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Full Length Research Paper

Causal and Long-Run Relationship between Foreign Capital Inflow and Domestic Savings in Nigeria

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This study examines the causal and long-run relationship between foreign capital inflow and domestic savings in Nigeria. The study employed the annual time series data from 1970 to 2014for the following variables: Domestic Savings (S), Foreign Direct Investment (FDI), Home Remittances (REM), Official Development Assistance (ODA) and Portfolio investment (PTF). Using econometric procedures, unit root test of ADF revealed that all the variables were integrated at level. Johansen Co-integration test showed the existence of long-run relationship among the variables. In testing for causality with the use of granger causality test, the results obtained indicate that there is an existence of uni-directional relationship between foreign capital inflow and domestic savings in Nigeria, meaning that foreign capital inflow causes domestic savings in Nigeria while domestic savings does not cause foreign capital inflow. The policy implication as evidenced from the results of the study is that government should endeavour to attract more remittances and FDI from international community into the country since these two variables showed positive relationship with domestic savings.

Keywords: Domestic Savings, Foreign Direct Investment, Home Remittances, Development Assistance, Long-run

INTRODUCTION

The need to raise savings and attract investments in order to accelerate economic growth is universally acknowledged in both developed and developing countries. Most development plans such as foreign investment plan, especially in developing countries like Nigeria, therefore, target these two factors to play dominant roles in economic growth. This is predicated upon the fact that high rates of domestic saving are important because savings provide most of the funds for investment which in turn accelerate economic growth (Afzal, 2013). Foreign capital inflow would benefit developing countries like Nigeria by increasing the availability of capital and productivity and the general economic wellbeing of the host country (Saddiqui, 2014). The rapid economic growth through domestic savings in Nigeria has been widely accepted for support of foreign capital inflow. But the increase in poverty, unemployment rate and backwardness has shown that it has not positively transformed into economic growth.

The central idea of traditional theory of savings is that increase in saving would accelerate economic growth, while theory of investment specified investment and

savings as the key to promoting economic growth (Mohamed, 2014). On the other hand, neoclassical theory argues that increase in the savings rate boosts steady-state output by more than its direct implications on economic growth. This is because the increase in income raises savings, leading to a further rise in investment (Verma, 2007). According to Keynesian economics by Mohamed (2014), savings in finance is defined as the amount left over when the cost of a person's consumer expenditure is subtracted from the amount of disposable income that he or she earns in a given period of time. Savings is also the portion of disposable income not spent on consumption of consumer goods but accumulated or invested directly in capital equipment or in paying off a home mortgage, or indirectly through purchase of securities.

The attainment of economic stability and growth in developing countries is essential to their social progress and economic wellbeing. Many countries (including Nigeria) are in direct need of investment in their economy. This is built upon the premise that investment in an economy aid the expansion of output, improve the utilization of existing resources (especially employment), enhance social welfare and limit their dependency on mono-product (oil in the case of Nigeria) for export (Otto and Ukpere, 2014). Many profitable investments require a long term commitment of capital. Foreign capital flow may affect economic activity through investment leading to industrialization and the resulting economic importance (Agrawal and Khan, 2011). However, the inadequate domestic savings or inappropriate mobilization of savings for investment purposes is what is termed in the literature as savings constraint. This is also referred as savings gap (Okafor, 2012). This gap can be corrected by encouraging the foreign direct investment (FDI) otherwise known as foreign capital inflow. Agrawal and Khan (2011) opine that Foreign capital flow may affect economic activity through investment leading to industrialization and the resulting economic importance. This is built upon the premise that investment in an economy aids the expansion of output, improves the utilization of existing resources, enhances social welfare and limits their dependency on mono-product (oil in the case of Nigeria) for export (Otto and Ukpere, 2014).

Olusanya (2013) opined that foreign capital flow into a country in which investors acquire a lasting management interest is termed foreign direct investment. World Bank (1996) defined foreign direct investment as investment made to acquire a lasting management interest (normally 10% of voting stock) in a business enterprise operating in a country other than that of the investor defined according to residency. In other words, foreign direct investments are multinational investment overseas.

Otto and Ukpere (2014) noted that a multinational or transnational enterprise is an enterprise that engages in foreign direct investments in more than one country. The need for foreign capital flow arises when the desired investment exceeds the actual savings, and also due to investments with long gestation periods that generate non-monetary returns, growing government expenditure that are not tax-financed; and when actual savings are lower than potential savings due to repressed financial markets and even capital flight (Obiechina and Ukeje, 2013).

