



**FOREIGN AIDS, REMITTANCES AND ECONOMIC
DEVELOPMENT IN SUB –SAHARA AFRICAN COUNTRIES**

Mbelu, Obiageli Ngozi

Ph.D. Department of Finance and Banking, University of Port Harcourt

Email address: obiagelimbela@gmail.com. Phone Number: 08036651823

ABSTRACT

The study is centred on the interrelationship between foreign aids, remittances and economic development in sub-Sahara African countries from 2000-2022. The study adopted unit root test, co- integration test tool, error correction model and granger causality model as statistical technique. Secondary data were gathered from world bank data base of various years. All the variables were stationary at first difference. The co-integration test shows that there is presence of long run relationship between the study variables. . The ECM results show that: only personal remittance contributes to the building of human development index of Sub –Sahara African (SSA) countries; Bilateral aid (BLA) is insignificant in contributing to the development of the SSA while multilateral aid, remittance from export (RE) failed to promote economic development in the region proxies as Human development index. The granger causality result shows that all the dependent variables support human development index in the development process. The study conclude that personal remittance is the key driver for economic development in the sub-Sahara region. However, the study recommends that regional government should encourage or promote more remittances from migrants by deepening the financial system, promote local production which will boost export; Create an enabling environment within the region to attract more investors from developed economy.

KEYWORDS

Economic development, multilateral aid, bilateral, personal remittance, remittance from export.

Introduction

Foreign aid and remittances hold a highly influential role in the financial stability of emerging economic nations. Diaspora remittances promote improvement of living standards in impoverished economies, this was shown by Martin. The World Bank reported in 2019 that a total of 46 billion dollars was sent to sub-Saharan countries as remittances in 2018, even though this does not account for these sent through unofficial means. The United Nations has recently introduced the Sustainable Development Goals to reduce poverty in the sub-Saharan region, eliminate inequality and promote economic growth in the coming years to achieve the goal for the year of 2030. The primary contribution of the donor to the emerging economy is to support them in economic development through assistance in a single major sector. Remittances send by those living abroad is the primary way to help advance

developing countries economically without loss, according to Kumar (2013). For the remittances to be impactful on the economic growth of a country, long run economic growth is key.

Emerging economies received a total of US\$135 billion in 2014 in foreign aid, according to World Bank (2016). The main objective is arriving at Industrialized sub-Saharan Africa to improve citizens quality of life for all native citizens living there. Despite evidence shown stating that aid to recipient country states development to exist in that region, Grabowski(2006) articles state the opposite, lessening the regions economic asset. However, sub Sahara countries have felt more help rather than blockage from the issue of commandment however, in years to come, it is a serious problem now. They got lazy from aid sending states and added incredible dependencies on the abilities international solely. The United Nations playing a lead role within the United States during a recent action to aid development in sub Sahara Africa. The United States Agency for International Development (USAID) funded \$8 billion per year to countries, and the most aided nations were Nigeria, Mozambique, Tanzania, Uganda, Kenya, along with South Africa. The significance of foreign aid in development should be acknowledged; however, ensuring that these funds are utilized purposefully is also crucial. It is reasonable to expect that assistance from foreign donors can aid countries in infrastructure development as well as in increasing output levels, however there is an issue regarding the usage. Brautigam and Knack maintained that foreign aid can reduce corruption by managing a country's expenditure therefore creating revenue in an honest manner as well as improving governance and rules established to constitute order in society. African political unrest can be attributed to a significant amount of foreign aid, leading to decreased quality of governance and a host of other problems, including economic issues and corruption.

International aid offered to developing countries affects the economy of the countries positively and naturally, however those that rely heavily on foreign money, and the individuals within the country that make developing nationwide decisions, fail to innovate or strategize, and tend to become lazy, among many other more highlighted issues. In certain normal scenarios, many people would assume that they need people to help them in their goals, but in all scenarios, no one needs a guide, but a push of confidence in themselves and others. The sooner aid is stopped, the sooner a real development of all parts of the world will begin. A study found that foreign aid to African countries falls short in halting widespread poverty.

Remittances to the sub-Saharan region by the nation have not enhanced economic growth caused by the government's bad behavior. In an attempt to guilt Global developing regions on compelling productive participation, financial institutions of sub-Saharan Africa are brought up in discussion. Researchers may argue that the effects of foreign remittances have opposite results. A report filed by Adenutsi in 2010 states that remittances have a positive residual effect on long-term human development. Studies have proven that increased remittances in foreign countries have a high relation with child labor and that it has a negative impact. Aid to Africa has a disastrous impact on that continent, hindering economic growth and investment, spurring corrupt governments, upticking democracy distortions, further infringing standards of the rule of law, and ultimately leading to inconsistent policies in the economy.

There is no clear agreement whether much more access to devices could adversely hurt economic growth. This study aims to examine the significant influence that foreign appeals and remittances have on the economic development in a select few countries especially in SSA. This paper aims to investigate what is happening in Sub-Saharan in Africa.

The results of this project would uncover the specific impact on the region's economic growth due to foreign aid and remittances received in sub-Saharan region of Africa. This information should be valuable to the countries that need to lift their economy out of poverty. This initiative will not only help the government in the identification of areas that warrant development but it will also further our bilateral relationships with African countries. By being a first, the research contributes significantly to a variety of studies.

The remainder of this paper is organized: the framework follows theoretical literacy empirically established. Section 3 comprises the methodology. The fourth section of the study involves researching and presenting the outcomes, followed by an analysis of them. The last section involves a conclusion and further implications that can be related to the findings.

