

RESEARCH ARTICLE**Cross-Border Capital Inflows, Covid-19 Crisis and Living Standard in West Africa****Samuel Felix Okereke¹; Chinedu Onyia, PhD² & Eberechukwu Nkem Onodu³**¹*Department of Economics and Development Studies, Federal University Dutsin-Ma*²*Department of Banking and Finance, Enugu State University of Science and Technology, Nigeria*³*Department of Banking and Finance, Enugu State University of Science and Technology, Nigeria****Corresponding Author: Onyia, C. | Department of Banking and Finance, Enugu State University of Science and Technology, Nigeria****ABSTRACT**

The paper examined the impact of cross border capital inflow and covid-19 crisis on living standard in West Africa covering the period 2020-2021. The specifically investigated the impact of foreign direct investment and external debt investment on living standard in West Africa proxied by human development index (HDI) and the impact of covid-19 crisis on living standard in West Africa. The paper employed the panel fixed effect model for the analysis of the data and the result found that foreign direct investment has a positive and insignificant impact on living standard in the West African region. The study also found external debt having a significant negative impact on living standard in West Africa, while covid-19 confirmed cases significantly lead to a decline in living standard in the West African region for the period under study. The study suggests West African countries should minimize the external debts and rather push for more direct capital investments that will significantly impact on the living standard of the economies.

Keywords: *Cross-Border Capital; Foreign Direct Investment; External Debt; Covid-19 Crisis; Living Standard; West Africa*

Introduction

Global activities whether economical, political and health have been regarded as enablers of growth of any economy either advanced or less developed economy. This is poised on the waves of interdependence of economies via an increase in cross-border transactions in goods and services, natural resources, capital and labour. In the past decade, the process of global economic relations have accelerated as the use of improved digital technology and other innovations has grown exponentially, while a breakthrough in connectivity partly via the internet, has accelerated financial transactions across the globe (Abubakar 2008). This technological innovation across the globe has widened the production processes leading to increase internationalization of companies with establishments of affiliates to gain access to foreign markets and increase capital flow across borders (Eaton & Kortum, 2002). West African countries are not left out in

this inflow of intense global capital or financial movement, which is necessary for the region to achieve increased and sustainable economic growth and improvement in living standard.

However, instead of increased flow of foreign capital to the West African region, there has been decrease in such flows caused by poor economic outcomes and recently the corona virus outbreak. The first case of COVID-19 in West Africa was recorded in Lagos, Nigeria on 27 February 2020, and thereafter, other countries in the region began to report cases as well. As of August, 2020, the West African region recorded an estimated 136,800 confirmed cases of COVID-19 (World Health Organization, 2020). And as of June 2022, has confirmed 906 913 cases of COVID-19 with 12198 deaths and 883216 recoveries (WHO 2022), this number of positive cases represents 0.22% of the global total, **and 14% of the total cases on the whole of Africa** while the number of deaths represents 0.18% **at the global level**. The record indicate that the COVID-19 cases in West Africa have been low across the region when compared to the rest of Africa and the world for an area home to 30% of Africa's population.

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Beirne, Renzhi, Sugandi and Volz, (2020) opined that despite the low record cases and fatalities of COVID-19 in the West African region, shocks caused by the outbreak of corona virus pandemic in the late 2019 altered the flow of cross-border capital from one country to another, according to the (African Development Bank 2021) the outbreak of the COVID-19 pandemic affected the inflows of such capital across West Africa countries. The cross border private capital inflows to West Africa such as foreign direct investment has declined between 2019 and 2020, foreign direct investment to West Africa decreased to \$8,102 million in 2018 from \$10,112 million in 2017, it increased to \$10,863 million in 2019 before going down again to \$9,340 million in 2020. Though a slight increase is recorded in 2021, this cannot be compared to the inflows in previous years such as in 2013 with a value of \$14,217 million, (United Nations Conference on Trade and Development, 2021). Although the decline in external capital cut across all economies, there were variations between regions which spread across other African regions. North Africa had foreign direct investment inflows shrink by 26.1 percent to \$10.5 billion in 2020 from \$14.3 billion in 2019. It dropped to \$6.5 billion in 2020 in East Africa, a 3.9 percent decline from 2019. Central Africa was the only region to register an increase in 2020, with inflows of \$9 billion, up from \$8.5 billion in 2019 (UNCTAD 2021).