Notwithstanding, large capital flows could spur economic growth or have destabilization effect in the country, if not well managed. The destabilizing effect of foreign capital inflow has aroused concern over their potential effects on macroeconomic stability, the competitiveness of the export sector, and external sector viability. The issue of whether foreign capital inflow causes domestic savings or domestic savings get caused by foreign capital inflow has been a serious theoretical debate as well as empirical debate among researchers. In classical theory, an increase in foreign capital inflow will lead to an increase in the domestic savings output (Ramakrishna and Rao, 2012).

This study, therefore, is designed to investigate the implications of foreign capital inflow on domestic savings in Nigeria. The study is different from previous studies both in terms of scope and methodology, and it offers the opportunity to assess the differential impact of non-oil FDI components on Nigeria's economic growth.

Statement of the Problem

Capital inflow creates a vicious circle leading to increased domestic investment, and increase in investments contribute to the achievement of higher growth through domestic savings. Higher growth spurs more investment which attracts further capital inflow, thus revolving in a circle (Fasanya, 2012). The surge of foreign capital to developing countries particularly Nigeria which is constantly grappling with macroeconomic imbalance has some implications. The numerous problems such as shortage of exchange reserves, exchange rate appreciation, excessive money supply and consequent pressure on price, higher consumption and lower savings that has engulfed Nigeria has tended to make the domestic investment climate muddy. In such a situation, the option of increasing capital formation through domestic sources is out of place (Obiechina and Ukeje, 2013).

Despite the fact that capital inflow in general has been identified in both theoretical and empirical literature as an important catalyst for growth, Nigeria has not reaped enough from such relatively as compared to developed and developing countries (Orji, Uche and Ilori, 2014). In spite of the possible benefits of the foreign capital in the host economy, it is worrisome that Nigeria has not attracted sufficient dose of it that will launch her into economic development. However, the many foreign capital inflows that have been piped into the country to

kick-start the healing of a failed economic prospect could not materialize in concrete terms.

It is therefore, important to understand the underlying factors, which are significantly linked with net capital inflows to guide policy and regional reforms and their effective implementation in Nigeria; especially now that the Nigerian government is taking important steps to improve her investment climate, governance style, institutions and structures, human capital and infrastructure in the economy.

REVIEW OF RELATED LITERATURE

Conceptual Review

Domestic Saving is GDP minus final consumption expenditure. It is expressed as a percentage of GDP. Gross Domestic Saving consists of savings of household sector, private corporate sector and public sector. Gross domestic savings had followed a downward trajectory after 2008. The more concerning issue is the perceptible shift of investors' preference towards physical assets as compared to financial assets. This can be attributable to a rise in inflationary pressures. Gross capital formation is a function gross domestic savings (CBN, 2014). The proportion of GDP committed to savings continued to rise from 12% in 1970 to 28% in 1974. It then started to fluctuate until 1980. Hence the proportion started falling from about 31% in 1980 to about 12% in 1986, after which it started increasing continuously up to 29% in 1990. Thereafter it started falling ridiculously to about 18% in 1995. Since then it has been fluctuating at increasing rate to about 42% in 2000 and 39% in 2005 and thereabout in 2006. The relative increase in this proportion in the early 70's up to 1980 can be attributed to the expansionary policy of the government through increase in wages of the workers in the early 70's. This effect lasted till late 70's specifically 1980 when Nigeria experienced another downturn in the economy. The reduction in this proportion from 1980 to 1986 was as a result of economic crisis experienced then when the prices of crude oil fell in the world market. In 1986, Nigeria government took a bold step at combating the effect of this crisis by introducing Structural Adjustment Program (SAP). Domestic savings reacted instantly to this policy and picked up from about 12% in 1986 to about 29% in 1990, 35% in 1996 and 42% in the year 2000. From 2001 till 2014, the ratio of domestic savings has been inconsistence (CBN, 2014). Foreign capital inflow is the increase in the amount of money available from external or foreign sources for the purchase of local capital assets such buildings, land, machines.