CONCEPTUAL FRAME WORK

Foreign Aids

The concept of foreign aid involves a flow of money from developed countries to emerging economies willingly by some corporations. foreign aid comes into a giorm of forms, whether it be fiscal aids, military assistance, humanitarian aid, or gift.

According to the World Bank, a total of \$178.9 billion was dispersed to the developing countries during the 2022 period, a large amount that was volatile, in comparison to previous years. Lyons explains that aid hasn't improved the economic situation in the region because governments there might be corrupt and terrible at their jobs. The Development Assistance Committee (DAC), a subgroup of the Organization for Economic Cooperation and Development (OECD), recently defined foreign aid as via financial, technological, and other forms of assistance that help achieve economic growth and improved living conditions of the developing world - provided at minimal cost to the recipient country. Capital from one country is being transferred to help a troubled or developing country with public funds through loans or grants. Foreign aid to the emerging economic countries of Sub-Saharan Africa comes in the form of grants, loans, or governance support, provided by developed countries of official development assistance (ODA). Assistance to a foreign country is a mutually beneficial exchange that promotes economic growth and is divided into bilateral and multilateral forms.

Remittances

The Economic Times holds remittance to be an appropriate way for countries to transfer funds internationally . The sender and receiver require a money transaction, as receivers may receive transfers nationally or internationally, that comes through mediums such as financial systems and other indirect channels. In less developed countries that are most affected by the epidemic, people have limited means to support their families, so family members are frequently overcoming the obstacles to physically drag infected relatives to healthcare provided by a growing military of volunteers. Per the World Bank, rising international migration will correspond to higher remittances for developing countries - per easier and cheaper financial transfers. As illustrated by Fajnzylber and Lopez's 2007 report, bringing international labor into your country brings in significantly higher remittances than foreign investment. Remittances provide a vital alternative income source, giving individuals in underdeveloped areas a choice between spendingneeds and saving for their childrens educations. A significant flow, known as remittance, is transferred from abroad to home country reducing the foreign exchange crunch due to short supply of foreign currency. . Sub-Saharan Africa has the highest variability in migration

movement due to political instability and an overall difficult socio economic condition facing citizens. In a recent statement, the International Monetary Funds acknowledged the significance of remittances in enriching economies that are dependent upon them. In today's world money is a dominant force that has lasting consequences. This study considers total amounts of money or goods sent from sub-Saharan Africa via official and unofficial channels by migrants who are working as either permanent or temporary laborers. This process benefits the lives of family members by helping them in time of need and also allows the government to utilize this flow of foreign funds to overcome exports.

ECONOMIC DEVELOPMENT

According to The International Monetary fund's e-library, economic development may be described as the increased production of goods in a nation outpacing the increase in its population. The economic developments in those nations are clearly for their advantage. The amount of economic growth achieved through remittances depends on a country's level of financial advancement. Researchers Nwaogu and Ryan(2015) have found correlational evidence connecting foreign aid and investment to African economic growth success. A slowdown in Sub-Saharan Africa is in store according to the World Bank's projections for 2023. Not to be exact but rather a significant 2.5% less than that of last year's 3.6% growth pace. Issues revolve such as debt crises and the violent unrest circular within this region, explaining why growth is mitigated so. The report verified that of the region's approximately 462 million people, 2023 over 40 percent are subject to extreme income shortfall. Since 1960, growth hasn't been positive. Research has shown that when governments support international migration, people tend to send more money home. Jongwanich's study found that in the Asia and Pacific demographic, more remittances leads to increased human capital. This also applies to lower poverty ratings. Majorly developed countries bring in more income to less developed ones and in so doing they bring down the portfolio of human capital valuable in these countries. High-skilled migrants from Sub Saharan Africa send more home to their countries because they make more money have more liquidity than those who are less skilled. A significant indicator for growth was the flow in remittances as well as foreign aid in both Sri Lanka and India, according to Das and Sethi's (2019) findings. Research by Chami et al, (2012) suggests that the connection between remittances and economic growth is harmful, showing that the influx of money from migrants negatively impacts the working style and sentiment of those who receive it by instilling dependency and reducing their want to participate in production processes. Experts have found that a stimulating impact on economic growth and development in certain countries happens due to the investment of funds from banking. The economic growth that is occurring throughout sub Saharan Africa is the advancement in which countries develop the economy through advancing the economy in areas of education health infrastructure standard of living access to water production and employment. The economic development in sub-Saharan African countries is based on the human development.

Theoretical framework

The literature on foreign aid as a driver for economic development suggests two distinct focuses: saving-investment gap and supplying foreign exchange.

SAVINGS-INVESTMENT AND FOREIGN EXCHANGE GAP

Based on Chenery and Stout's two gap theory, economic development essentially occurs in three stages. This is the main objective of the gap theory of closing. Foreign aid helps developing countries understand how many outside resources they need to fill a savings gap and foreign exchange gap, and it helps them to progress. Experts have pointed that contributions from bases out of the domestic nation/country can indeed improve growth rates beyond an economical life cycle, filling gaps to bridge account deficits as society can no longer rely on domestic savings in such economies. In countries that are not thoroughly developed, foreign exchange and the earnings from net exports move similarly together. For countries that are underdeveloped, net exports impact the foreign exchange quite negatively although foreign funding comes in due to extreme debt. In order to control these fluctuations, an effort must be made to focus on the pattern of consumption, income distribution and employment, as well as controlling exchange rate, despite the economy impeding economic growth. Aids from foreign countries have been shown to supplement domestic capital in developing countries leading to faster economic growth. This has two benefits: fewer currency and savings shortages as noted in Papanek (1973), Burke and Almadi-Esfahani(2006), and, Asteriou(2009). Studies have found that remittances from migrated workers support the economy of surrounding 36 countries. Research has revealed that sending money back to one's home country stimulates economic growth. According to a study in 2015, foreign aid has been known to impede the development of an economy like those countries receiving donated money already have due to the higher tax and more affluent society benefiting from donor aid, when said money has been taken away. Foreign aid and remittances have been key in filling the financial gaps there in SSA.

