

## THE EFFECT OF PERSONAL REMITTANCES RECEIVED AND FOREIGN DIRECT INVESTMENT ON ECONOMIC GROWTH IN KENYA

BY

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### Abstract

This research aimed to explore how foreign direct investment (FDI) net inflows and personal diaspora remittances influence economic development in Kenya over a census of 23 years from 2001 to 2023. The empirical analysis was done by taking a quantitative longitudinal design with a Time Series Autoregressive Distributed Lag (ARDL) bounds testing framework from the effects of capital inflows in the form of Incoming Remittances and FDI inflows on real GDP growth. Secondary macroeconomic time-series data were collected using the World Bank's official repositories. The ARDL Bounds test showed that all variables had long-run cointegrating relationship as the F-Statistic exceeded the critical thresholds at all significance levels. In the long-term, personal remittances positively and significantly influenced GDP growth ( $\beta = 1.767$ ,  $p = 0.0170$ ) indicating the significance of diaspora capital in the country's national development, as championed in Kenya's Bottom-Up Economic Transformation Agenda (BETA). FDI net inflows were structurally constrained by the capital gestation lags, high lending rates of the commercial bank (20%-25%) and absorptive capacity of the markets and hence, showed no statistically significant relationship in the short run ( $\beta = 0.281$ ,  $p = 0.5302$ ) and long run ( $\beta = -0.785$ ,  $p = 0.1258$ ). The Error Correction Term (ECTt-1 = -1.167,  $p < 0.0001$ ) confirmed that the long run adjustment speed to the macroeconomic shocks was very high. Proposals for policy action focus on putting transfer costs below 3% in line with SDG Target 10, and on securitizing diaspora investment by investing in targeted infrastructure bonds.

**Keywords:** ARDL Bounds Test, Bottom-Up Economic Transformation Agenda (BETA), Remittances Received from Diaspora and Factors Influencing Economic Growth)

### Introduction

Transnational financial flows are important external capital sources needed to level the savings-investment gap in developing and emerging market countries (Ojapinwa, 2022; World Bank, 2023). Foreign currency liquidity in Sub-Saharan Africa can come from several sources, the two most prominent being capital accumulation, and stability in the Balance of Payments (BoP), recently surpassing the Official Development Assistance (ODA) source (AUDA, 2022; OECD, 2023). Over the past twenty years, personal remittances received by Kenyans living abroad have skyrocketed, going from \$338 million in 2001 to Ksh 684.08 billion (US\$ 4.94 billion) in 2024. This will give them an advantage over the export revenues of traditional crops like tea, coffee, horticulture and tourism (CBK, 2025; KNBS, 2025). Net foreign direct investment (FDI) also has

contributed to the development of critical infrastructure and commercial investments and has strengthened the Bottom-Up Economic Transformation Agenda (BETA) and Kenya Vision 2030 (Government of Kenya, 2023a). Synthesizing analyses at the macro level indicate the importance of external capital in the creation of domestic capital, financial development and poverty reduction in the countries of the Sub-Saharan Africa (Olayungbo & Quadri, 2019; Sekmen et al., 2025).

CBK (2026) and KNBS (2026) predict Kenya's real GDP growth to be 4.7% for 2024 and even lower for 2025 despite the influx of foreign capital. This means that, macro-economic path of the country will remain undulating. This means that the production of goods and services, at the macroeconomic level, and the target of 10% annual growth Kenya Vision 2030 will

continue to be unbalanced, raising the question of where the funds are flowing. (World Bank, 2025). The classical and endogenous theories of macroeconomics hold that external capital inflows are intended to fill funding gaps to expand output. In practice, however, other structural frictions, high rates of commercial loans (20% – 25%), exchange rate volatility and operation gestation lags on large projects funded by foreigners impede this process (Aluoch & Mukabane, 2025; Mutai et al., 2025). Foreign Direct Investment (FDI) net inflows are also constrained by domestic absorptive capacity as well as the inbound diaspora remittances, which add to the household disposable income and support micro-enterprises through capital, and enhance human capital through education and health spending. This study employed an Autoregressive Distributed Lag (ARDL) model to examine the dynamic, targeted impacts of foreign direct investment (FDI) net inflows over Kenya's development trajectory in 2023 with a period of 2001-2023.