According to Beirne, Renzhi, Sugandi and Volz, (2020) this general decline in cross border capital flows was caused by the halting of production activities by many multinational and domestic companies including trade flows during the peak of the COVID-19 outbreak. Thus, one can infer that the decline in cross border capital inflows into West Africa added to the level of decline in government revenues in the region which is so crucial for such low-income countries that depends on them to argument their revenue. Overall, the decline in cross border capital inflow due to the outbreak of COVID-19 led to a significant increase of public deficit of the West African region. This was as a result of responses by governments to the COVID-19 outbreak causing addition expenditure with consequences on the level of public debt relative to GDP (OECD, 2020). According to African Development Bank (2021) the budget deficit of the whole West Africa region increased to 6.4 percent in 2020, up from 4.7 percent in 2019 and 2.9 percent in 2018, leading to economic recession in most major countries in the region including Nigeria.

Prior to the COVID-19 outbreak the region was already vulnerable to economic shocks due to poor undiversified economies and thus, most of the economies including Nigeria are entrapped by the vicious circle of poverty and are struggling with low living standard (Fagbemi & Bello, 2019). COVID-19 outbreak only exacerbated the poor economy performance of West African region which caused a fall in economic activity resulting in lower household income, exacerbating the incidence of poverty, and consequently affecting more than half of the households in the region (IMF 2021). Out of a total of 189 countries globally, apart from Cape Verde and Ghana which rank 126th and 142nd respectively, other West African countries take the rear when compared with other countries in the world with the lowest Human Development Index (HDI). Niger occupy the last place in the global HDI rankings with an HDI of 0.38, with Nigeria the region's leading economic power also having a weak HDI of 0.53 and ranks 158th out of 189 countries (UNDP 2021).

With the West African region facing adverse economic situations worsened by the COVID-19 outbreak, more capital deficit has been created and there is need to close these gaps which require more of the cross-border capital flows such as foreign direct investment, portfolio investments, remittances and others. This necessitated the reason for this study which aimed at examining the interactive impact of foreign capital inflow and COVID-19 outbreak on the living standard in West Africa covering the period 2019-2021.

Review of Related Literature

Conceptual Clarifications and Theoretical Background

Concept of Living Standard

United Nations Development Program (2016) defined living standard as a condition that describes people's choices regarding their living which is exhibited in form of human development. The study sees living standard as a single indicator which combines growth, income distribution, good health and poverty reduction. However, the study measures living standard using the human development index. Scholars have stressed that cross-border capitals drive innovations and help in the acquisition of new ideas which improves production, output, income distribution and improvement in living standard (James, McLoughin & Rankin, 2014).

Concept of Cross Border Capital

Cross-border capital is one of the major components of international financial integration or financial globalization borne out of global openness and interactions (James, McLoughin & Rankin, 2014). These interactions evolved since the 19th century and increased significantly in the decade before the global financial crisis followed by the corona virus pandemic. Cross border capital flows are external capital and investment resources that are transferred or established in a host nation to boost the existing production capacity (Omankhanlen, 2011). These resources generate a considerable impact on host nation's investment and capital base and assist the success of government policies of stimulating the productive base of the host country. These capital flows take the form of foreign direct investment (FDI), foreign portfolio investment (FPI), remittances, foreign debts or loans and other commercial loans and investments, (Obadan, 2004).

