refers to the range of financial, human, and social capital contributions that migrants and their descendants channel towards their countries of origin. Chand (2016) argues that this concept extends well beyond household remittances to include diaspora direct investment (DDI) in enterprises, diaspora bonds subscribed to by nationals abroad, philanthropic and knowledge transfers, and diaspora-led entrepreneurship. Framed this way, remittances are the only most visible and best-measured components of a much larger, and largely underutilised, pool of diaspora capital. Diaspora savings in Sub-Saharan Africa have been estimated at more than three per cent of regional GDP, with the proportion reaching as high as 85 per cent of gross national savings in some countries such as Ghana (Famoroti, 2018). Frimpong Boamah et al. (2017) similarly distinguish diaspora investment from ordinary remittances by emphasising instruments, such as diaspora revenue bonds, that are explicitly structured to mobilise diaspora savings for financing public investment and development projects, rather than for private household consumption.

Diaspora-Led Entrepreneurship

Diaspora-led Entrepreneurship refers to business ventures initiated, owned, or significantly driven by members of a diaspora—people who live outside their country of origin (or their descendants)—and who actively leverage their transnational connections, skills, capital, and networks to create economic value.

Riddle, Hrivnak and Nielsen (2010) define the concept of Diaspora-led Entrepreneurship as "migrants and their descendants who establish entrepreneurial activities that span the national business environments of their countries of origin and countries of residence." Other scholars emphasise that diaspora entrepreneurs mobilise transnational social capital, ethnic networks, and homeland attachments to start or scale ventures that generate value in one or both locations (Drori et al., 2009; Elo et al., 2022; Migration Policy Institute, 2011).

It is entrepreneurship that treats the diaspora experience itself as a strategic asset. Instead of viewing migration only as a loss of talent (brain drain), this concept sees the diaspora as a bridge over which individuals can move ideas, money, technology, market access, and cultural insight across borders.

Economic Development

Economic growth, in contrast to economic development, has been defined as the percentage increase in the number of goods and services produced in an economy over a period of time, usually expressed over a quarter and/or annually (Mankiw & Taylor, 2014). Economic development is conceptually distinguished from economic growth in that it captures not merely increases in aggregate output but broader, multidimensional improvements in living standards, including poverty reduction, infrastructure expansion, employment generation, and diversification of the productive base. Todaro and Smith (2015) define Economic Development "as a multidimensional process involving major changes in social structures, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of absolute poverty". It is a multidimensional process involving the sustained improvement in the material well-being and quality of life of a population, accompanied by structural transformation of the economy, reduction of poverty and inequality, and expansion of people's capabilities and freedoms.

For a country such as Nigeria, where growth in gross domestic product has not consistently translated into commensurate reductions in poverty or infrastructure deficits, this distinction is analytically important. An inflow of external capital, such as diaspora investment, may register statistically in growth indicators while contributing little, or even negatively, to broader development outcomes if it is not productively absorbed by the domestic economy.

Theoretical Framework

New Economics of Labour Migration (NELM) Theory

The New Economics of Labour Migration theory, developed by Stark and Bloom (1985), reconceptualises migration and remittance behaviour as a decision made jointly by households rather than by isolated

individuals. Under this framework, households send members abroad as part of a deliberate strategy to diversify income sources and insure against local economic shocks, such as crop failure, unemployment, or currency depreciation. Remittances, in this view, function simultaneously as insurance payouts during periods of domestic hardship and as investment capital for family enterprises, education, and health, in contexts where formal credit and insurance markets are absent or imperfect, as is the case in much of Sub-Saharan Africa. NELM theory is particularly useful for explaining the persistence and counter-cyclical resilience of remittance flows to Nigeria, including their rebound after the 2020 pandemic-induced decline, and for explaining why diaspora capital often finances human capital and micro-enterprise investment at the household level even where its aggregate macroeconomic growth effect is contested. From the theory, the a priori expectation of remittances on household economic development should be positive.