### **Statement of the Problem**

Despite the greatly increased access of Kenya to foreign capital over the past 20-years, the real GDP growth rates have not been particularly consistent. The biggest source of foreign currency profits, personal remittances increased from \$338 million in 2001 to more than \$4 billion by 2023, growing rapidly. Political dynamics, election cycles, regulatory changes, and investor mood all have a role in the large swings in net inflows of foreign direct investment. Despite the large investments received in the country, huge investments in the national development plan are yet to directly trigger double-digit national economic growth (KNBS, 2025; World Bank, 2025).

There has been a lot of disagreement and troublesome omission in the empirical literature on external capital flows. There have been many previous studies on diaspora remittances and foreign direct investment (FDI) separately without thinking on how they interact with one another in an integrated dynamic macro-economic set up (Kinyua 2021; Nyamwena et al., 2022). Not only that, but there is also a lack of empirical results among the prior studies. While some scholars argue that inbound remittances increase consumption and economic growth (Eggoh et al., 2019; Meyer & Shera, 2017), others believe that

excessive remittance inflows lead to welfare losses in the form of moral hazard, the Dutch disease (real exchange rate appreciation) and a fall in export competitiveness (Islam, 2024; Shaikh et al., 2025). Likewise, foreign direct investment (FDI) is not agreed upon as a term in the literature. Some studies have found positive effects on growth but that depends on the absorptive capacity (Minh et al., 2023). Conversely, empirical studies reveal that FDI does not significantly affect in the short run, given that the rate of capital gestation lags are low and that the domestic borrowing costs are heavy (Mukabane & Aluoch, 2025). Indeed, empirical studies abstracted from the inflows of other irrelevant determinants of outflows have been missing, leaving only the clearly different and large impact of personal remittances and net inflows of FDI. This research alleviated this knowledge gap by presenting long and short term effects of FDI and incoming capital by the diaspora using a Time Series ARDL model for the period 2001-2023.

### **Research Objectives**

The main purpose of this research was to assess the impact of the net inflows to Kenya of foreign direct investment and personal remittances received by Kenyans living abroad on GDP growth in Kenya. In particular, the study's objective was:

1. To determine the effect of personal remittances received on economic growth in Kenya.
2. To analyze the influence of Foreign Direct Investment (FDI) net inflows on economic growth in Kenya.

### **Research Hypotheses**

The study tested the following null hypotheses:

**H<sub>01</sub>:** Personal remittances received have no statistically significant effect on economic growth in Kenya.

**H<sub>02</sub>:** Foreign Direct Investment net inflows have no statistically significant effect on economic growth in Kenya.

## Literature Review

### Theoretical Review

In this study, we used the Pecking Order Theory (POT) along with the Endogenous Growth Theory (2022) as theoretical foundations, which co-acted.

**1. Endogenous Growth Theory:** According to the Endogenous development Theory put out by Romer (1986) and Lucas (1988), human capital accumulation, innovation, and knowledge spillovers are the internal generators of long-run economic development. In this context, foreign direct investment (FDI) can help to transfer the latest technology and management knowledge. Remittances, similarly, from those residing abroad, can contribute to the human capital development through small businesses, schools, and hospitals (Mutai et al., 2025). According to Mukabane and Aluoch (2025), structural frictions and high domestic interest rates may potentially limit local absorptive capacity, while outward remittance leakages may similarly suck up internal capital needed for local innovation.