Theoretical Background

The Neoclassical and the endogenous theories described the theoretical background expressing the relationship between capital flows, natural disaster (shocks) and income distribution a component of living standard. Both theories opined that cross-border capital flows will make a major contribution to living standard to the extent that they will flow from capital-abundant industrialized countries to capital-scarce developing countries and spur improvement in nation's productivity.

The Neoclassical theory outlined labour, capital and technology as factors necessary for a growing economy but professed technology as an exogenous factor which determines growth. The theory explained that the accumulation of capital is important for growth which is necessary for long run improvement in living standard (which it termed per capita growth). This accumulation of capital augments the rate of technological progress, which comes from outside of the model, (Solow 1956). According to the neoclassical model, the impact of cross-border investments such as FDI on growth is identical to domestic investments. Solow showed in his model that with improvement in technological progress, there will be a tendency for capital-labour ratio to adjust itself through time in the direction of equilibrium ratio (Jhinghan, 2005). Although growth theories do not provide a clear view on the relationship between natural disaster and growth, but the traditional neoclassical theory related disasters to growth through by asserting that the destruction of capital stock due to natural disasters is unlikely to affect the rate of technological progress. The model assumes that higher capital depreciation due to this disastrous shock would improve short-run economic growth because technology will be updated, and any capital stock supply shock will gradually return to pre-disaster levels (Klomp and Valckx 2014).

On the other side, the endogenous growth theory come from the deficiencies in the neoclassical growth theory and is attributed to the intellectual works of (Romer 1986). The theory is termed the endogenous theory which hinged on the frequently observed flow of capital from poor to rich nations. The theory assumed that improvement in living standard or economic growth is generated through improvement in human capital by developing new forms of technology and an effective means of production, (Todaro & Smith 2011). Romer's endogenous growth theory assumes that cross-border capital flows lead to technological transfer which also raises the creation of new ideas which are essential for long run growth, implying that capital augmented with human capital in explaining a large part of the distribution of income and living standard across countries, (Todaro & Smith 2011). However, when related to disaster, the theory implied that disaster caused by the COVID-19 diseases weaken the flow of capital, accumulation of human capital and restrict the improvement of productivity.

Empirical Findings

Few studies have empirically investigated the relationship between cross-border capital flows and Covid-19 (as an aspect of shock) and their impact on indicators of living standard such as poverty, income distribution, consumption pattern and growth. In line with his, Hayakawa, Lee and Park (2022) investigated the influence of COVID-19 on bilateral foreign direct investment flows from 173 home to 192 host countries covering 2019 to 2021 base on quarterly data. The study employed the panel fixed effect method to analyse the data and found that the heterogeneous effects of COVID-19 impact on FDI by sector and entry mode. The study also found that COVID-19 infections in host countries negatively impact on FDI in the manufacturing sector, while home countries' COVID-19 infections have no significant impact on FDI. In the same direction Ogundipe, Fasola, and Ajayi, (2021) empirically studied the impact of Covid-19 pandemic on foreign direct investment in Nigeria covering the period third quarter of 2013 to third quarter of 2020. The study did a trend analysis and showed that there has been a decrease in the foreign direct investment inflows into Nigeria for the period under study. The study also established that the trend

of FDI and Covid-19 do not have a definite pattern to determine the effect of Covid-19 on FDI in Nigeria. Beirne, Renzhi, Sugandi and Volz, (2020) also studied the reaction of global financial markets and capital market dynamics during the COVID-19 outbreak across 38 economies and 14 emerging markets in Asia and Europe. The study used daily data from 4th January 2010 to 30 April 2020 and adopted a panel fixed effects method and a structural VAR framework to analyze the data. The result of the analysis found that emerging markets were mostly affected than advanced economies, more especially, emerging economies in Asia and Europe felt the noticeable and significant impact on stocks, bonds, and exchange rates due to COVID-19, in addition to sudden and huge capital outflows.