Two-Gap (Savings-Investment Gap) Theory

The Two-Gap theory, formulated by Chenery and Strout (1966), argues that developing economies face two potentially binding constraints on growth via a domestic savings-investment gap, where domestic savings are insufficient to finance the investment required for a target growth rate, and a foreign-exchange gap, where export earnings are insufficient to finance the imports of capital goods needed for development. Foreign capital inflows, including foreign aid, foreign direct investment, and, by extension, diaspora remittances and diaspora investment, are theorised to close whichever of the two gaps is binding at a given time. This framework is directly applicable to Nigeria, an oil-dependent economy that has repeatedly experienced foreign-exchange scarcity. The CBN Governor, Mr. Olayemi Cardoso, has explicitly linked the mobilisation of diaspora remittances to the objective of boosting the country's foreign-exchange earnings (Premium Times, 2024). Taken together with NELM theory, the Two-Gap framework shifts the analytical lens from the household to the national economy, treating diaspora investment as a macro-financing instrument whose developmental effect depends on whether it is absorbed into productive investment or dissipated through exchange-rate appreciation and import consumption. Where diaspora investment is actually treated as a macro-financing instrument whose developmental effect is absorbed into productive investment and not dissipated through exchange-rate appreciation and import consumption, then the a priori expectation from the theory should be positive.

Empirical Review

A growing body of ARDL studies has examined the relationship between remittances, diaspora capital, and economic performance in Nigeria, with markedly divergent findings depending on sample period and model specification. Nwagu and Amedu (2024), using data from 1980 to 2020, applied ARDL bounds-testing and found a positive long-run relationship between remittances, gross fixed capital formation, and household consumption expenditure on the one hand, and GDP per capita on the other, alongside a negative long-run relationship between the real exchange rate and per-capita output. Orumwense et al. (2025), using both linear and Nonlinear ARDL models on 1985–2023 data, similarly found a significant positive long-run effect of remittances on GDP per capita (a one per cent increase in remittances associated with roughly a 0.087 per cent rise), although FDI was insignificant in the linear specification.

In contrast, Ikwuagwu et al. (2023), using ARDL estimation on data from 1981 to 2019, found that remittances exerted a negative and significant effect on real GDP in both the long run and short run, even as FDI and gross fixed capital formation exerted positive effects. Amadi and Odozi (2024), examining the remittances-financial development-growth nexus over 1996 to 2020, likewise reported a significant negative long-run relationship, cautioning that remittance-promotion policies should accompany, not substitute for, financial-sector development. Kuffour and Boateng (2024), using an ARDL model and data from 1980–2022, found that remittances in Nigeria have a negative relationship with GDP growth and a positive relationship with unemployment in both the short and long run, and also evidence of Dutch Disease effects (real exchange rate appreciation). Furthermore, a comparative Ghanaian study reinforces the significance, if not the direction, of the relationship. Abdulai (2023), using ARDL bounds-testing on 1990–2020 data, found a long-run relationship between GDP growth and remittances, FDI, unemployment, inflation, trade, and official development assistance.

Beyond the narrow remittances-growth nexus, a smaller strand of literature situates diaspora capital within a broader investment and institutional framework. Chand (2016) contends that African governments have historically treated diaspora engagement as a matter of appeals to patriotism rather than as a deliberate investment strategy, and recommends that countries of origin move beyond viewing the diaspora solely as a source of remittances towards engaging them as a source of human, social, and financial capital for structural transformation. Frimpong Boamah et al. (2017) propose a diaspora revenue-bonds model, hybridising features of sovereign and corporate bonds, as an instrument capable of mobilising diaspora savings for investment in high-return development projects without adding to sovereign debt-service obligations. Nigeria's own experience with diaspora bonds was most notable. For instance, Nigeria's Debt Management Office (DMO) issued a USD 300 million diaspora bond on 27 June 2017 (5-year tenor, listed in the international capital market) to fund infrastructure projects and subsequently redeemed by the Debt Management Office in June 2022, illustrating both the feasibility and the current modest scale of such instruments relative to the country's overall remittance inflows (DMO, 2022; Tunji, 2022).