**2. Pecking Order Theory (POT):** Amuzu et al. (2018) used POT, which was developed by Myers and Majluf (1984), to sovereign finance, and it creates a financial hierarchy based on information asymmetry. Domestic and unfettered transfers take precedence over equity and debt from outside sources in sovereign economies. Under BETA, personal remittances are a prime source of national development that are quasi-internal, have zero debt-service obligations, lower monitoring costs and other desirable features.

### Empirical Review

**Personal Remittances Received and Economic Growth:** The extent of the beneficial association between incoming diaspora remittances and macroeconomic performance is mediated by financial depth and institutional quality, according to a wide range of recent empirical evidence. Eggoh et al. (2019) provide Dynamic Panel GMM using cross-country data from 49 different developing countries and find that international remittances are better at promoting long-run economic development than government transfers or foreign equity. Remittances directly promote aggregate consumption and gross fixed capital production, according to an econometric research by Meyer and Shera (2017) that covers countries in Southeast Europe. Sekmen et al. (2025) and Olayungbo and Quadri (2019) noted that

remittance inflows also have a positive effect on banking sector liquidity ( $Z_x$ ) and act as a buffer for shocks to terms of trade ( $K_x$ ) unless there is poor governance leading to a misallocation of the capital inflows. Regional studies in East Africa by Gatugi (2021) and Kinyua (2021) found that diaspora inflows and real GDP development are cointegrated and have a positive relationship in the long term. Recent empirical studies in Kenya have revealed the positive and significant impact of personal remittances in the long-run production (Kipkoech, 2020; Mutai et al., 2025). Recent studies on regulatory considerations and exchange rate linkages suggest that remittances boost local liquidity, but they will be able to do their best with open financial markets and low transfer costs (Islam, 2024; Shaikh et al., 2025).

### Foreign Direct Investment Net Inflows and Economic Growth:

Foreign direct investments (FDI) net inflows can only value added development, if the economic stability of a country is good, and its infrastructure is also ready with high absorption capacity. Using threshold regression for 60 developing countries, Minh et al. (2023) demonstrate that there are structural thresholds to the level of domestic human capital and socio-economic openness of trade that result in potential positive FDI spillovers. Foreign direct investment (FDI) is found to have a positive impact on industrial production and diffusion of technology per Sarkodie & Strezov (2019); Gui-Diby (2014) have employed African panel data and have shown a positive long run effect of FDI. Nevertheless, there are complex short-term results from empirical research that have concentrated on East Africa. However, given the gestation period and high commercial interest rates (20%-25%) and political instability in the country, the immediate benefit of FDI in Kenya on economic growth is normally weak or statistically insignificant as observed by Nyamwena et al. (2022) and Mukabane and Aluoch (2025). This is a validation of more recent research findings that find short run net inflows to be accompanied by observed GDP gains, but gross FDI stock leads to incremental gains in productive capacity in the long run if they are backed up by monetary policies and stable regulatory frameworks (Mgbomene, 2024; Ojo, 2023).

### Summary of Research Gaps

There were three major holes in the research that related to methodology and empirical findings: First, previous studies in Kenya have mostly looked at diaspora remittances or foreign direct investment (FDI) on their own, without combining them into a single time-series model to study their dynamic interplay. Secondly, the direct impacts of major capital inflows may have been masked by other factors that measured capital outflows, such as personal remittances. Thirdly, structural changes in the economy of Kenya (2001–2023) associated with the Bottom-Up Economic Transformation Agenda (BETA) is yet to be sufficiently covered in the empirical literature. Our research made up these gaps by using the ARDL bounds testing method to specifically target received personal remittances and FDI net inflows.

### Methods

Study Methodology and Information Source

Research design in this research was Longitudinal time-series research with positivistic, quantitative, and correlational approach which involved 23 observations once a year (2001–2023). Secondary statistics at macro level were obtained from official repositories such as World Bank World Development Indicators (WDI), Central Bank of Kenya (CBK) and Kenya National Bureau of Statistics (KNBS). To make the time series accurate and to avoid errors due to sampling we employed a complete census for all of the 23 yearly observations.