Literature Review

Between 1980 and 2004, remittances sent to sub-Saharan Africa had as significant of impact as foreign aid. The study aims to review the effects remittances from migrants overseas have on the growth in Sub-Saharan Africa. Data from the GDP, remittances, and growth rate was investigated. In this article, secondary data is provided from the World Bank databank to fill gaps in the data for the variables. The study used the two Stage Least Squares method to estimate data. According to economic figures found in a study, a correlation was not identified between remittance and growth of regional economies. To encourage more remittances, customs should develop its policy so that those coming through going directly into the account of the recipient can be higher than those sent through the institution.

Umar's 2021 research examined the relationships in Sub-Saharan nations between the aid that families send home and social development during 2003-2013 by analyzing various statistics and other data sources. The GMM-System approach was utilized to analyze the data. The study sourced its data from World Bank. It was discovered that the amount remitted to support a family is a major factor that results in human capital development and a reduction in the percentages of poor families within that environment. In the regions of Bahrain and Malaysia, there should be more efforts to encourage the sending of remittances, and to implement favorable policies to lure simple citizens.

This research focuses on remittances and economic growth in West African countries from 2000 to 2010 in order to determine their impact on the economic development of West Africa as a region. The data source is the World Bank's database, which used gross domestic product as the main variable and remittance flows as its indicators. The study's method was centered on descriptive statistics and linear regression in order to achieve conclusive results. According to the studies, inflow into Senegal and

Nigeria promotes the gross domestic product of the two countries. The amount of money transferred into Cape Verde and Cameroon has caused their economies to decline significantly. Prioritizing investment over consumption using remittances in the economies of Cameroon and Cape Verde could significantly improve their overall output according to recommendation.

To evaluate the focus of economic evaluations in sub-Saharan Africa, Ilorah and Ngwakwe sourced data from several sources including Gdp Per Capital, foreign aid, corruption control and rule of law using an ordinary least square method. Gdp per capita in sub african regions have shown a negative and significant association with the foreign aid recieved. The results of governance moderating variable tests also had a positive correlation between foreign aid and a countries domestic product. The rule of law has proven successful in increasing the amount of foreign aid received as well as gdp, but not so for corruption and governance. The latter two factors can only lead to a decrease in economic growth. In an aspect of a study of aid effectiveness, they recommend conducting a further study of economic growth of sub Saarahan Africa that has a potential of establishing a positive correlation between the aid and the positive efectiveness of profitability.

A team of researchers utilised panel data and the Generalised Method of Moments technique to explore how monetary inflows influence GDP in 47 Sub Saharan countries from 1995 to 2017. This study used foreign investment and official development assistance as a measure to portray the connection between the two on African Economic growth. The survey was factoring in various domestic items and global economic considerations when making its assessments. The overall consensus from these results is that Foreign Direct Investment and remittances invariably do increase the size of the economy. Countries, in fact, have managed to rely less following huge monies being spent . It is recommended that countries in the sub-region needs to set specific policies to attract foreign investment and inspire States to send more money home. Official aid must also be made better to ensure resources are being used effectively. Support the promotion of domestic financing sources enabling countries to meet their government spending needs.

The economist Olapeju examined the remittances and human capital in sub-Saharan Africa between 2000 and 2020. Information was collected from 27 SSA countries in World Development Indicator from the World Bank. Variables examined in the study include the people's standard of living, money sent from family members living overseas, the quality of the educational system, investments in businesses, the influence on the economy by trade and transportation, and rates of inflation. The study concludes that remittances migrate people have sent their home countries and they have found that they have brought the growth of the Sub-Saharan Africa region, reducing the development of the region at the same time. The inflow of remittances from emigration and other migratory attempts should be supported and policies which motivate human capital in the countries should be implemented.

A recent global investigation by Asongu and Nwachukwu surveyed 57 African countries regarding foreign aid's development effect. The main goal is to figure out whether foreign aid has helped people improve themselves. The primary statistical techniques used to analyze the data included ordinary least squares, fixed effects, and system generalized method of moments. New data supported the idea that humanitarian assistance is not cost effective and actually would do the opposite as far as helping the disaster area is concerned. Reducing inequality before focusing future growth will make global conditions better around dollar.

A study by Ibukun, 2017 investigated the impact of foreign remittances, foreign aids, and exports on economic growth in Nigeria from 1977 to 2014. The goal was to determine long-term connections

between external factors and economic growth. Data analysis in the study utilized a vector error correction model and a bound testing technique to analyze the data. Economic connections, investment aids from a foreign country, exportation, and a country's general economic boom have all combined to maintain a kind of long-lasting cohesion among them. Foreign aid has a profound effect on economic growth with resulting positive effects for both short and long term operations. Alongside a healthy economic system, remittances also provide a temporary boost in economic growth for countries with repressed economies. Consequence of events proves that income generated by permits short run purchase of goods available domestically so long as remain competitive due remittances. It is important that foreign aid and other sources of income should be directed at the productive economy, not waste them on people who are not contributing to the society.