In view of Okafor (2012), the direction of both foreign direct investment and private capital inflows is explained by two categories of theory namely; push and pull factors theories. Push factor theories attribute direction of capital flows to what happens on the international front such as falling international interest rates, business cycles in industrial countries and the rising trend towards diversification. Thus, the push factor theorists thought that the surge of foreign direct investment are contingent on the increasing tax burden of multinational corporations in their home countries and due in part to domestic developments such as sound policies and strong economic performance for private portfolio investments. Also, Calvo, Leiderman and Reinhart (1996) argue that cyclical movements in foreign interest rates are driving forces behind international capital mobility.

On the other hand, the pull factor theory trace the cause of capital flows to domestic factors such as autonomous increase in the domestic money demand function, increasing integration of domestic capital markets with the global capital markets, improvement in external credit relations, adoption of sound fiscal and monetary policies, and neighbor externalities (Ayalew, 2013). Moreover, Yan and Yang (2008) remarked that pull factors also called "internal" factors, are those that attract capital from abroad as a result of attractive domestic conditions, such as higher marginal productivity of capital, improved creditworthiness induced by better macroeconomic policy, and structural reform.

Empirical Review

Angmortey and Tandoh-Offin (2014) examined the effect of foreign capital – foreign direct investment, foreign aid and grants and foreign commercial borrowing on domestic savings. The study made use of co-integration technique to estimate the long-run relationships and the Error Correction Model (ECM) to estimate the short-run dynamic savings model in Ghana. The outcome of the study shows that there is a positive and significant effect of foreign capital on real domestic savings in Ghana in the long run, though not steady but volatile. The short-run dynamic model revealed that foreign capital has no significant effect on real domestic savings in Ghana in the short run and the long-run. The gap in the study shows that there was the presence of serial correlation of the first-order as the Durbin Watson's statistics reported a coefficient that is very low with negative sign. The regression result was spurious. The present research is thus intended to fill the above gap.

In addition, Temitope (2014) adopted both the Vector Autoregressive (VAR) analysis and the Impulse-Response Function (IRF) to examine the importance and the effects of domestic savings and foreign direct investment (FDI) on South African economy, using data spanning over the period 1975 to 2011. The variables considered were tested for stationarity before proceeding to test for cointegration and then estimate VAR. The results from the VAR Granger test of causality depicted that domestic savings lead economic growth, while

economic growth leads investment. This result of the IRF also showed that while increased domestic savings is important to improve the level of economic growth in South Africa, it also leads FDI. This means that the economic environment needs to be suitable in order to attract foreign investments. The results obtained are reliable and stable as the model passes a battery of diagnostic tests.

For studies conducted in Nigeria, Asien and Oriavwote (2013) examined the association between foreign capital inflows to Nigeria and real growth rate of gross domestic product, domestic credit to the private sector, rate of inflation, perceived level of corruption and market capitalization. The data were analyzed using econometric models of co-integration technique and error correction model (ECM). Results of the parsimonious ECM tests suggested that high level of corruption constituted greatest impediment to foreign capital inflow to Nigeria. The results also revealed that high rate of inflation had a negative impact on foreign capital inflow to Nigeria while domestic credit to private sector, real growth rate of gross domestic product and market capitalization had been beneficial to foreign capital inflow to Nigeria in the short run.

Afzal (2013) investigated the causal relationship between national savings and foreign capital in Pakistan over the period 1960 to 2010 using the Granger no-causality test based on Toda and Yamamoto (1995) procedure. The results show that no causality was found from foreign capital to savings but savings causes foreign capital for the whole stretch of period under consideration. But for 1973 to 1990 periods, both caused each other. No causality was found between foreign capital and savings but savings Granger-cause foreign capital in 1990 to 2010 periods. Income and savings Granger cause each other for all periods. The findings attested that investment-savings relationship in Pakistan is complex which is a research gap.

Savic, Barjaktarovic and Konjikusic (2013) examined the impact of foreign capital inflow on the level of GDP per capita (GDPpc) in fifteen countries of Central and Eastern Europe. Using panel data, foreign capital inflows in the form of cross-border credit (CB), foreign direct investment, portfolio investment (PI) and workers' remittances were analyzed with the tool of correlation and panel regression. The obtained results revealed that GDPpc was dependent on the greatest possible extent of CBCpc inflow. They concluded that evidence pointed to the low level of savings in those countries such that their need to increase GDPpc had to be satisfied from foreign resources.

