



Effect of Capital Flight on Sustainable Economic Development in Nigeria

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ABSTRACT

The study examines the effect of capital flight on sustainable economic development in Nigeria. The study adopted the ex-post-facto research design. Data for the study were sourced from the Nigerian Bureau of Statistics (NBS) report World Development Indicators (WDI), and the Central Bank of Nigeria (CBN) Statistical Bulletin. The data generated were analysed using the econometric analytical method. The hypotheses were tested using the Johansen cointegration test relying on Trace statistics in determining the existence or otherwise of a long-run equilibrium relationship. The results show that foreign direct investment outflow had significant impacts on per capita income and real gross domestic product in Nigeria while it had insignificant impacts on federal government expenditure on education and federal government budgetary allocation for health services. Based on this, the study recommends that government should improve the business environment in Nigeria as a way of curbing FDI outflows. In this way, she would enhance the nation's standard of living (per capita income) and productivity (real GDP).

Keywords: Capital Flight; Sustainable Economic Development; Foreign Direct Investment

Introduction

Capital flight is perceived as one of the major economic problems of most developing economies including Nigeria. It could perhaps be associated with the backwardness experienced in such economies as a result of enormous developmental challenges bedevilling such economies. Collier, Hoeffler, & Pattillo (2001) reported that Africa had a larger proportion of private wealth in overseas countries compared to other regions and equally had larger entries in the World Bank definition of countries characterized as severely indebted low-income countries. A study by Boyce and Ndikumana (2001) showed that this group of countries (indebted low-income countries) constituted the “net creditor” to the rest of the world in the sense that accumulated capital flight exceeded the stock of external debt. Capital Flight refers to the movement of licit and illicit funds from our country to another. The essence is to avoid risks that are specific to a particular country. Such risk may include political instability, high inflationary trends, exchange rate volatility, etc. De Buyrie (2011) defined Capital flight as a short-term private capital outflow that responds not only to political crisis but also to economic policy failure.

Over the past years, the global challenges to sustainable development have been driven by a broad set of “megatrends”, such as changing demographic profiles, changing economic and social dynamics, advancements in technology, and trends towards environmental deterioration. A better understanding of the linkages among these trends and the associated changes in economic, social, and environmental conditions is needed. Historically, countries that have achieved and sustained high growth rates over long periods are those that were able to maintain high domestic saving rates, enabling strong and sustained domestic investment. In the case of Nigeria, domestic saving has remained low, leading to high investment-saving gaps and increased dependence on external capital. A central reason for this is inadequate performance in domestic saving mobilization in the public and private sectors of the economy. But an important factor that has been overlooked is the leakage of economic resources through capital flight.

Statement of the Problem

Specifically, in Nigeria, recent studies show that capital flight has serious consequences on the economic performance and well-being of the people. This has made the subject matter a source of primary concern, due to the large sum of money involved in illicit funds flowing out of Nigeria to developed nations thereby promoting corruption and impeding developmental strides of sub-Saharan Africa and other third-world economies.

Objective of the Study

The main objective of this study is to evaluate the effects of capital flight on sustainable economic development in Nigeria.

The specific objectives are:

- I. To ascertain the effect of capital flight on per capita income (PCI) in Nigeria.
- II. To determine the effect of capital flight on Real Gross Domestic Product (RGDP) of Nigeria.

Research Hypotheses

The following research hypotheses were formulated to guide the study:

H₀₁: Capital flight has no impact on the per capita income (PCI) in Nigeria.

H₀₂: There is no relationship between capital flight and the Real Gross Domestic Product (RGDP) of Nigeria.

Review of Related Literature

Conceptual Review

Capital Flight

According to Encyclopaedia (2017), Capital Flight implies the large-scale movement of financial assets and capital from one country to another due to events such as political or economic instability, currency devaluation, imposition of capital controls, the quest for education or medical services, etc. Capital flight according to Akpan & Atan (2014) specifically refers to the movement of money or financial assets from investments in one country to another in order to avoid country-specific risks according to the holders' perception. According to Schneider (2003) it involves the outflows of resident capital which is motivated by economic and political uncertainties in the home country. Bakare (2011) noted that capital flight should be seen as any form of abnormal capital outflows from a developing country by economic agents with the intention of concealing such flows. Ajayi (1997) opined that this is abnormal because one expects capital to flow from countries with resource surplus to countries with scarce resources. Investors from developed countries are seen as responding to investment opportunities while investors from developing countries are said to be escaping the high risks they perceived at home. This implies that there may be normal or legal and abnormal or illegal flows. Capital flight has both legal and illegal manifestations.