In examining foreign aid effectiveness in poverty reduction in Africa during the 38 year period of 1980 to 2017, researchers have revealed that foreign assistance, particularly in the areas of education and healthcare, has had a significant impact on all of the regions of Africa except for central Africa. After sending help to even non-major nations, there was a swell in households' earning across West and Central Africa, and an even greater increase in West and Southern consumption, respectively, and because of it, poverty rates fell in all regions except one in Africa: the Central region. Researchers found out that international support for educational funding combined with local efforts increases financial success. It's recommended that governments in Africa increase the amount of money allocated to the sectors of healthcare and education so as to raise households' income.

Ali, Jehan, and Sherbaz (2021) conducted a review of the foreign capital's influence on human development for 65 developing countries between the years of 1984-2014. Their research aimed at connecting PCI, SSE, and LE to foreign investments. According to the results, FDI and FPI have a negatively effect on wealth per person and secondary education enrollment. However, this isn't the case with remittances, which seem to help increase life expectancy and boost all of the indicators of human development. The result of this study also indicated that foreign capital has a positive influence. According to the author, although foreign capital brings development, it is necessary that restrictions are put on institutions in other countries.

Literature Gap.

Nsia and Utai (2017), and other observers developed a connection between economic growth, health, and resource transfers; however, this was done using limited parameters and methods which they acknowledge in their studies, and it is not clear how much it contributes to economic development; the main issue that researcher are trying to find is whether different forms of resource transfers affect countries' uses of aid, political changes, investment in health and political and financial ties. This analysis begins by recognizing the heterogenous effects foreign aid and remittances have had in distinct countries and aims to disentangle these effects using disaggregated human development indices to understand their complex structures.

3.0 Methodology

At first, the study estimate the order of integration using the Augmented Dickey-Fuller Test (ADF) unit root test. This test served as a guide on the appropriate estimation techniques suitable for the analysis. Annual time series data from World Bank data base of human development index= (HDI), Remittance, foreign aid. The study covered 1980–2022.

3.1. Model specification

The aim of the study focus on the contribution of foreign aids, remittances in improving human development index in Sub Sahara region.

In the model, the following is a mathematical representation of the functional relationship between Personal Remittances(PR),Remittances from Export of goods and services (RE), Bilateral aid(BL), multilateral aid (MLA) and human development index(HDI) . In a more specific form, the model can be expressed as:

$$HDI = f(PR, RE, BLA, MLA) \quad (1)$$

Econometrically, the functional relationship is written as in an equation form as:

Equation 1 can also be expressed as

$$HDI = \beta_0 + \beta_1 PR + \beta_2 RE + \beta_3 BLA + \beta_4 MLA + \mu \quad (2)$$

Where:

HDI = Human Development index

PR = Personal Remittance

RE = Remittance from Export

BL = Bilateral aid

ML = Multilateral aid .

F – functional Notation,

μ – error term,

δ – intercept,

β_0 – coefficients of estimates.

β_1 – β_4 and

A-priori expectation: From the study parameter it is expected that the explanatory variables have a negative effect on the explained variable. Therefore, $\beta_1 > 0$, $\beta_2 > 0$, $\beta_3 > 0$ $\beta_4 > 0$.

Method of Data Analysis

The main aim of this study is to examine the long-run relationship prevailing among foreign aids, remittances and economic development indicator in Sub-Sahara African countries.

Stationarity test: The stationarity test is necessary to measure unit root properties of the time series. The decision is to reject the null hypothesis if the ADF test statistics is absolutely higher than the Mackinnon’s critical values at 1%, 5% and 10% level of significance (Brooks 2009).If the variables are not stationary at levels, then the following further tests will be conducted:

Johansen’s co-integration test: This test will be utilized to ascertain the extent and level of long-run equilibrium relationship between employed study variables (Awe 2012).The decision rule is based on significance at.05level, of the co-integrating equation.

Error Correction Model: The model tends to evaluate the long run sensitivities of dependent variables to each of the explanatory variables. Decision rule for null hypothesis, accept at 5% level of significant, and otherwise reject (Brooks 2009).

Granger Causality Test.

For the purpose of determining the extent to which the dependent variables and each of the explanatory variable do support or promote themselves in the growth process ,granger causality will be executed to determine whether the variation in one variable (X) is caused by variation in another variable(y).Also to ascertain the extent to which they significantly support or promote each other in the economic growth process in the light of the inclusion of lag of the time series (Granger, 1981), Eagle and Granger, 1987).

However, the application of the above will depend on the outcome of the stationarity test.

1. Description of variables

Human development index: This variable measures the level of development in sub-Sahara Africa in the area of life expectancy, standard of living, health, infrastructure, education amongst others at a particular period of time usually one year. This will help the region to examine the extent of their performance .

Personal Remittance (PR): This represents the total inflow into the personal account of the recipients in all countries under the sub-Sahara Africa through official transmission network. This inflows comes from migrant earning in other developed country.

Remittance from Export (RE): This comprises the value of inflows from exchanges of goods and services to other country. The higher the remittance, the lower the foreign exchange gap.

Bilateral aid (BLA): This is the type of assistance receive from government organisation to a country for the purpose of development. It flows from one country (Developed) to a less develop economies.

Multilateral aid (MLA): This has to do with the contribution of funds from various countries into multilateral agencies, from where the funds are pulled out to fund their own development programme.