Using parsimonious Error Correction Model (ECM), Fasanya (2012) analyzed the impact of foreign direct investment on economic growth in Nigeria for the period 1970 to 2010. The study made use of annual time series data modeled on the basis of a neo-classical framework with growth rate of GDP (GDPGR), growth rate of domestic capital stock (INV/GDP), foreign direct investment (FDI), exchange rate (EXR) and inflation (INF) as parameters in the model. The findings showed that foreign direct investments have positive impact on economic growth in Nigeria and so does domestic investment.

Also, Egwaikhide (2012) investigated the relationship between foreign direct investment (FDI) and economic growth in Nigeria. Co-integration technique and Vector Error Correction were used as methodology. The Johansen Co-integration result establishes that the impact of the disaggregated FDI on real growth in Nigeria namely: agriculture, mining, manufacturing and petroleum sectors is very little with the exception of the telecom sector which has a good and promising future, especially in the long run. Furthermore, past level of FDI and level of infrastructures are FDI enhancing. In the light of the above, the paper recommends, among other things, the creation of enabling investment climate in Nigeria through the overhauling of the security system which will help in no small measure in boosting investors' confidence as instability scare way prospective investors. And also, there is the need to liberalize the foreign sector in Nigeria while all barriers that are inimical to cross-border trade such as arbitrary tariffs; import and export duties and other levies should be reduce to the beeriest minimum or, if possible, removed.

Raza, Sabirand and Mehboob (2011) empirically investigated the impact of foreign capital inflow on economic growth of Pakistan during the period of 1985 to 2010 by using time series analysis. The analysis was conducted using multiple regression technique while employing the tool of OLS. For this purpose, the variables that played host in the model include GDP as the dependent variable and foreign direct investment (FDI), foreign aid (FA), remittances (REMT), and foreign portfolio investment (FPI). Results show that foreign direct investment (FDI), foreign portfolio investment (FPI) and remittances are positive and significant related to economic growth. It therefore suggested that foreign direct investment, foreign portfolio investment and remittances enhance economic growth. The gap in the study is that it did not test for the long run relationship among variables and the nature of time series to know whether they are stationary or not.

Theoretical Framework

The pivotal role played by foreign capital inflow on domestic savings in an economy is significant. This has given rise to a plethora of ideas, observations and theories in attempt to explain the intricate nature of inflow of foreign resources into a country and more especially its effect on domestic saving. Based on the nature of this study, we anchored the study on Neoclassical theory.

Table 1. Augmented Dickey Fuller Unit Root Test

Variable	Intercept			Order of Integration
	Test Statistic	5% Critical Value	P value	
DS	3.481467	-2.948404	1.0000	I(0)
FDI	-3.137201	-2.948404	0.0317	I(0)
ODA	-3.391724	-2.931404	0.0167	I(0)
REM	-4.688709	2.945842	0.0006	I(0)

Source: Researcher's compilation from E-view (version 7.0) 2016

Neoclassical Theory

Neo-classical Theory was developed by Joan Robinson and Edward H. Chamberlin (1933) in a book called "The Economics of Imperfect competition" and "The Theory of Monopolistic Competition" and was used by Angmortey and Tandoh-Offin (2014), Temitope (2014), Asien and Oriavwote (2013), Afzal (2013), Savic, Barjaktarovic and Konjikusic (2013), Fasanya (2012) and Egwaikhide (2012) in their studies. Neoclassical economist theory is the most widely used economic theory because you cannot discuss about economy without discussing supply, demand, profit and satisfaction. It is a set of solutions to economics focusing on the determination of goods, outputs and income distributions in markets through supply and demand The theory argues that domestic savings has negative effects on economic growth. The neoclassical economists also argue that FDI influences economic growth by increasing the amount of capital per persons. According to the neoclassical growth model put forth by Solow (1956), an increase in the capital stock available in an economy leads to an increase in production, which then corresponds to an increase in the growth rate of output. Since FDI is a source of physical (and financial) capital to the host country, increases in FDI should raise the overall level of capital stock available for production. Thus, under the neoclassical framework, an increase in foreign-owned capital stock then leads to higher growth, since FDI is additional capital. Assuming diminishing returns to capital, however, any increase in the growth rate observed after an increase in the stock of FDI is not sustained in the long run. This implies that within the neoclassical framework, FDI acts as a driver of growth in the short term.

METHODOLOGY

Research Design

The research design for this study is *Ex-post facto*. The choice of ex-post facto research design is motivated by the fact that the study seek to find out the impact of foreign capital inflow on domestic savings in Nigeria by employing statistical analysis of historical data on both variables, thus revealing past relationship. Thus, the characteristic nature of this research design is that it cannot be manipulated.