Gap in Literature

Two gaps emerge from the reviewed literature. First, existing Nigerian ARDL studies on remittances and growth produce contradictory findings depending on sample period and control variables, yet few studies attempt to reconcile these contradictions theoretically. The present study therefore addresses this by explicitly distinguishing the household-level channel, explained by NELM theory, from the macro-absorption channel, explained by Two-Gap theory, thereby offering a plausible theoretical reconciliation of divergent empirical results. Second, the empirical literature remains heavily concentrated on remittances narrowly defined, while the broader diaspora investment ecosystem, comprising diaspora bonds, diaspora direct investment, and diaspora entrepreneurship, remains comparatively under-examined in quantitative Nigerian studies, despite qualitative evidence that these instruments are strategically important (Chand, 2016; Frimpong Boamah et al., 2017). This article contributes to closing both gaps through a dual-theory, secondary-data synthesis focused specifically on Nigeria within the Sub-Saharan African context.

Methodology

Research Design

The study adopts a desk-based, analytical research design appropriate for a synthesis-oriented article of this nature. Rather than estimating a new primary econometric model, the study combines descriptive trend analysis of secondary time-series data with a narrative and comparative synthesis of existing peer-reviewed ARDL studies on remittances, diaspora capital, and Nigerian economic performance. This design is consistent with the study's objectives, which are oriented towards evaluating the weight of existing evidence against the stated proposals rather than generating new primary estimates.

Sources of Data

Two categories of secondary data are used. The first comprises trend data on diaspora remittance inflows to Nigeria for the period 2015 to 2024, drawn from the Central Bank of Nigeria's reported statistics and the World Bank's Migration and Development Briefs, as reported in Addeh (2024), Moses-Ashike (2025), and related sources. The second comprises the findings of peer-reviewed and working-paper ARDL studies published between 2015 and 2025 from Google Scholar, EconLit and ResearchGate, which examine the relationship between remittances, foreign direct investment, and Nigerian economic performance, identified through a targeted review of the empirical literature. This is basically because the synthesis is a selective, narrative review of a small set of ARDL studies rather than a systematic review. The choice for the 2015 lower bound aligns with the World Bank data window of 2015–2024. The following are some of the inclusion criteria for the studies used in the analysis:

- Empirical ARDL (or related) studies examining the relationship between remittances, foreign direct investment, and Nigerian economic performance;

- Published between 2015 and 2025;
- Peer-reviewed journal articles or working papers.

Model Specification

For reference and synthesis purposes, the generic long-run ARDL specification common to the reviewed studies takes the following form:

$$GDP_t = \beta_0 + \beta_1 REM_t + \beta_2 FDI_t + \beta_3 GFCF_t + \beta_4 EXR_t + \beta_5 INF_t + \varepsilon_t$$

where GDP represents gross domestic product or GDP per capita, used as a proxy for economic development, REM represents diaspora remittance inflows, FDI represents foreign direct investment inflows, GFCF represents gross fixed capital formation, used as a proxy for domestic investment, EXR represents the real exchange rate, INF represents the inflation rate, and ε_t is the stochastic error term. This specification, or close variants of it, underlies the studies reviewed in Section 2.3 (Nwagu & Amedu, 2024; Ikwuagwu et al., 2023; Amadi & Odozi, 2024; Orumwense et al., 2025), and is presented here to contextualise the comparative synthesis undertaken in Section 4, not as a newly estimated model.

Method of Analysis

The study employs two complementary methods of analysis. First, descriptive trend analysis is applied to the 2015–2024 remittance data to establish patterns of growth, decline, and recovery in diaspora capital inflows to Nigeria. Second, a narrative synthesis, structured as a vote-count of directional findings, is applied to the reviewed ARDL studies to assess the weight of evidence for and against the research proposals as stated in Section 1.4. This combination allows the study to draw conclusions grounded in both observable trends and the accumulated weight of existing empirical evidence.