### Operationalization of Variables

Table 1 provides an overview of the variables that were operationalised for an empirical estimate:

**Table1:Operationalization of Study Variables**

| Variable                                      | Type        | Operational Definition                                                                                 | Measurement                | Source     |
|-----------------------------------------------|-------------|--------------------------------------------------------------------------------------------------------|----------------------------|------------|
| <b>Economic Growth (GDP)</b>                  | Dependent   | Annual percentage expansion of real Gross Domestic Product at market prices in constant local currency | Annual % Rate              | World Bank |
| <b>Personal Remittances Received (LN_PRR)</b> | Independent | Total gross in bound financial transfers sent home by Kenyan diaspora, log-transformed                 | Natural Log (Current US\$) | World Bank |
| <b>Foreign Direct Investment(LN_FDI)</b>      | Independent | Net inflows of foreign equity capital, reinvested earnings, and long/short capital, log-transformed    | Natural Log (Current US\$) | World Bank |

### ARDL Model

An Autoregressive Distributed Lag (ARDL) bounds testing approach developed by Pesaran et al. (2001) was used to examine the dynamics of the process both in the short run and the long run cointegrating relationship between mixed orders of integration variables. The stationary points of the variables were assumed to be level I(0) or first difference I (1). The following is the defined broad conditional error correction equation that focuses on the major capital inflows:

$$\Delta GDP_t = \alpha_0 + \beta_1 \Delta GDP_{t-1} + \beta_2 \Delta LN\_PRR_{t-1} + \beta_3 \Delta LN\_FDI_{t-1} + \lambda_1 GDP_{t-1} + \lambda_2 LN\_PRR_{t-1} + \lambda_3 LN\_FDI_{t-1} + \psi ECT_{t-1} + \varepsilon_t$$

In this notation,  $\Delta$  represents the first difference (short-run dynamic) operator,  $\alpha_0$  corresponds to the constant,  $\beta_1$ ,  $\beta_2$  and  $\beta_3$  are the immediate impact (short-run dynamic) parameters,  $\lambda_1$ ,  $\lambda_2$  and  $\lambda_3$  are

their impact (long-run) counterparts,  $ECT_{t-1}$  is the Error Correction Term, measuring how fast the effects of a shock disappear after the long-run equilibrium is restored, and  $\psi$  is the adjustment parameter, which,

among the identified parameters, is expected to be negative and is of particular interest as it governs the speed of adjustment towards LTBE after a shock (thus quantifying the degree of persistence of such shocks).

## Results

### Descriptive Statistics

Personal Remittances Received (LN\_PRR) and

Foreign Direct Investment (LN\_FDI) were transformed using natural logarithms to reduce dispersion, but GDP was kept in annual percentage growth rates, in order to establish data distribution features. The descriptive data for the period 2001-2023 (23 years) is presented in Table 2).

**Table2: Descriptive Statistics (2001–2023)**

| Statistic    | GDP (Annual %) | LN_PRR<br>(Inbound<br>Remittances) | LN_FDI(Net Inflows) |
|--------------|----------------|------------------------------------|---------------------|
| Mean         | 4.703933       | 20.54207                           | 19.33447            |
| Median       | 4.993916       | 20.78494                           | 19.96768            |
| Maximum      | 8.058474       | 22.16490                           | 21.09516            |
| Minimum      | 0.232283       | 17.74566                           | 15.48371            |
| Std. Dev.    | 1.904029       | 1.301208                           | 1.593729            |
| Skewness     | -0.643648      | -0.922493                          | -0.808757           |
| Kurtosis     | 3.585931       | 3.110655                           | 2.613633            |
| Jarque-Bera  | 1.833744       | 3.131533                           | 2.535162            |
| Probability  | 0.399767       | 0.208928                           | 0.281512            |
| Sum          | 103.4865       | 451.9256                           | 425.3583            |
| Observations | 23             | 23                                 | 23                  |

Table 2 shows the relative stability of the macroeconomic conditions, with the occasional external shock and election cycle, as an average real GDP growth rate of 4.70%, and a standard deviation of 1.90%. Personal remittances received had a average value of 20.54 (in log terms) and a low standard deviation of 1.30, implying that personal remittances received is a reliable external cash flow. A mean net inward FDI of 19.33 was observed with the standard deviation of 1.59. A normal distribution was confirmed by all variables showing Jarque-Bera p-values greater than 0.05 (GDP p = 0.40; LN\_PRR p = 0.21; LN\_FDI p = 0.28).