In addition to studies focusing on FDI (indicator of international capital flows), studies have also examined the impact of other indicator of cross-border capital – debt investments on living standard. Arshed, Nasir and Saeed (2022) investigated how external debt investments impact on living standard in the long run and short runs for 23 high indebted Asian countries from 1980–2020. Using Two-Step panel quantile Autoregressive Distributed Lag model, the study found that external debt adversely affects standard of living for the countries beyond the estimated threshold. Nwafor (2022) examined the impact of components of external finance such as remittance, FDI, debt stock and ODA on standard of living in Nigeria. The study found that remittance, external debt stock, foreign direct investment and official development assistance significantly and positively impact on standard of living of average Nigeria citizen.

Empirical studies have also focus only the relationship between components of cross-border capital flows and indicators of living standard. Mbang (2022) examined how one of the elements of cross-border capital, foreign direct investment affect human development index an indicator of living standard in Cameroon using data from 1995 to 2019. Using the Autoregressive Distributed Lag model (ARDL) and the Vector Error Correction Model (VECM), the study reported that in the long term, there is a positive relationship between the two variables, which is simply justified by the fact that trade opening strengthens access to larger markets and thus contributes to the HDI. This scenario offers wider consumer ranges and it could likely, therefore, help to attract more multilateral companies; in the short term, however, the relationship between the two variables is negative.

Similarly, Chinyere, Christian, Ogbonna and Igwe (2021) investigated the link between foreign direct investment and poverty in Nigeria from 1981 to 2018. In analyzing the study the authors employed the Vector Error Correction method and the result showed that FDI significantly result in poverty reduction in the long run but not in the short run. Siddique, Hasan, Chowdhury, Rahman, Raisa and Zayed (2021) investigated the relationship between cross-border capital and healthy living in Bangladesh from 1980 to 2018 using the Auto-regressive Distribute Lag (ARDL) model for the analysis. The study revealed that foreign direct investment used to proxy cross-border capital relate significantly positive to healthy living.

In the same direction, Le, Do, Pham and Nguyen (2021) investigated the impact of foreign direct investment on inequality of income in Vietnam. The study adopted the two-step GMM model and found that FDI tends to increase income inequality in Vietnam. It also showed the presence of a non-linearity nexus between FDI and income inequality and reported that the there are differences on impact of international capital flow via FDI impact on income inequality based on the level of education and institutions of the host provinces in Vietnam. Olowookere, Olowo, Mabinuori and Aderemi (2020) examined the impact of different components of cross-border capital inflows on poverty reduction in Nigeria from 1990 to 2019 using the fully modified ordinary least square and Granger causality technique of estimation. The result of the study showed that there is a unidirectional causality flowing from poverty reduction to a component of cross-border capital-foreign direct investment, granger causality between poverty reduction granger causes foreign portfolio investment. It also reported a feedback causality relationship between poverty reduction and remittances. This implies that poverty reduction is a strong factor causing the inflows of cross-border capital such as FDI, FPI and remittances in Nigeria, and majority of these cross-border capital inflows contributed to poverty reduction in Nigeria.

Moreover, Gökmenoğlu, Apinran and Taşpınar (2018) examined the relationship between cross-border investment flow such as (FDI) on living standard proxied by school enrolment, life expectancy at birth, and gross national income in Nigeria from 1972–2013. The Toda-Yamamoto test results showed long-run bidirectional causality between FDI and life expectancy at birth, and a unidirectional causality from FDI to gross national income. The result also indicated that FDI has a significant impact on the HDI in Nigeria during the sample period. Magombeyi and Odhiambo (2017) also investigated the direct impact of foreign private capital inflows on household consumption expenditure, infant mortality rate, and life in South Africa from 1980 to 2014. The study adopted the Autoregressive Distributed Lag approach which revealed that foreign private capital inflows has positive impact on

infant mortality when it is used as a proxy for poverty reduction in the long run proxy and a negative impact in the short run. It also reported that foreign private capital investment has no relationship with household consumption expenditure and life expectancy which are measures of living standard.