Trend Analysis, Synthesis of Findings, and Discussion

Trend of Diaspora Remittance Inflows to Nigeria, 2015–2024

Table 1 presents the annual value of diaspora remittance inflows to Nigeria between 2015 and 2024, as reported by the World Bank and the Central Bank of Nigeria.

Year	Remittance Inflow (USD billion)	Year-on-Year Change	Source
2015	21.20	-	Migration and Development Brief 26 (April 2016)
2016	19.70	-7.1%	Migration and Development Brief 27 (October 2016) / Brief 28 (April 2017)
2017	22.00	+11.7%	Migration and Development Brief 29 (April 2018)
2018	24.31	+10.5%	Migration and Development Brief 30 (December 2018) / Brief 31 (April 2019)
2019	23.81	-2.1%	Migration and Development Brief 32 (October 2019) / Brief 33 (April 2020)
2020	17.21	-27.7%	Migration and Development Brief 33 (October 2020) / Brief 34 (May 2021)
2021	19.20	+11.6%	Migration and Development Brief 35 (November 2021) / Brief 36 (May 2022)
2022	20.90	+8.9%	Migration and Development Brief 37 (November 2022) / Brief 38 (June 2023)
2023	19.50	-6.7%	Migration and Development Brief 40 (June 2024)
2024	20.98	+7.6%	CBN / BusinessDay estimate as reported by Moses-Ashike (2025)

Note: The 2024 figure is not a World Bank figure; rather, it is from the Central Bank of Nigeria (CBN) as reported in a BusinessDay estimate by Moses-Ashike (2025).

The trend shows that remittance inflows to Nigeria peaked in 2018 at USD 24.31 billion before falling for two consecutive years, most sharply in 2020, when the COVID-19 pandemic disrupted global labour markets and reduced the earning capacity of Nigerians abroad. Inflows have since followed a broadly recovering uneven path, reaching USD 20.98 billion in 2024, the highest level in five years though the 2024 inflow marginally exceeds the 2022 inflow by only USD 0.08 billion (Moses-Ashike, 2025). Throughout the period, Nigeria consistently accounted for approximately a third of total remittance inflows to Sub-Saharan Africa, well ahead of other major recipients in the region such as Ghana, Kenya, and Senegal (Ripples Nigeria, 2022). This pattern is consistent with NELM theory's prediction of remittances functioning as a counter-cyclical household insurance mechanism, given that inflows recovered even as Nigeria's domestic macroeconomic conditions, including exchange-rate volatility, remained challenging.

Synthesis of Empirical ARDL Findings on Remittances and Economic Development in Nigeria

Table 2 summarises the directional findings of the five Nigeria-focused ARDL studies reviewed in Section 2.3, together with one comparative study from Ghana.

Study	Period	Long-Run Effect of Remittances	Dependent Variable	Paper Status
Nwagu & Amedu (2024)	1980-2020	Positive and significant	GDP per capita	Peer-reviewed
Ikwuagwu et al. (2023)	1981-2019	Negative and significant	Real GDP	Working Paper
Amadi & Odozi (2024)	1996-2020	Negative and significant	GDP per capita	Peer-reviewed
Orumwense et al. (2025)	1985-2023	Positive and significant	GDP per capita	Peer-reviewed
Kuffour & Boateng (2024)	1980-2022	Negative and significant (Dutch Disease evidence)	Real GDP	Peer-reviewed
Abdulai (2023)- Ghana (comparative)	1990-2020	Positive and significant	GDP per capita	Peer-reviewed

Source: Compiled by the author from the empirical studies reviewed in Section 2.3.