Causes of Capital Flight

As captured in the works of Igwenma, Egbulonu & Nneji (2018) the determinants or causes of capital flight are discussed but not limited to:

- i. Exchange Rate Overvaluation
- ii. Inflation
- iii. Macroeconomic Instability
- iv. Political Instability
- v. Capital Inflows/FDI
- vi. Rate of Return Differentials
- vii. Public Policy Uncertainty
- viii. The Countries GDP

Another school of thought believed that Capital flight could be caused by:

1. Political turmoil / unrest / risk of civil conflict
2. Fears that a government plans to take assets under state control
3. Exchange rate uncertainty e.g., ahead of a possible devaluation
4. Fears over the stability of a country's banking system
5. And other reasons that are individual or country specific

Capital Flight in Africa: Indications and Trends

African countries over the years have witnessed huge flight of resources (Human and Financial) owing to the underdeveloped nature of the economies and exchange rate fluctuations. The problem of capital flight in African economies deserves serious attention. First, it is seen as a diversion of scarce economic resources away from domestic investment and productive activities. This is evidenced as shown by Bouchet & Gros Lambert (2006) that in recent decades African economies have achieved significantly lower investment levels than other developing countries. Ndikumana (2000) estimates that if Africa were able to attract back the flight component of private wealth, domestic private capital stock would rise by about two-thirds, and that Africa's GDP per capita is 16% lower than it would be if the continent had been able to retain its private wealth at home. Secondly, capital flight has pronounced effects on the distribution of wealth which favours the rich at the detriment of the poor.

Consistent with findings from earlier studies, the report by Ndikumana (2014) show that capital flight continues to be a serious drain on financial resources from Africa, a capital-starved continent. Between 1970 and 2015, the sample of 30 countries considered in the report lost a total amount of \$1.4 trillion through capital flight. Following high levels in 1970s and 1980s, capital flight declined in the 1990s, but then exploded since the turn of the century. The table below shows the incidence of capital flights from 30 African countries up to 2019.

Table 1: Capital Flights From 30 African Countries (1970-2019)

COUNTRY	Total capital flight (\$'Billion)	Ratio to GDP	Stock of capital flight in 2019	Debt 2019	Stock in Net external assets in 2019
<i>Algeria</i>	141.5	85.3	206.0	4.7	201.3
<i>Angola</i>	60.9	52.9	63.7	28.0	35.8
<i>Botswana</i>	3.6	24.9	2.1	2.1	(0.0)
<i>Burkina Faso</i>	2.0	19.4	3.5	2.6	0.9
<i>Burundi</i>	5.1	181.8	5.8	0.6	5.2
<i>Cameroun</i>	42.9	138.8	57.5	6.6	50.9
<i>Congo Dr</i>	19.0	50.1	25.7	5.4	30.2
<i>Congo Rep.</i>	59.9	705.9	59.8	3.9	55.9
<i>Cote-d'Ivoire</i>	32.0	97.3	64.9	10.0	54.9
<i>Egypt</i>	31.3	9.9	85.8	46.6	39.2
<i>Ethiopia</i>	32.9	52.1	37.2	20.4	16.8
<i>Gabon</i>	23.5	172.3	25.3	4.3	21.0
<i>Ghana</i>	29.8	79.9	32.1	20.7	11.4
<i>Kenya</i>	19.1	30.0	29.4	19.1	10.3
<i>Madagascar</i>	11.3	98.7	20.0	3.0	17.0
<i>Malawi</i>	9.7	150.5	12.4	1.7	10.6
<i>Mauritania</i>	2.8	58.2	5.9	3.7	2.2
<i>Morocco</i>	115.9	114.6	162.5	43.0	119.5
<i>Mozambique</i>	13.4	90.6	17.0	10.1	6.9
<i>Nigeria</i>	340.3	68.8	411.0	29.0	381.9
<i>Rwanda</i>	17.7	213.7	24.9	2.2	22.6
<i>Seychelles</i>	3.8	272.5	4.4	2.7	1.6
<i>Sierra Leone</i>	28.4	674.0	30.5	1.4	29.1
<i>South Africa</i>	198.5	62.5	183.6	137.9	45.7
<i>Sudan</i>	31.8	40.0	45.9	21.4	24.5
<i>Tanzania</i>	29.5	63.0	41.2	15.0	26.2
<i>Tunisia</i>	27.7	64.3	36.3	27.4	8.9
<i>Uganda</i>	21.1	83.7	23.3	5.8	17.5
<i>Zambia</i>	25.2	118.8	37.4	8.8	28.7
<i>Zimbabwe</i>	3.4	21.2	13.2	8.7	4.5