ODA has consistently accounted for a significant proportion of total foreign inflows to SSA.

4.0. RESULTS AND DISCUSSION

4.1.0. Unit Root Test (Augmented Dickey Fuller)

To check for measures of the study data, we employ the stationarity test.

Table4.1.1: Unit Root Output (Augmented Dickey Fuller)

Variable	ADF T-statistics	Test Critical Values			Probability Level	Order of Integration
	1 st diff	1%	5%	10%		
HDI	-4.506560	-4.467895	-3.644963	3.261452	0.0092	1(1)
BLA	-4.867895	-4.467895	-3.644963	-3.261452	0.0045	1(1)
MLA	-4.577269	-3.788030	-3.012363	-2.646119	0.0018	1(1)
PR	-4.640641	-3.808546	-3.020686	-2.650413	0.0017	1(1)
RE	-4.122121	-3.788030	-3.012363	-2.646119	0.0048	1(1)

Source: Extracted from Eview-10

According to a recent study, the test variables are reported as stationary following a first difference. Such result establishes integration present within the variables being assessed. Therefore there is need to carryout co-integration test. A 5 percent probability or above of occurring by chance sampling alone justifies rejection of the null hypothesis and acceptance of the alternate hypothesis.

Table 4.1.2: Co-integration Test(Johansen Co-integration)

Series: HDI BLA MLA PR RE
Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.834029	90.16941	69.81889	0.0005
At most 1 *	0.723078	52.45456	47.85613	0.0174
At most 2	0.540495	25.49014	29.79707	0.1447
At most 3	0.301130	9.160421	15.49471	0.3508
At most 4	0.074961	1.636313	3.841466	0.2008

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.834029	37.71485	33.87687	0.0166
At most 1	0.723078	26.96442	27.58434	0.0599
At most 2	0.540495	16.32972	21.13162	0.2062
At most 3	0.301130	7.524108	14.26460	0.4291
At most 4	0.074961	1.636313	3.841466	0.2008

Source: *Extracted from Eview-10*

From table 4.1.2, the trace output shows 2 integrating equations at 0.05 level of significant judging by the probability level. This shows that there is evidence of long run relationship amongst the study variable.

Table 4.1.3: Error Correction Model

Dependent Variable: HDI
Method: Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.414837	0.010379	39.97015	0.0000
BLA	0.000897	0.002501	0.358596	0.7246
MLA	-0.000382	0.002635	-0.145154	0.8864
PR	0.002306	0.000545	4.229050	0.0006
RE	-1.74E-05	3.69E-05	-0.472326	0.6431
ECM(-1)	-0.376982	0.261900	1.439412	0.1693
R-squared	0.960135	Mean dependent var		0.505909
Adjusted R-squared	0.947678	S.D. dependent var		0.042163
F-statistic	77.07191	Durbin-Watson stat		2.163202
Prob(F-statistic)	0.000000			

Source: *Extracted from Eview-10*

The data in table 4.1.4 illustrated long run correcting short run's inaccuracies. The 0.0000 F-statistic ranking shows a strong fit of the model and predication. The study analysis showed that jointly, the predefined head states account for 96 percent in the human development index which is an indicator of economic development in Sub-Sahara regions. Additionally, the data from Bilateral aid(BLA) confirms the positive but insignificant relationship between it and the Human Development Index in SSA. Also, bilateral aid, multilateral aid (MLA) as well as the money for a service and export of remittance(RE)has an adverse effect on the economic development in SSA. Human capital exits to developed countries remain high as pertinent disconnections continue to occur -disconnections being the significances of other variables that P has claimed to be. Personal remittances, however, may be the only exception as it is a variable that only occurs when another country migrates to a more developed country, leading to a positive coefficient of 0.002306. The DW statistic of the given formula is quite acceptable being 2.93. However, the high ECM value of 37.69% is associated with a very low probability of 0.1693. The evidence of the 37.69% error correction implies that the loss in human development in sub-Saharan Africa annually would increase by half the value of such absolute.

Table 4.1.4: Granger Causality Test

Pairwise Granger Causality Tests

Lags: 1

Null Hypothesis:	Obs	F-Statistic	Prob.
BLA does not Granger Cause HDI	22	6.86352	0.0169
HDI does not Granger Cause BLA		1.69922	0.2080
MLA does not Granger Cause HDI	22	8.01414	0.0107
HDI does not Granger Cause MLA		1.90513	0.1835
PR does not Granger Cause HDI	22	4.69339	0.0432
HDI does not Granger Cause PR		4.07109	0.0580
RE does not Granger Cause HDI	22	5.80267	0.0263
HDI does not Granger Cause RE		1.26802	0.2742
MLA does not Granger Cause BLA	22	0.75214	0.3966
BLA does not Granger Cause MLA		0.96943	0.3372
PR does not Granger Cause BLA	22	2.85630	0.1074
BLA does not Granger Cause PR		9.02980	0.0073
RE does not Granger Cause BLA	22	0.17800	0.6778
BLA does not Granger Cause RE		9.26605	0.0067
PR does not Granger Cause MLA	22	2.97732	0.1007
MLA does not Granger Cause PR		8.14924	0.0101
RE does not Granger Cause MLA	22	0.38346	0.5431
MLA does not Granger Cause RE		10.6044	0.0042
RE does not Granger Cause PR	22	0.04639	0.8318
PR does not Granger Cause RE		0.94892	0.3422

Source: Extracted from Eview-10

According to table 4.1.4, granger causality shows the relationship between variables. New evidence indicates that a relationship exists between public aid, private flows and human well-being. Changes in aid cause changes in development of a country. The results of the test determine that causality towards personal remittances that likely comes from high human development does not exceed a statistical threshold of normal significance.