Studies have also examined how COVID-19 affected living standards in some countries. Bukari, et al. (2021) using a micro-level evidence examined how COVID-19 affects poverty and living standards on 3,905 households in Ghana. The study also investigated the class of persons that were mostly hit by the pandemic within the income distributions. The study used the ordinary least squares, probit model and simultaneous quantile regressions and the results found that the corona virus pandemic had significantly increased the poverty levels of households while deteriorating living standards. The result also showed that gender and locational heterogeneities exist regarding the impact of COVID-19 with females and rural dwellers mostly affected. The simultaneous quantile regression result revealed that the middle and upper classes are seriously affected when compared to those in the lowest class in terms of overall household consumption. Iyoboyi, Okereke and Muftau (2021) investigated the impact of Covid-19 uncertainty on poverty in Africa, using cross sectional data for 2020 and the Ordinary Least Squares technique. Result of the study found that Covid-19 uncertainty has a significant impact on multidimensional poverty index and declining living conditions. Summarily, the study revealed that uncertainty, unemployment, insecurity and macroeconomic instability are the factors causing poverty in Africa.

From the studies reviewed few studies have empirically examined the impact of cross-border capital flows and Covid-19 shocks on living standard in West Africa. Most of the studies that focused on a component of cross-border capital flows and Covid-19 were country specific studies but did not focus on West Africa. Ogundipe, Fasola and Ajayi, (2021) and other studies studied the impact of Covid-19 pandemic on components of cross-border capital as a country specific study but did not extend the impact on living standard. Thus, this study contributes to literature by examining the impact of cross-border capital flows and Covid-19 shocks on living standard in West Africa. In addition, most studies on living standard especially in West Africa used variables such as GDP per capita to measure living standard, using income or GDP per capita as a measure of welfare only counts for the value of tangible goods produced but does not measure general wellbeing attainments in education and health. These are addressed by the using the human development index which is used as in this study to measure living standard. Moreover, it employed data covering the period 2020 to 2021, extending the data to 2021 is important as it reflects the recent developments in the West African region.

Methodology

Theoretical Framework

The theoretical framework is hinged on the neoclassical growth model which asserts that foreign capitals augment the size of the domestic capital stock and boost growth and living standard, (Solow 1956). The model further related disasters to growth by pointing out that the destruction of the flow of capital stock as a result of shocks caused by natural disasters leads to improvement in short-run economic growth and eventually on living standard. The improvement in growth and welfare is the disaster cause technology to be updated, (Klomp and Valckx 2014).

Model Specification

The study involves observations that are cross-sectional in nature and in time-series, which requires that the individual countries may have qualities that are peculiar with them of which the effects may be across time. These effects are of unobserved heterogeneity which can either be assumed to have random-effects or fixed effects, forming models that of random effects and fixed effects. The models provide methods that deal with distortions and inconsistent estimates, however, the study employed fixed effect model which handles unobserved heterogeneity effects and allow the country or time-specific effects to relate with the independent variables but does not allow the estimation of the time-invariant coefficients. The functional form of the fixed effect model is specified as:

$$Y_{it} = \beta_1 X_{it} + \alpha_i + \mu_{it} \dots\dots\dots 1$$

Where

α_i ($i = 1 \dots 16$) is the unknown intercept for each country.

Y_{it} is the dependent variable (HDI) where $i =$ country and $t = 2$ years.

X_{it} represents independent variables.

β_i is the coefficient of the independent variables.

μ_i is the error term.