In view of the above, data for this research is time series data for the sample period 1970 to 2014. The data on disaggregated foreign capital inflow, domestic savings and other policy variables were sourced from CBN statistical bulletin. The method to be applied was determined by the outcome of the unit root test. Specifically OLS was employed in the analysis of the relationship between foreign capital inflow and domestic savings in Nigeria within the period under review.

Model Specification

The model used for investigating the implications of foreign capital inflow on domestic savings in Nigeria is as modified below:

DS = f(FDI, REM, ODA).

$$DS_t = \beta_0 + \beta_1 FDI_t + \beta_2 REM_t + \beta_3 ODA_t + u_t$$

Where:

DS_t = domestic savings

FDI_t = foreign direct investment

REM_t = home remittances

ODA_t = official development aid

u: stochastic error term

$\beta_0, \beta_1, \beta_2 and \beta_3$ are parameters.Subscript t indicates that the variables are in the current period.

As illustrated above, domestic savings is the dependent variable, and it is affected by a host of variables termed explanatory variables which are: home remittances; foreign grants; and foreign direct investment.

ANALYSIS OF RESULT

Unit Root Test

The Augmented Dickey-Fuller (ADF) formula was employed to test for the existence of unit roots in the data

Table 2. Johansen Co-integration test for the series: SAV, FDI, REM and ODA

Hypothesized No of CE(s)	Tace Statistics			
	Eigen value	Trace Statistics	Critival value 5%	Prob
None*	0.988585	220.1257	47.85613	0.0001
At most 1*	0.781449	63.57539	29.79707	0.0000
At most 2*	0.255922	10.34968	15.49471	0.0028
At most 3*	0.987805	0.003354	3.841466	0.0020

Source: Researcher's compilation from E-view (version 7.0) 2016

Table 3. OLS

Variable	Coefficient	Std. error	t-Statistics	Prob.
C	372832.1	266669.1	-1.398108	0.0171
FDI	0.000578	0.000234	2.475892	0.0186
REM	6.83E-05	8.52E-05	0.801764	0.4284
ODA	-0.000216	0.000109	-1.981762	0.0459

R^2=0.778795, F-Statistic=38.72768, Prob(F-Statistic)=0.000000, Durbin-Watson stat=2.004545

using intercept. The results are presented in table one below.

The a priori expectation when using the Augmented Dickey-Fuller (ADF) test is that a variable is stationary when the value of the Augmented Dickey-Fuller (ADF) test statistic is greater than the critical value at 1%, 5%, and 10%. All of the variables used met this a priori expectation at level. The above empirical ADF test in tables 1 shows that the variables (DS, FDI, ODA, and REM) are integrated of order one (1) both with intercept and trend and intercept. They are integrated of the same order; 1(0). The unit root test tests for the existence of a unit root with intercept and trend to make into the account the impact of the trend on the series. The variables (DS, FDI, ODA, and REM) were stationary at their level 1(0) in both the models because its respective ADF statistic value is greater than the Mackinnon critical value @ 1%, 5% and 10% in absolute term before differencing. This means that the series are said to be stationary at level.

Co-integration Test

This technique is employed to test the presence of co-integration between the series of the same order of integration through forming a co-integration equation. The basic idea behind co-integration is that if, in the long-run, two or more series move closely together, it is possible to regard these series as defining a long-run equilibrium relationship, as the difference between them is stationary. Lack of co-integration implies that such variables have no long-run relationship.

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level

*denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Under the Johansen co-integration Test, there is two co-integrating equations. In Johansen's Method, the trace statistic determines whether co-integrated variables exist.

Under the Johansen co-integration test in table 2, it is observed that there are two (2) co-integrating equations. In Johansen's method, the Eigen value statistic is used to determine whether co-integrated variables exist. Co-integration is said to exist if the values of computed statistics are significant and different from zero. From the table 2 above, co-integration is said to exist since the trace statistic indicates two co-integrating equation. Also, their eigenvalues are significantly greater than zero. The Likelihood ratio is higher than 5% critical value and the Eigen value are found as (0.988585, 0.781449, 0.255922, and 0.987805). The Likelihood Ratio of DS, FDI, ODA, and REM are greater than the critical value at both 5% level of significance. Also, the Eigen values of DS, FDI, ODA, and REM are significantly greater than zero. In other words, the null hypothesis of no co-integration among the variables is rejected in at least six equations. The test result shows the existence of a long-run equilibrium relationship in two co-integrating equations at 5% significance level.