5.0. Discussion, Conclusion, Recommendation and Implication

The article explores the positive global effects on African economies over the past few decades, specifically concentrating on whether that aid is actually beneficial and desirable for the continent. This study predicts that positive expectations between variables and human development can be achieved. The test conclusion clearly reveals that the variables contained in the study are stable and illustrate interactions. Physical remittance and tax did not boost the service solid index of SSA while the only positive contribution to energy consumption came from Personal remittance (PR). According to the cause test the analysis shows that personal remittance usually has a positive response to human development index in African, South Parts. As the earnings of migrants increase, their remittances can lead to improvement in global living standards, infrastructure, and life expectancy in noticeably greater amounts than the number of individuals rising. Ultimately, this is a boost for the countries' overall human development index. The export of goods and services and received multilateral aid showed no tangible improvement. The high use of foreign exchange in the SSA is dependent on a bigger import of foreign products rather than manufacturing as the region has no confidence in their local production. The multilateral process indicates that the money intended solely for individual projects is redirected for the entitlement gain of the ruling party, potentially for repayment of debts, meeting recurrent expenses or the engaged political campaign processes. According to the causality, the rise in Resource extraction and Manufacturing Leasing Activities, has improved human development in Sub-Saharan Africa. A positive and unchanged inland GDP indicate a limited impact of BLA to sub-Saharan region. This aligns with the findings of David's research. Research found that as foreign donations increased in a particular geographic area, the funds available for improvements like infrastructure were also able to increase, further to achieve positive results like human skill enhancement. A recent finding provides evidence that many studies can be generally explained. The discovery backs the work of multiple international authors such as Edo, Oluwatoyin and Ogunrinola, providing credibility. Conversely, other foreign authors fought against a common belief. Ultimately, foreign help is the theory that global aid has an influence on recovery.

The ultimate aim of this study is to evaluate the impact of financial assistance, including foreign aid and remittances, on the economic prosperity of sub-Saharan African countries. To discover which components contribute to a HDI that is stronger for SSA, I inquire into the interrelation of the study variables. According to the ECM results, the personal remittance of SSA is the only contributor to its human development index, while this areas receive both bilateral and multilateral aid. Additionally, different forms of external aid failed to raise its human development share. The findings show support for the idea that regional development is central to human progress and well-being. The research concludes that personal earnings are the driving force behind economic progress.

Recommendation and Policy Implication

Base on the findings, it is recommended;

1. Regional government should establish incentives to encourage more migrant inflows in sub-Saharan Africa thereby deepening the financial system which will help to reduce informal transmission in the region and by extension expand the human development index.
2. The region should encourage local production (domestic investment) so as to increase their export proceeds thereby bridging the gap on foreign exchanges.
3. Government of the Sub Sahara Africa should create an enabling environment that will attract investors from developed countries to do business in the region thereby boosting the region's investment horizon.

Contribution to Knowledge

This study varies from previously conducted studies by examining uncommon aspects of foreign aids, specifically bilateral aid, multilateral aid, remittances from exporting merchandise and services, and money sent home to family and friends. It also looks at the long-term relationship of this data concerning human development in sub-Saharan Africa. The researchers behind this study used updated processes to find the cause of unemployment. These processes included the Johansen co-integration as well as the Activation of the IP. This study uses SUB Segafrikan country data to analyze the IMPACT of foreign aids and remittances on their economic development.

References

1. Adarkwa,A.,M.,(2015). Impact of remittances on economic growth: Evidence from Selected West African Countries (Cameroon, Cape Verde, Nigeria and Senegal). AHMR, (1)2, 177 -200.
2. Adenutsi, D.E. (2010).Do international remittances promote human development in poor countries? Empirical evidence from Sub-Saharan Africa, The International Journal of Applied Economics and Finance, (4) 1, 31-45.
3. Alcaraz, C., Chiquiar, D. and Salcedo, A. (2012), Remittances, schooling, and child labor in Mexico, Journal of Development Economics, (97)1, 156-165.
4. Alghamdi,M.,A.(2016).Does foreign aids promote growth: Evidence from Africa.Masters Theses. 2513.<https://thekeep.eiu.edu/theses/2513> Student Theses & Publications.
5. Ajide, F.M. and Aderemi, A.A. (2014).The effects of corporate social responsibility activity disclosure on corporate profitability: empirical evidence from Nigerian commercial banks. IOSR Journal of Economics and Finance, (2)6, 17-25.
6. Akinbode, S.,O., and Bolariwa, T., M.,(2020). Effect of foreign aid on human development in sub-saharan Africa: A System Gmm Approach. South-Eastern Europe Journal of Economics 1, 19-38.
7. Ali, S., Jehan,Z., and Sherbaz,S.,(2022).Foreign Capital Flows and Human Development in Developing Countries: Does Institutional Quality Matter. Zagreb International Review of Economics and Business, 25(1), 1-19.
8. Asongu, S., A.,and Nwachukwu, J., C., (2017).Foreign aid and inclusive development: Updated Evidence from Africa, 2005-2012. Social Science Quarterly, 98 (1). 282-298.
9. Asteriou, D. (2009). Foreign Aid and Economic Growth: New evidence from a panel data approach for five south Asian countries. Journal of Policy Modeling, 31, 155-161.