Using data for 16 West African countries, the study employed panel data from 2020 and 2021 and the panel fixed effect technique. Equation 1 is modified to include, COVID-19 infections and other variables affecting living standard in West African countries.

$$HDI_{it} = \alpha_{it} + \beta_{1i}FDI_{it} + \beta_{2i}\log DEBT_{it} + \beta_{3i}\log COVID_{it} + \beta_{4i}\log INCOME_{it} + \beta_{5i}INF_{it} + \beta_{6i}\log EXCH_{it} + \mu_{it} \dots\dots\dots 2$$

Where $i = 1, \dots, 16$ for each country in the panel and $t = 1, \dots, 2$ refers to the time period. The parameters α_i is as defined in equation 1 which allow for the possibility of country-specific fixed effects. HDI= human development index, taken from the UNDP database; FDI = is foreign direct investment (as % ratio of GDP) taken from UNCTAD database; $\log(DEBT)$ = log of total debt outstanding (current US\$); $\log(INCOME)$ = GDP per capita at constant 2015US\$; INF = inflation rate (%); all from WDI; LCOVID=log of COVID-19 confirmed cases from WHO covid-19 data. Both The natural logarithm of income, debt, covid-19 cases and exchange rate were used for estimation in order to address issues of heteroskedasticity and to standardize the scaling of the data.

Estimating Technique

Due to nature of the time frame (2 years) covered in the study it became inappropriate to conduct the stationary test in panel data. The estimation started with the estimation of the panel fixed effect and random effect models followed by the Hausman test to determine the model to estimate. The Hausman test is based on the hypothesis that there is difference in coefficients not systematic.

Results

Table 1: Presentation of the Descriptive Statistics of the Data

	<i>HDI</i>	<i>FDI</i>	<i>LCOVID</i>	<i>LDEBT</i>	<i>LEXCH</i>	<i>LINCOME</i>	<i>CPI</i>
<i>Mean</i>	0.510281	3.409656	9.613005	3.717437	5.879747	6.962485	5.980813
<i>Median</i>	0.505500	2.311500	9.578776	3.688879	6.318122	6.793898	3.882000
<i>Max</i>	0.665000	12.50800	12.39468	4.927254	9.253345	7.965608	16.95300
<i>Min</i>	0.394000	-0.829000	7.569928	2.829678	1.721873	6.242321	0.438000
<i>Std. Dev.</i>	0.066761	3.408510	1.267364	0.451425	1.829776	0.570052	4.851701
<i>Skewness</i>	0.610389	1.293259	0.276911	0.775691	-0.201238	0.388886	0.909189
<i>Kurtosis</i>	3.176252	3.904313	2.223241	3.921995	3.441157	1.743839	2.600390
<i>Sum</i>	16.32900	109.1090	307.6162	118.9580	188.1519	222.7995	191.3860
<i>Sum sq.dev</i>	0.138168	360.1561	49.79257	6.317333	103.7904	10.07375	729.7092
<i>Obs</i>	32	32	32	32	32	32	32

Source: Authors computation using Stata 13

The mean and median of all the variables are positive with that of confirmed cases of COVID-19, income, exchange rate and inflation high than others. Also, the sum of the variables and their mean value showed that covid-19 confirmed cases; income, exchange rate and inflation have high values higher than others.

Table 2: Hausman Test

	<i>Coefficients</i>			
	(b) fe	(B) Re	(b-B) Difference	Sqrt(diag(v_b_V-B)) S. E.
<i>FDI</i>	0.0007133	-0.0001596	0.0008729	
<i>Log(DEBT)</i>	-0.0351399	0.0032556	-0.0383954	0.0071829
<i>Log(COVID)</i>	0.0058899	0.0007172	0.0051727	0.0017704
<i>Log(INCOME)</i>	-0.0855238	0.0804694	-0.1659932	0.2153823
<i>Log(EXCH)</i>	0.2141133	-0.0115159	0.2256292	0.0861433
<i>CPI</i>	-0.0013637	0.0002866	-0.0016503	0.0003479

Source: Authors Computation using Stata 13

b = consistent under Ho and Ha; obtained from xtreg

B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(6) = (b-B)'[(V_b-V_B)^(-1)](b-B) = 385.24

Prob>chi2 = 0.0000

The hausman test tests the null hypothesis that the coefficients estimated by the efficient random effects estimator are the same as the ones estimated by the consistent fixed effects estimator. If they are (insignificant P-value, Prob>chi2 larger than .05) then it is safe to use random effects. If you get a significant P-value, however, you should use fixed effects. The hausman test in table 2 show, P- value = 0.0000. Since the null hypothesis (Ho) is rejected then the fixed effect result is accepted and then interpreted.