Source: Political Economy Research Institute (PERI) Research Report 2020

Capital flight and Poverty in Nigeria

Poverty is general scarcity and dearth, or the state of one who lacks a certain amount of material possession or money. It is the state of human beings who are poor. That is, they have little or no material means of surviving- little or no food, shelter, clothes, healthcare, education and other physical means of living and improving one's life. Poverty occurs in both developing and developed countries, but much more widespread in developing and under-developed nations.

Poverty is a cankerworm and predicament which has deepened into the marrows of the Nigerian system. It is a ravaging economic and social phenomenon. It is the inability to attain a minimal standard of living which cuts across lack of food, clothing and shelter, education, clean water and crucial information. In 1776, Adam Smith in the "Wealth of Nations" argued that poverty was the inability to afford, not only the commodity which are indispensably necessary for the support of life, but whatever the customs of the country render it indecent for creditable people, even of the lowest order to be without.

Over the years, government of Nigeria has made frantic efforts towards poverty alleviation. Since 1979, every government in power has launched one poverty programme or the other, the first of such programmes called, Operation Feed the Nation (OFN) was enunciated in 1979 by Gen. Olusegun Obasanjo. The programme had the specific focus of increasing food production on the premise that availability of cheap food will mean higher nutrition level and invariably lead to national growth and development. Beyond this, other programmes have been rolled out by successive government aimed at reducing poverty and sustaining economic growth.

Sustainable Development:

By sustainable development, we mean the use and exploitation of today's resources in such a manner that these resources will be available for use by future generations, in other words, consumption today with tomorrow in mind (Poon, 2007).

Sustainable development requires coherence of fiscal policy and public investment allocations, financing the sustainability of cities that promote multilevel cooperation, agricultural development that will engender significant investments, private sector investments, and significant investment from international private actors. Achieving sustainable development post-2019 will entail progress in its four dimensions— inclusive economic development, inclusive social development, environmental sustainability and effective governance and peace and security (World Economic and Social Survey, 2013).

Goals of Sustainable Development Goals (SDG)

Following the expiration of the Millennium Development Goals in 2015, Sustainable Development Goals were identified to aid developmental efforts for the next 15 years (2030). They are:

- Goal 1: End poverty in all its forms everywhere
- Goal 2: End hunger, achieve food security and improved nutrition, and promote sustainable agriculture
- Goal 3: Ensure healthy lives and promote well-being for all at all ages
- Goal 4: Ensure inclusive and equitable quality education and promote life-long learning opportunities for all
- Goal 5: Achieve gender equality and empower all women and girls
- Goal 6: Ensure availability and sustainable management of water and sanitation for all
- Goal 7: Ensure access to affordable, reliable, sustainable, and modern energy for all
- Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
- Goal 10: Reduce inequality within and among countries
- Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable
- Goal 12: Ensure sustainable consumption and production patterns
- Goal 13: Take urgent action to combat climate change and its impacts*
- Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development
- Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
- Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
- Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development

Methodology

The research design used in this study is *ex-post-facto*. The study was carried out in Nigeria, a West African country. Data for the study were secondary in nature and sourced from the Nigerian Bureau of Statistics (NBS) report World Development Indicators (WDI) and the Central Bank of Nigeria (CBN) *Statistical Bulletin*. Data generated for this study were analyzed using the econometric analytical method. Unit root test was carried out using Philip Perron (PP) and Augmented Dickey-Fuller (ADF) to test for stationarity of the data set. The essence of the tests is to avoid spurious results which will make the study lack credence.