10. Awe,O.O.(2012).On pair wise granger causality modeling and econometric analysis of selected economic indicators. *Interstates Journals.net/YEAR/2012/articles/1208002.pdf*.
11. Bila, S., Biyase, M., Farahane,M., and Udimal,T.,(2023).Foreign aid and economic growth in sub-Saharan African countries . EDWRG Working Paper Number 03-23.
12. Brautigm,D.,A. and Knack,S.,(2004).Foreign aid institutions and governance in Sub-Saharan Africa. *Economic Development and Cultural Change*, 52(2), 255.
13. Bredtmann, J., Mart_inez Flores, F. and Otten, S. (2018).Remittances and the brain drain: Evidence From Microdata For Sub-Saharan Africa. *The Journal of Development Studies*,(55) 7, 1455-1476.
14. Brooks,C.(2009).Introductory Econometrics for Finance, Cambridge, University press.318-375
15. Burke ,P., J., and Ahmadi-Esfahani, F., Z., (2006).Aid and growth:A study of South East Asia. *Journal of Asian Economics*, 17, .350-362.
16. Chami, R.; Hakura, D., S., and Montiel ,P., J. (2012). Do worker remittances reduce output volatility in developing countries? *Journal of Globalization and Development*, 3(1), 1–25.
17. Chenery, H. and Strout, A. (1956). Foreign assistance and economic development. *American Economic Review*, 56(4), 679-733.
18. Corporate financial institution <https://corporatefinanceinstitute.com>
19. Das, A., and N. Sethi. (2019).Effect of foreign direct investment, remittances, and foreign aid on economic growth: Evidence From Two Emerging South Asian Economies. *Journal of Public Affairs* 20.<https://onlinelibrary.wiley.com/doi/abs/10.1002/pa.2043>.
20. David, N.,(2017).Contribution of official development assistance to poverty alleviation in the Ecowas.*Journal of Economics and Finance*, 8(2), 37-49.
21. Edo, S., Oluwatoyin, M., and Ogunrinola,I.,(2022). Bilateral and multilateral aid perspectives of economic growth in sub-Saharan Africa. *African Journal of Economic and Management Studies*, 14(1), 1-17.
22. Fajnzylber, P. and Lopez, J.H. (2007). Close to Home: The Development Impact of Remittances in Latin America. Washington D.C.: The World Bank.
23. Girma, H. (2015). The impact of Foreign aid on economic growth: Empirical evidence from Ethiopia (1974-2011) using ARDL Approach. *Journal of Research in Economics and International Finance (JREIF)*, 4(1) , 1 – 12.
24. Giuliano, P., & Ruiz-Arranz, M. (2008). Remittances, financial development, and growth. *Journal of Development Economics*, doi:10.1016/j.jdeveco.2008.10.005.
25. Grabowski, R. (2006). Political development, agriculture, and ethnic divisions: An African Perspective.' *African Development Review* 18 (2): 163–82.
26. Jongwanich, J. (2007), Workers' remittances, economic growth and poverty in developing Asia and the Pacific countries. Working paper wp/07/01, United Nations Economics and Social Commission for Asia and Pacific, Bangkok.
27. Kumar, R. R. (2013).Remittances and Economic Growth: A Study of Guyana.*Economic systems*,37, 462-472.
28. Ibukun, C.,O.,(2017). Foreign remittances, foreign aids, foreign imports and economic growth in Nigeria. *Ife Social Sciences Review* 25 ,48–63.

29. Ilorah, R. and Ngwakwe, C., C. (2021). Foreign aid and economic development in Sub-Saharan Africa: The Mediating Role of Governance Effectiveness. *Managing Global Transitions* 19 (4): 307–326.
30. IMF (2023). What are Remittances. <https://www.imf.org>.
31. Irdam, D. (2012). The impact of remittances on human development: A quantitative Analysis and Policy Implications. *Sociology*, 5(1), 74-95.
32. Issifu, I. (2018). The impact of remittance on domestic investment: The Role of Financial and Institutional Development in Five Countries in Sub-Saharan Africa. *International Development Studies*, (48) 9, 1-20.
33. Iwegbu ,O., and Dauda , R., O., S., (2022). Effectiveness of foreign aid in poverty reduction in Africa: The Role of Fiscal Policy. *CBN Journal of Applied Statistics*, 13(1), 55-92.
34. Lyons, J. (2014). Foreign aid is hurting, not helping Sub-Saharan Africa. *Le Journal International*. https://www.lejournalinternational.fr/Foreign-aid-is-hurting-not-helping-Sub-Saharan-Africa_a2085.html (accessed 18 November 2019) .
35. Lartey, E. (2013) Remittances, investment and growth in Sub-Saharan Africa. *The Journal of International Trade and Economic Development: An International and Comparative Review*, 22(7), 1038-1058.
36. Mallick, H. (2012). Inflow of remittances and private investment in India. *The Singapore Economic Review*, (57) 1, 1250004.
37. Mallaye ,D and Yogo, U., T., (2013). Heterogeneity of the Effects of Aid on Economic Growth in Sub-Saharan Africa: Comparative Evidence from Stable and Post-Conflict Countries. African development bank group, Working Paper No. 179.
38. Martin, P.L. (2016). Migration, trade and remittances: low-and high-skilled workers. *Remittances Review*, I (1), 37-52.
39. Murshed, M. and Khanaum, M. M. (2013). Impact of foreign aid in the economic development of recipient country. *Journal of the Bangladesh Association of Young Researchers*, 2, 33-37.
40. Muhammad, A., K., and Ayaz, A. (2007). Foreign Aid – Blessing or Curse: Evidence from Pakistan, *The Pakistan Development Review*, 46 (3), 215 - 216.
41. Nsia, D., M., and Utai, U., (2017). Impact of remittance on economic growth of least developed countries in Sub Saharan Africa. *Journal of International Trade & Commerce*, 15(6), 161-185.
42. Nwaogu, G. U., & Ryan, J.M. (2015). FDI, foreign aid, remittances and economic growth in developing countries. *Review of Development Economics* 19(1), 100-115.
43. Nwude, E., C., Ugwuegbe, S., U and Adegbayibi, A., T., (2023). Impact of income level and foreign aid on economic growth in Sub-Saharan Africa: The Case Of Anglophone and Francophone countries. *Economic Research*, 36(2), 1-18.
44. Odionye, J. C., and Okwudili, B., E. (2015). The impact of international remittances on the Nigerian economy. *British Journal of Economics, Management & Trade* 7(1):15(1).
45. Olapeju, A., I., (2023). Growth effect of migrant remittances and human capital: Panel Evidence From Sub-Saharan African countries. *International Journal of Professional Business Review*. 8 (8), 01-11.
46. Olayungbo, D., O., and Quadri, A. (2019). Remittances, financial development and economic growth in sub-Saharan African countries: evidence from a PMG-ARDL approach. *Financial Innovation* 5(9), 1-25.