Table 3: Estimated Fixed Effects and Random Effects Results

Variable	Fixed Effects model				Random Effects model			
	Coefficient	Std.error	t-value	Prob.	coefficient	Std.error	t-value	Prob.
Constant	-0.073458	1.543037	-0.05	0.963	-0.002441	0.141867	-0.02	0.986
FDI	0.000713	0.001030	0.69	0.504	-0.000159	0.001110	-0.14	0.886
Log(DEBT)	-0.035139	0.015833	-2.22	0.051	0.003255	0.014110	0.23	0.818
Log(COVID19)	-0.005889	0.002776	-2.12	0.060	0.000717	0.002138	0.34	0.737
Log(INCOME)	-0.085523	0.216101	-0.40	0.701	0.080469	0.017617	4.57	0.000
EXCH	0.214113	0.086316	2.48	0.033	-0.011515	0.005464	-2.11	0.035
CPI	-0.001363	0.001101	-1.24	0.244	0.000286	0.001044	0.27	0.784
	Prob>F	0.0543			Prob>chi2	0.0000		
	R-sq	0.4217			R-sq	0.7540		

Source: Authors computation using Stata 13

The hausman test in table 2 revealed the estimation and interpretation of the fixed effect model. As shown in table 3, the fixed effect result revealed that foreign direct investment, one of the indicators of cross-border capital inflow into West Africa has a positive but insignificant impact on living standard for the period covered in the study. This implies that foreign direct investment did not contribute to the living standard situation in West African countries for the period of study. The positive relationship between FDI and HDI (a measure of living standard) found in this study is in agreement with previous findings made by (Mbang 2022) and (Siddique, Hasan, Chowdhury, Rahman, Raisa & Zayed, 2021). Mbang (2022) reported a positive relationship between FDI and living standard proxied by human development index (HDI) in Cameroun in the long run, while (Siddique, Hasan, Chowdhury, Rahman, Raisa & Zayed, 2021) revealed that FDI used to proxy cross-border capital relate significantly positive to healthy living.

However, the result found that when the cross-border capital takes the form of external borrowings or debt it has a significant and negative impact on living standard in West Africa. A percentage increase in external borrowings or debt increases living standard in West Africa by 3 percent. This means external capital that flows into West African countries through borrowings or debt adversely affects the living standard conditions in West Africa. This outcome is not far from the reality and expectations in West Africa where majority of the countries have huge public debt which have affected economics situations in the countries. This outcome corresponds with the finding of (Arshed, Nasir & Saeed, 2022) who has previously reported that external debt adversely affects standard of living

The result also revealed that confirmed cases of COVID-19 have a negative significant impact on living standard in West Africa for the period under study. A percentage increase in the confirmed cases of COVID-19 diseases stirs up about one percentage decline in living standard in the West African region. This finding is in agreement with Bukari, et al. (2021) who found that the corona virus pandemic had significantly increased the poverty levels of households while deteriorating living standards in 3,905 households in Ghana.

Conclusion and Policy Recommendation

The paper examined the impact of international capital inflow and covid-19 crisis on living standard in West Africa covering the period 2020-2021. The paper used foreign direct investment and external debt investment as proxy for cross-border capital, while covid-19 was measured using confirmed cases of covid-19 and the proxy for living standard is the Human development index (HDI). The paper employed the panel fixed effect model for the analysis of the data and the result made the following findings; foreign direct investment has a positive and insignificant impact on living standard in the West African region. External debt has a significant negative impact on living standard in West Africa, while covid-19 confirmed cases significantly lead to a decline in living standard in the West African region for the period under study. The study suggests West African countries should minimize the

external debts and rather push for more direct capital investments that will significantly impact on the living standard of the economies.

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