Model Specification:

The study estimated the sustainable development function, which assumed that a positive or negative change in highlighted goals is a function of capital flight, by adapting the works of the World Bank (1985) and Erbe (1985), on a related study thus:

$$\text{RGDP} = f(\text{CAB}, \text{FR}, \text{EXTDEBT}, \text{FDI}) \dots \dots \dots (1)$$

$$\text{RGDP} = \beta_0 + \beta_1 \text{FR} - \beta_2 \text{CAB} + \beta_3 \text{EXTDEBT} + \beta_4 \text{FDI} \quad - \quad - \quad \text{Eqn. 1}$$

Where;

RGDP = Real Gross Domestic Product

(FDI) = Foreign Direct Investment

(FR), = Foreign Reserve

(CAB), = Current Account Balance

EXTDEBT) = External Debt

For the present study, the model shall be categorized in line with the stated objectives

Model I

This is formulated in line with SDG goal 1 which stipulated no poverty by the year 2030.

PCI= f (KF)

Thus, the components of capital flights (KF) are highlighted below

PCI= f (FDI, EXCH, CAB, FR, EXTDEBT,) - - Eqn. 2

Econometrically, model one is presented thus

PCI = $\alpha_0 + \alpha_1 FDI + \alpha_2 EXCH + \alpha_3 CAB + \alpha_4 FR + \alpha_5 EXDEBT + \mu_i$ Eqn. 3

Where;

PCI= Per Capita Income

FDI=Foreign Direct Investment

DSAV=Domestic Savings

INFL= Inflation rate

Model 2

Model two addressed objective 2 which evaluated the effect of capital flight on Real Gross Domestic Product (Proxy for economic growth). The model is specified below in line with the adapted model. The models used for this study are derived from the literature and theories reviewed, particularly, Ogun (2017) who affirmed a relationship between capital flight and economic growth, as specified thus

GDP = F (Capital Flight) i.e., GDP= $\beta_0 - \beta_1 Kf + \varepsilon$ - - Eqn. 4

However, for the present study,

RGDP=f (FDI, EXCH, CAB, FR, EXTDEBT) ----- Eqn. 5

Econometrically, model two is presented thus

RGDP = $\alpha_0 + \alpha_1 FDI + \alpha_2 EXCH + \alpha_3 CAB + \alpha_4 FR + \alpha_5 EXDEBT + \mu_i$ --- Eqn. 6

Where;

RGDP= Real Gross Domestic Product (Measure for economic growth and good living)

Data Analysis

Table 2: Augmented Dickey-Fuller (ADF) Unit Root Result

<i>Variables</i>	<i>ADF Value Level</i>	<i>ADF Value 1st Difference</i>	<i>0.05 Critical Value Level</i>	<i>0.05 Critical Value 1st Difference</i>	<i>Order of Integration</i>
<i>D(LOGRGDP)</i>	-1.847	-4.135	-3.588	-3.588	I(1)
<i>D(LOGPCI)</i>	-2.049	4.603	-3.588	-3.588	I(1)
<i>D(LOGFEDEXED)</i>	-2.487	-7.618	-3.588	-3.588	I(1)
<i>D(LOGFEXHS)</i>	-0.861	-9.551	-3.588	-3.588	I(1)
<i>D(LOGFDI)</i>	-2.399	-7.999	-3.588	-3.588	I(1)
<i>D(LOGEXCH)</i>	-3.279	-5.950	-3.588	-3.588	I(1)
<i>D(LOGCAB)</i>	-0.204	-4.941	-3.600	-3.600	I(1)
<i>D(LOGFR)</i>	-2.532	-4.867	-3.588	-3.588	I(1)
<i>D(LOGEXDEBT)</i>	-2.136	-3.643	-3.588	-3.588	I(1)

Source: Author's computation from STATA 13 software

This study adopted the Augmented Dickey-Fully (ADF) unit root test to determine the stationarity of the variables. From the result in table 2, it is evident that at level, none of the variables was stationary given that their ADF values were less than the critical value at five percent level of significance. The ADF value for RGDP, PCI, FEDEXED, FEXHS, FDI, EXCH, CAB, FR and EXDEBT which were (1.847), (2.049), (2.487), (0.861), (2.399), (3.279), (0.204), (2.532), (2/136) in absolute terms were less than the critical values (3.588), (3.588), (3.588), (3.588), (3.588), (3.588), (3.600), (3.588) and (3.588), respectively. Based on this outcome, there was a need to differentiate the non-stationary time series one more time to see whether we will obtain overall stationarity. At first difference, all the variables became stationary as their ADF values became greater than their critical values in absolute terms. Because all the variables have become integrated of the same order 1(i.e. I(1)), cointegration analysis was justified.