### Correlation and Multicollinearity Analysis

Pairwise correlation analysis was undertaken to evaluate initial bivariate relationships, and to detect potential multicollinearity. Confirming the high effect of inward diaspora capital on national production,

personal remittances received (LN\_PRR) showed a moderately positive and statistically significant association with real GDP growth ( $r = 0.4427$ ,  $p = 0.0391$ ). There was a small positive correlation between Foreign Direct Investment (LN\_FDI) and GDP ( $r = 0.2614$ ,  $p = 0.2399$ ). A very significant positive relationship ( $r = 0.7907$ ,  $p = 0.0000$ ) was found between LN\_PRR and LN\_FDI. There was no appreciable multicollinearity because all correlation coefficients were less than 0.80.

### Unit Root Tests

To ensure that the integration of the I(2) series do not make the ARDL Bounds testing approach redundant. Augmented Dickey-Fuller (ADF) unit root tests have been conducted by using level I and first difference I(1). The outcomes of the unit root test are shown in Table 3.

**Table3: Augmented Dickey-Fuller (ADF) Unit Root Test Results**

| Variable                   | Level ADF | Prob.  | 1st Diff ADF | Prob.  | Integration Order |
|----------------------------|-----------|--------|--------------|--------|-------------------|
| <b>GDP Growth</b>          | -4.505759 | 0.0025 | —            | —      | I(0) Stationary   |
| <b>LN_PRR(Remittances)</b> | -2.239974 | 0.1988 | -4.504025    | 0.0021 | I(1) Stationary   |
| <b>LN_FDI(Net Inflows)</b> | -2.685914 | 0.0938 | -4.489302    | 0.0038 | I(1) Stationary   |

At level I(0), real GDP growth remained stagnant (ADF = -4.5058,  $p = 0.0025$ ), above the 5% critical criterion of -3.0300, as seen in Table 3. Conversely, the statistics of the first difference of I(1) LN\_PRR and LN\_FDI indicate that they are stationary without any unit root (ADF = -4.5040,  $p = 0.0021$  and ADF = -4.4893,  $p = 0.0038$ , respectively). The ARDL model is obviously the best since the set of the I(2) variables

is absent and the degree of integration is also mixed between I(0) and I(1).

#### **ARDL Bounds Test for Cointegration**

To test for the presence of a long run cointegrating relationship, ARDL Bounds testing approach is employed. Important data and the outcome of the Bounds test are shown in Table 4.

**Table4: ARDL Bounds Test Results for Cointegration**

| Test Stat          | Value           | Significance     | 10% Bound | 5% Bound | 1% Bound | Conclusion                   |
|--------------------|-----------------|------------------|-----------|----------|----------|------------------------------|
| <b>F-statistic</b> | <b>7.203175</b> | I(0) Lower Bound | 2.915     | 3.538    | 5.155    | Cointegration Confirmed      |
| k = 2, N= 20       | Case 2          | I(1) Upper Bound | 3.695     | 4.428    | 6.265    | F>Upper Bound ( $p < 0.01$ ) |

The ARDL Bounds test yielded an F-statistic of 7.203175 which is far higher than the upper limit critical value I(1) at all the significant levels (3.695 at 10%, 4.428 at 5% and 6.265 at 1%). An effective long-run cointegrating relationship among personal current remittances received by the recipient country, net FDI flows received, and economic development in Kenya was determined and the null hypothesis of no levels association rejected.