From the result, co-integration is said to exist since the trace statistics two co-integrating equation in tables 2. This implies that there is a long run relationship among the one dependent variable and three independent variables.

Ordinary Least Squares (OLS)

The confirmation of long-run relationship among the variables as found from the Johansen co-integration in addition to the unit root test which proved that the variables are stationary at levels led to the application of

OLS.

The absence of unit root and the existence of cointegration among the variables as indicated above presents an evidence of long-run economic relationship among the variables. This implies that, Ordinary Least Square model is the best option for further analysis. The figures from the OLS are quite revealing. That is to say that the coefficient estimates of the constant and explanatory variable have alternated their signs as against the long-run relationship found in the normalized co-integrating equation in table 2. This shows exactly what is needed to be done in order to absolve the short-run dynamics of relationships. Again, the significance of OLS holds that a positive and statistically significant error correction model coefficient is a necessary condition for the variables to be co-integrated. The positive sign of the coefficient satisfies one condition while the fact that 372832.1 is different from zero satisfies the second condition of statistical significance. The coefficient reveals that the speed of adjustment between the short-run and long-run realities of the co-integrating equations is 37.28% every year. Also, the computed R^2 value of 0.778795 which is the coefficient of multiple determinations, indicates that our model satisfies the requirements for goodness of fit. The value shows that 77,88% of the total variations in the Domestic Savings (DS) are adequately explained by changes in Foreign Direct Investment (FDI), Official Development Assistance (ODA) and Home Remittance (REM).

Furthermore, the joint influence of the explanatory variables on the dependent variable is statistically significant. This is also confirmed by the F-probability which is statistically zero. Equally, the Durbin Watson is 2.005 approximately. Using 5% level of significance, 3 explanatory variables and 44 observations, the tabulated Durbin Watson statistics for lower and upper limit are 1.261 and 1.722 respectively.

Since the calculated Durbin Watson statistics is less than the upper limit or the tabulated one, there is evidence of the presence of the first order serial correlation or autocorrelation in the model. Finally, the results in table 3 above shows that Foreign Direct Investment (FDI) has significant and positive implications on Domestic Saving, while Home Remittance (REM) has positive and insignificant implications on Domestic Savings in Nigeria. We also discovered that Official Development Assistance (ODA) has negative and insignificant implications on domestic Savings in Nigeria. Our findings did not agree with any of the empirical work reviewed. This may be attributed to the geographical areas covered, aim of the study and the variables used in their study.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The study examined the implications of foreign capital inflow on domestic savings in Nigeria. Specifically, the study determine the extent to which long-run relationship exist among the variables, it also examine if Foreign Direct Investment impacts positively and significantly on domestic savings in Nigeria, investigate whether Official Development Assistance has positive and significant implication on domestic savings in Nigeria and ascertain if Home Remittance has positive and significant effect on domestic savings in Nigeria. The empirical results were on Augmented Dickey Fuller test, Johansen co integration test and ordinary least square.

In conclusion, foreign capital inflow is positively related to domestic savings in Nigeria indicating that sound policies are needed to achieve economic growth through domestic savings in Nigeria. The study also concludes based on our empirical test that foreign capital inflow has played positive and significant role in stabilizing the Nigerian economy through domestic savings. This means that foreign capital inflow has not played significant role in stabilizing the economy as it home remittance shows insignificant but positive.

Policy Implication/Recommendations

Based on the findings, the policy implications are in three dimensions.

1. Official development assistance was found to retard savings in Nigeria. Therefore, less of Official Development Assistant (ODA) should be desired. However, where it is indispensable, government should make judicious use of Foreign Assistance Fund for the sole purpose it was created such that it will increase investment and consequently encourage savings.
2. Foreign Direct Investment was found to impact positively on the economy. Therefore, the government should sustain the current economic tempo and enablement through re-strategizing to formulate and implement sound economic policies that will be aimed at attracting and keeping foreign direct investment in Nigeria.
3. Remittances were found to impact negatively on savings. It therefore means that people dis-save when they are recipient of remittances. In the light of this, Government should encourage investment habit by creating an enabling environment for safe investment.

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