Discussion of Findings in Relation to the Proposals

With respect to the first proposal, the weight of evidence in Table 2 leads to an affirmation, because all of six studies reviewed, including all five Nigeria-focused studies, reported a statistically significant long-run relationship between remittances and economic performance. However, the direction is contested, with three of the five Nigeria-focused studies reporting a significant negative effect. This indicates that the simple narrative in which remittances automatically translate into development is not supported by the balance of Nigerian evidence. Instead, the results are consistent with remittances operating favourably at the household level, as NELM theory predicts, funding consumption-smoothing, education, health, and small enterprise, while their aggregate macroeconomic effect depends on whether the economy can absorb the resulting inflow productively, as Two-Gap theory predicts, or whether it instead produces exchange-rate appreciation and import-consumption effects consistent with Dutch Disease, as three of the reviewed studies found (Ikwuagwu et al., 2023; Amadi & Odozi, 2024; Kuffour & Boateng, 2024).

With respect to the second proposal, the qualitative evidence reviewed similarly supports and affirms it. This implies that the channels through which diaspora capital is mobilised clearly matter, but Nigeria's current channels remain underdeveloped relative to the scale of diaspora savings available. Nigeria's USD 300 million diaspora bond, redeemed in June 2022, demonstrates the feasibility of structured instruments, yet its scale is modest against annual remittance inflows exceeding USD 19 billion (DMO, 2022; Tunji, 2022). Chand's (2016) argument that African governments have relied on appeals to patriotism rather than deliberate investment engagement is borne out by Nigeria's continued emphasis on remittance facilitation, evident in CBN reforms aimed at reducing informal transfer channels according to Premium Times Newspaper of October 24, 2024, relative to the limited scale of DDI and diaspora bond activity. This supports the Two-Gap-consistent conclusion that productive absorption of diaspora capital, not merely its volume, is the binding constraint on its developmental contribution.

Conclusion and Recommendations

Conclusion

This study has examined the role of diaspora investment in Sub-Saharan Africa's economic development, using Nigeria as a reference case, through the dual lens of NELM theory and Two-Gap theory. The evidence confirms that diaspora remittances constitute Nigeria's largest and most resilient source of non-oil external finance, averaging over USD 20 billion annually since 2015 and consistently accounting for roughly a third of Sub-Saharan Africa's total remittance receipts (Addeh, 2024). However, the empirical literature on the long-run growth effect of these inflows is genuinely mixed, with most Nigeria-focused ARDL studies finding significant effects, but disagreeing on their direction. Reading through the dual-theory framework suggests diaspora capital delivers reliable household-level benefits, consistent with NELM theory, but its aggregate developmental contribution depends on whether the economy can absorb it productively rather than let it dissipate through exchange-rate appreciation, consistent with Two-Gap theory. The broader diaspora investment ecosystem, comprising bonds, DDI, and entrepreneurship, remains underdeveloped relative to its potential.

Policy Recommendations

Arising from the foregoing, the study therefore makes the following recommendations:

First, the Federal Government and Debt Management Office should deepen and diversify diaspora bond issuance beyond the modest USD 300 million precedent, targeting specific infrastructure projects with transparent returns.

Second, the CBN should sustain its reforms of formal remittance channels, including International Money Transfer Operators, to reduce transaction costs and informal-channel use, building on gains reported in 2024 (Onyedinefu, 2024).

Third, policymakers should move the diaspora-engagement narrative beyond remittance facilitation towards structured diaspora direct investment and entrepreneurship promotion, as recommended by Chand (2016), including matching-grant or co-investment schemes channeling remittances into productive infrastructure and SMEs financing, strengthening the economy's capacity to absorb diaspora capital productively, consistent with Two-Gap theory.

Fourth, given its regional weight, Nigeria should collaborate with other major SSA remittance recipients, including Ghana, Kenya, and Senegal, on harmonised regional standards for diaspora bond issuance and investment promotion.