Johansen Tests for Cointegration

The study adopted the Johansen cointegration test relying on Trace statistics in determining the existence or otherwise of a long-run equilibrium relationship. The null hypothesis is that there is no cointegrating equation and the alternative hypothesis is that there are cointegrating equations. **The decision rule** follows that if the Trace statistic is less than the critical value; we reject the null hypothesis and accept the alternative.

Table 3a: Johansen Cointegration Test Result for Model 1

<i>Maximum Rank</i>	<i>Trace Statistic</i>	<i>0.05 Critical Value</i>
<i>r = 0</i>	141.8318	94.15
<i>r = 1</i>	84.2600	68.52
<i>r = 2</i>	44.0297*	47.21
<i>r = 3</i>	22.6740	29.68
<i>r = 4</i>	11.4791	15.41
<i>r = 5</i>	2.3259	3.76

Source: Authors' computation from STATA 13 software package

Based on the Johansen cointegration test result in table 3a, the Trace statistic indicates that there exist two (2) cointegrating equations at a five percent level of significance. From the result, the Trace statistic (22.6740)* was less than the critical value (29.68). This is an indication that the variables of the model are related in the long run and as such suitable for carrying out regression analysis.

Table 3b: Johansen Cointegration Test Result for Model 2

Maximum Rank	Trace Statistic	0.05 Critical Value
$r = 0$	140.6474	94.15
$r = 1$	89.5827	68.52
$r = 2$	50.4594	47.21
$r = 3$	25.1420*	29.68
$r = 4$	14.3054	15.41
$r = 5$	4.0915	3.76

Source: Authors' computation from STATA 13 software package

Based on the Johansen cointegration test result in table 3b, the Trace statistic indicates that there exists three (3) cointegrating equation at five percent level of significance. From the result, the Trace statistic (25.1420)* was less the critical value (29.68). This is an indication that the variables of the model are related in the long run and as such suitable for carrying out regression analysis.

Regression Analysis

Table 4: Ordinary Least Squares (OLS) Result for Model 1

Dependent Variable: LOG (PCI)

Variable	Coefficient	Std. Error	t-statistic	Prob. Value
LOG(FDI)	-0.0737713	0.0207533	-3.55	0.002
LOG(EXCH)	-0.0476719	0.0507894	-0.94	0.360
LOG(CAB)	0.0038363	0.0224587	0.17	0.866
LOG(FR)	0.1671085	0.0362259	4.61	0.000
LOG(EXTDEBT)	0.050149	0.0295441	1.70	0.107
C	3.856163	0.1913087	20.16	0.000
<i>R-squared = 0.8783</i>				
<i>Prob. F-statistic = 0.0000</i>				

Source: Author's computation (2021) from STATA 13 software package

Model 1 of the study represented in table 4 above captured the impact of capital flight proxies on sustainable development (proxied by per capita income) in Nigeria. The result showed that foreign direct investment outflow had a negative relationship with per capita income in Nigeria. 1 percent increase in FDI outflow led to 7.38 percent decrease in per capita income in Nigeria. The probability value of FDI (0.002) was less than the test significant level of 0.05 (i.e., $p < 0.05$). This implied that FDI outflow had significant impact on per capita income in Nigeria.

Exchange rate had negative relationship with per capita income in Nigeria. From the result, 1 percent increase in exchange rate led to 4.77 percent decrease in per capita income in Nigeria. The probability value of EXCH (0.360) was greater than the test significant level of 0.05 (i.e., $p > 0.05$). This implied that exchange rate does not have significant impact on per capita income in Nigeria.

Current account balance had a positive relationship with per capita income in Nigeria as shown in table 4 above. From the result, 1 percent increase in current account balance increased per capita income in Nigeria by 0.38 percent. The probability value of CAB (0.17) exceeded the test significant level of 0.05 (i.e. $p > 0.05$) and this implied that current account balance had insignificant impact on per capita income in Nigeria.

Foreign reserves had positive relationship with per capita income in Nigeria. From the result, 1 percent increase in foreign reserves led to 16.71 percent increase in per capita income in Nigeria. The probability value of FR (0.000) was less than the test significant level of 0.05 (i.e., $p < 0.05$). This showed that foreign reserves had significant impact on per capita income in Nigeria.

External debt had positive relationship with per capita income in Nigeria. The result showed that 1 percent increase in external debt led to 5.01 percent increase in per capita income in Nigeria. The probability value of EXTDEBT (0.107)

was greater than the test significant level of 0.05 (i.e., $p > 0.05$) and this implied that external debt had significant impact on per capita income in Nigeria.