#### **Conditional Error Correction Model (ECM) and Dynamic Output**

The presence of cointegration was further established and the conditional error correction model was generated using the selected ARDL (1,0,1) specification. The result of the empirical regression is shown in table 5.

**Table5: Conditional Error Correction Model (ECM) Results (ARDL1,0,1)**

| Variable                                     | Coefficient | Std. Error | t-Statistic | p-Value          |
|----------------------------------------------|-------------|------------|-------------|------------------|
| <b>GDP(-1)[ECT<sub>t-1</sub>]</b>            | -1.166703   | 0.221697   | -5.262599   | <b>0.0001***</b> |
| <b>LN_PRR (Inbound Remittances) Long-run</b> | 1.766806    | 0.658207   | 2.684271    | <b>0.0170**</b>  |
| <b>LN_FDI(-1) (Long-run FDI)</b>             | -0.784651   | 0.484032   | -1.621071   | 0.1258 (ns)      |
| <b>D(LN_FDI) (Short-run FDI)</b>             | 0.281362    | 0.437838   | 0.642617    | 0.5302 (ns)      |
| <b>Constant (C)</b>                          | -15.99518   | 7.863577   | -2.034084   | 0.0600*          |

*Model Diagnostics:  $R^2=0.6594$ ; Adjusted  $R^2=0.5685$ ; S.E.of Regression=1.6577; F-statistic=7.2589( $p=0.0018$ ); AIC=4.0611.*

*Note: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.10$ , (ns) = not significant.*

An ECT<sub>t-1</sub> = -1.166703,  $p = 0.0001$ ) negative and statistically significant error correction term

coefficient was present at one per cent level. This showed that a such a dynamic adjustment mechanism worked well even in restoring the long-run equilibrium rapidly with 116.7% of short-run disequilibria being overdosed in a single yearly adjusting cycle due to external macroeconomic shocks.

When Personal Remittances Received (LN\_PRR) was included in both models (conditional ECM and full specification) it had a significant and positive impact on the growth rate of real GDP (with  $\beta$  of 1.7668 and p value of 0.0170, and  $\beta$  of 1.842 and p value of 0.0088, respectively). A 1% increase in personal remittances received resulted in the growth rate of real GDP increasing by 1.77% year-over-year. This was indicative that the funding of Kenya's development from its diaspora is a major motivator to development in Kenya.

Foreign Direct Investment Net Inflows had a statistically insignificant negative long-run coefficient (beta of -0.7847 with the probability of 0.1258) and a short-run connection with the beta of 0.2814 and the probability of being 0.5302. This indicates that though foreign equity may invest in the economy, due to the gestation period during the operation, high commercial interest rates (20%-25%) and absorption limit within the economy, stimulate GDP growth in near run by lesser extent.

#### Model Stability Tests

Post-estimation stability testing verified the statistical validity of the ARDL specification:

**Serial Correlation:** The Breusch-Godfrey test yielded an Observed R-squared of 0.8784 ( $p = 0.6445$ , F-stat = 0.2986,  $p = 0.7468$ ). Since  $p > 0.05$ , the null hypothesis of no serial correlation was accepted.

**Heteroskedasticity:** The Breusch-Pagan-Godfrey test recorded an Observed R-squared of 4.2264 ( $p = 0.3762$ , F-stat = 1.0048,  $p = 0.4357$ ). Since  $p > 0.05$ , the null hypothesis of homoscedasticity was accepted.

**Parameter Stability:** Cumulative Sum (CUSUM) and CUSUM of Squares (CUSUMSQ) plots remained within the critical 5% significance bounds, confirming structural parameter stability across the 2001–2023 period.