Limitations of the Study

This study makes an original contribution by combining trend analysis of diaspora capital flows with a dual-theory synthesis of the Nigerian ARDL empirical literature, but several limitations circumscribe the confidence with which its findings should be interpreted and generalised. Three limitations are of particular methodological significance and are addressed in turn.

Small Number of Studies Synthesised

The narrative synthesis reported in Section 4.2 and Table 2 draws on six empirical ARDL studies — five focused directly on Nigeria and one comparative study from Ghana. While each of these studies is individually informative, the evidence base of six studies is objectively small for a synthesis exercise from which conclusions about the "weight of evidence" are drawn. The small number of eligible studies reflects, in part, the specific scope of the review — limited to ARDL studies published between 2015 and 2025 that focus on remittances, FDI, and Nigerian economic performance — but it also reflects the relatively underdeveloped state of peer-reviewed econometric work on diaspora investment in the Nigerian context, which is the reason for the addition of a working paper since it carries equal weight in the count.

The Known Weakness of Vote-Counting as a Synthesis Method

The study explicitly adopts a "vote-count of directional findings" as its method of narrative synthesis (Section 3.4). While vote-counting is a transparent and widely understood approach to summarising a body of empirical literature, particularly in policy-oriented economics research, it carries well-documented methodological weaknesses that the reader should bear in mind when interpreting the findings of Section 4.2.

Most critically, vote-counting treats each study as a single unit of evidence, a "vote" for a positive or negative effect, regardless of the methodological quality, sample size, estimation precision, or data vintage of the individual study.

Additionally, vote-counting is insensitive to effect size and confidence intervals. The critical question for policy is not merely whether remittances have a positive or negative long-run effect, but how large that effect is and how precisely it is estimated. Therefore, for present purposes, the vote-count findings should be treated as an indicative, not definitive, characterisation of the existing evidence.

Reliance on Secondary Trend Data of Unstated Vintage

The trend analysis in Section 4.1 and Table 1, which constitutes the study's primary quantitative contribution, relies on secondary data on diaspora remittance inflows to Nigeria for 2015–2024, compiled from the Central Bank of Nigeria and the World Bank's Migration and Development Briefs as reported in a small number of journalistic and institutional secondary sources, specifically Addeh (2024), Ripples Nigeria (2022), and Moses-Ashike (2025). This reliance on secondary, already-published summaries of administrative and institutional data, rather than direct extraction from the primary CBN Statistical Bulletin or the World Bank's Migration and Remittances dataset, introduces several limitations that are not explicitly acknowledged in the methodology.

For instance, for Table 1 to function as a reliable time-series foundation for the trend analysis, the data should ideally be extracted from a single, internally consistent primary source — preferably the World Bank's publicly accessible Remittances dataset or the CBN's Statistical Bulletin — with the specific access date and data version noted. Future versions of this study should resolve this limitation by anchoring the trend data in a single primary source with a clearly stated access date and data vintage, thereby ensuring that the quantitative foundation of the analysis is fully reproducible and internally consistent.

These three limitations — the small number of synthesised studies, the methodological constraints of vote-counting, and the unstated vintage of the secondary trend data — do not invalidate the study's contribution, but they define the boundary conditions within which its conclusions should be read. They also identify the precise methodological steps through which a future, more rigorous iteration of this synthesis could substantially extend and strengthen the present findings.

Suggestions for Further Research

In addition to some remedies that were already specified under limitations of the study, future research should extend this synthesis-based analysis with primary firm-level or household-level survey data to more directly test the household-level predictions of NELM theory in the Nigerian context. Comparative panel ARDL or panel cointegration studies covering multiple Sub-Saharan African countries would also help establish whether the contradictory findings observed in the Nigerian literature reflect genuine cross-country heterogeneity or are artefacts of sample period and model specification. Finally, further work isolating the causal channel through which remittances may generate Dutch Disease effects in Nigeria, and identifying the policy conditions under which this can be mitigated, would meaningfully extend the findings of this study.

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