The coefficient of determination of 0.88 showed that 88 percent of the variations in per capita income in Nigeria were due to changes in FDI outflow, exchange rate, current account balance, foreign reserves and external debt. The remaining 12 percent of such changes in per capita income in Nigeria might be attributed to other factors not included in the model. This showed that the model had a good-fit. The probability of F-statistic of 0.0000 which is less than the test significant level of 0.05 showed that model 2 was appropriate and significant and could be relied upon in making sound economic policies.

Table 5: Ordinary Least Squares (OLS) Result for Model 2
Dependent Variable: LOG (RGDP)

Variable	Coefficient	Std. Error	t-statistic	Prob. Value
LOG(FDI)	-0.1260475	0.0308186	-4.09	0.001
LOG(EXCH)	0.0446767	0.0754223	0.59	0.561
LOG(CAB)	-0.0020295	0.0333512	-0.06	0.952
LOG(FR)	0.2938644	0.0537956	5.46	0.000
LOG(EXTDEBT)	0.1006963	0.0438730	2.30	0.034
C	1.534939	0.2840937	5.40	0.000

R-squared = 0.9379

Prob. F-statistic = 0.0000

Source: Authors' computation (2021) from STATA 13 software package

Model 2 of the study represented in table 5 above captured the impact of capital flight proxies on sustainable development (proxied by real gross domestic product) in Nigeria. The result showed that foreign direct investment outflow had a negative relationship with real gross domestic product in Nigeria. 1 percent increase in FDI outflow led to 12.6 percent decrease in real gross domestic product in Nigeria. The probability value of FDI (0.001) was less than the test significant level of 0.05 (i.e. $p < 0.05$). This implied that FDI outflow had significant impact on real GDP in Nigeria.

Exchange rate had positive relationship with real gross domestic product in Nigeria. From the result, 1 percent increase in exchange rate led to 4.47 percent increase in real gross domestic product in Nigeria. The probability value of EXCH (0.561) was greater than the test significant level of 0.05 (i.e. $p > 0.05$). This implied that exchange rate does not have significant impact on real GDP in Nigeria.

Current account balance had a negative relationship with real gross domestic product in Nigeria as shown in table 5 above. From the result, 1 percent increase in current account balance decreased real gross domestic product in Nigeria by 0.2 percent. The probability value of CAB (0.952) exceeded the test significant level of 0.05 (i.e. $p > 0.05$) and this implied that current account balance had insignificant impact on real gross domestic product in Nigeria.

Foreign reserves had positive relationship with real gross domestic product in Nigeria. From the result, 1 percent increase in foreign reserves led to 29.39 percent increase in real gross domestic product in Nigeria. The probability value of FR (0.000) was less than the test significant level of 0.05 (i.e. $p < 0.05$). This showed that foreign reserves had significant impact on real GDP in Nigeria.

External debt had positive relationship with real gross domestic product in Nigeria. The result showed that 1 percent increase in external debt led to 10.07 percent increase in real gross domestic product in Nigeria. The probability value of EXTDEBT (0.000) was less than the test significant level of 0.05 and this implied that external debt had significant impact on real GDP in Nigeria.

The coefficient of determination of 0.94 showed that 94 percent of the variations in real gross domestic product in Nigeria were due to changes in FDI outflow, exchange rate, current account balance, foreign reserves and external debt. The remaining 6 percent of such changes in real gross domestic product in Nigeria might be attributed to other factors not included in the model. This showed that the model had a good-fit. The probability of F-statistic of 0.0000

which is less than the test significant level of 0.05 showed that model 1 was appropriate and significant and could be relied upon in making sound economic policies.

Conclusion and Recommendation

The study investigated the impact of different components of capital flight on sustainable development in Nigeria. The components of capital flight adopted in the study were FDI outflows, exchange rate, current account balance, foreign reserves and external debt while sustainable development was captured with per capita income and real GDP. From the empirical findings, it was shown that foreign direct investment outflow had significant impacts on per capita income and real gross domestic product in Nigeria. Consequently, the study recommends that:

- (i) Government should improve the business environment in Nigeria as a way of curbing FDI outflows. In this way, she would enhance the nation's standard of living (per capita income) and productivity (real GDP).
- (ii) Nigeria should fashion out ways of increasing her foreign reserves so as to achieve sustainability development in standard of living (per capita income), and productivity (real GDP).

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