#### Discussion, Conclusion, and Policy Recommendations

##### Discussion of Findings

It is seen that personally remittances was significant, positive and large in improving the economic development of Kenya ( $\beta = 1.767$ ,  $p = 0.0170$ ) which can be explained by the Endogenous development Theory and the Pecking Order Theory. Inbound diaspora capital, which comes in form of a steady source of non-debt financing, allows households to accumulate greater disposable income, to pay for healthcare and education, and to establish micro and small businesses. Past studies by Eggoh, et al. (2019), Kinyua (2021) and Mutai, et al (2025) showed that remittances play a vital role in the aggregate production dynamics and financial deepening in developing countries. These findings strongly corroborate these conclusions.

On the other hand, systemic structural constraints had an impact on the domestic Kenyan economy as indicated by the non-significant short-run ( $\beta = 0.281$  and  $p = 0.5302$ ) and long-term ( $\beta = -0.785$  and  $p = 0.1258$ ) impact of FDI net inflows. Nyamwena et al (2022) and Mukabane and Aluoch (2025) agree that gestation periods are long in the bringing on board of foreign investments to ensure large-scale infrastructures and commercial sectors are operational. The large percentage of domestic commercial loans (20%-25%) which do not encourage the participation of domestic companies and technology absorption, foreign investment does not immediately translate into quantifiable enhancements of the gross domestic product.

##### Conclusion

This research reports that Kenyan personal remittances is one of the important ingredients underlying the country's economic success as it offers local economic actors access to unconstrained capital. FDI net inflows help to increase gross capital creation, and have a direct growth enhancing impact right away, if there are no structural frictions and the country faces no absorption restrictions. To fully utilize foreign capital, a proper policy package is needed to convert the diaspora remittances into remunerative and productive national investment assets and enhance the absorptive capacity to the local based industries be strengthened by focused policy interventions.

### Policy Recommendations

The research provided three important policy suggestions that are in accordance with Bottom-Up Economic Transformation Agenda (BETA) in Kenya, based on the empirical results):

- 1. Securitization of Diaspora Remittances:** The State Department for Diaspora Affairs, the National Treasury and the Central Bank of Kenya (CBK) should collaborate through setting up investment schemes and special Diaspora Infrastructure Bonds. BETA securitizations of inward remittances will channel remittances from informal transfers to households to housing, agricultural reforms and national infrastructure projects.
- 2. Reduction of Cross-Border Transaction Costs:** CBK and authorities of the financial sector should ensure the integration of digital mobile money platforms and fintech channels to ensure that the remittance transfer costs can be lowered down from 3% average remittance transfer costs and net household receipts will be maximized. This is in accordance with Sustainable Development Goal (SDG) Target 10.c.
- 3. Enhancement of FDI Absorptive Capacity:** In order to minimize gestation lags of projects, maximize positive technological spillover from FDI, JSE and KenInvest should develop local linkage programmes for SMEs, reduce administrative costs and stabilize interest rates.
- 4. Recommendation for Further Research:** The result revealed a non-significant association between FDI and GDP growth in Kenya. Consequently, future research may need to examine the implications it has on various industries such as nutrition, manufacturing, financial service, energy, and ICT. Foreign investment's positive effects on productivity, capacity employment, local business growth, and productivity as well as its limited negative effects may be better understood using sector-specific research. Insights regarding the role of human capital and technology transfer may be explored in future research to note that, even though the FDI does not directly affect the economic growth in the initially, but it still has the ability to introduce knowledge, technology and better management practices. Such a study may help to provide a better understanding of foreign direct

investment (FDI) and its impact on the Kenyan economy.

The overall study further highlights the vital role of the study of the impact of institutional quality and investment climate on the effectiveness of foreign investment. The longer-term economic benefits of foreign investment can vary based on such factors as regulatory quality, government efficiency, infrastructure, openness and responsibility, and the business climate. The future studies could explore the differences between green field investments and mergers and acquisitions since they might have different impacts on business growth, employment, knowledge transfer, and productive capacity locally. It would be beneficial, therefore, to explore the relationship between foreign investment and local investment and the extent of attraction and repulsion of foreign investment to Kenya's economy.

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