47. Olusuyi, A. E., Adedayo, A. O., Agbolade, G. B., and Egun, A. F. (2017). Dynamic impact of remittance on economic growth in Nigeria. *Journal of Accounting and Financial Management*, 3(3).
48. Oluwaseyi, A., Adesola, A., Akpa, E., and Olukayode, M., (2020). Remittances, foreign aid and private consumption in Sub-Saharan Africa (SSA): A System GMM Estimation. MPRA Paper No. 98362.1-19.
49. Oshota, S. O. and A. A. Badejo (2015). Impact of remittances on economic growth in Nigeria: Further Evidence: *Economic Bulletin*, 35(1), 247-258.
50. Osman, K., (1998). The downside of foreign aid and its impact on recipients. *Muslimedia*: 1-15.
51. Oyewole (2008). Assessing the Developmental Role of Foreign Aid in Developing Countries. www.ide.go.jp/download/vof/pdf.
52. Papanek, G. (1973). Aid, foreign private investment, savings, and growth in less developed countries. *Journal of Political Economy*, 120-130.
53. Ratha, D. (2019). Remittances on track to become the largest source of external financing in developing countries. <https://blogs.worldbank.org/peoplemove/remittances-track-become-largest-source-external-financing-developing-countries>.
54. Sasu, D., D., (2023). Human development index of sub-Saharan Africa 2000-2021.
55. Siddique, A. (2010). Remittances and economic growth: Empirical evidence from Bangladesh, India and Sri Lanka. Discussion Paper (pdf) From http://www.science.uwa.edu.au/_data/assets/rtf_file/0010/1371952/10-27.
56. Tang, K., B., and Bundhoo, D., (2017). Foreign aid and economic growth in developing countries: Evidence from Sub-Saharan Africa. *Theoretical Economics Letters*, 7, 1473-1491.
57. Taiwo, K. (2020). Do remittances spur economic growth in Africa? MPRA Paper No. 111029.1-15.
58. Tolentino, N., C., and Peixoto, J., (2011). Migration, remittances and development in Africa: The Case of Lusophone countries. From www.acpmigration-obs.org/sites/default/files/EN-BN03PALOP.pdf
59. Twerefou, D., K., Turkson, F., E., Wiafe, B., F., and Darkwah, S., A., (2020). Do foreign financial inflows impact on economic growth? Evidence from sub-Saharan Africa. *Estudos De Economia Aplicada* 38(2), 1-14.
60. United Nations General Assembly (2015). The 2030 agenda for sustainable development. New York: United Nations.
61. Umar, M. (2021). Remittances, institutions and human development in Sub-Saharan Africa. *Journal of Economics and Development*. 24(2), 142-175.
62. U.S. Assistance for Sub-Saharan Africa (2023). Congressional Research Service. R46368.
63. Williamson, C., (2008). Foreign Aid and Human Development: The Impact of Foreign Aid to the Health Sector. *Southern Economic Journal*, 75(1), 188-207.
64. World Bank (2019). Migration and remittances recent developments and outlook, available at:
65. <https://www.knomad.org/sites/default/files/201904/Migrationanddevelopmentbrief31>.
66. World Bank (2014). Migration and Development Brief. Issue 23. Washington D.C.: World Bank.
67. World bank data base (2020). Net official assistance and official aid received (Current US\$)
68. World Bank (2022). World Development Indicators Online.
69. World bank (2023). Remittance world wide. <https://www.knomad.org/data/remittances>.
70. World bank (2023). The World Bank in Africa.

71. World Bank Development Indicators(2016). Washington, DC. World Bank. Retrieved from <http://data.worldbank.org/datacatalog/world-development-indicators>
72. Yaya, K., (2024). Impact of remittances on domestic investment in West African countries: the mediating role of financial development. *SN Business and Economic*, 4(20), 1-27.
73. Yéro, B., (2009). Migrants' remittances and economic growth in Sub-Saharan Africa. PhD work in Economics. LAPE, Université de Limoges.