

**EFFECTIVENESS OF EXCHANGE RATE POLICY  
ON MACROECONOMIC PERFORMANCE IN  
NIGERIA (1970-2020)**

**BY**

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## **CERTIFICATION**

I certify that this work titled “EFFECTIVENESS OF EXCHANGE RATE POLICY ON MACROECONOMIC PERFORMANCE IN NIGERIA” was submitted by Prosper Etimbuk Eldad with the matriculation number 18020301012 to the Department of Economics, Mountain Top University, Ogun State, Nigeria.

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## **DEDICATION**

This project is dedicated to God the Almighty, who has enabled me to accomplish it, and to my family, who have not only supported me but have undoubtable faith in me always.

## **ACKNOWLEDGEMENTS**

I thank the Almighty God for enabling me to complete this project since I could never have done it without him. May his name be exalted for all eternity. My profound gratitude is extended to my wonderful parents, Mr. and Mrs. Prosper, for their support and affection.

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Prosper Etimbuk Eldad

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## **ABSTRACT**

The purpose of this study is to examine the effectiveness of exchange rate policies on macroeconomic variables in Nigeria, specifically, balance of payments, economic growth, and inflation rate, and also to ascertain specifically which one of the exchange rate policies is significantly effective to drive macroeconomic performance in Nigeria (1970-2020). Information was gathered from secondary sources, including the World Bank Indicator (WDI) and the Central Bank of Nigeria (CBN). Real gross domestic product, exchange rate policy, exchange rate, foreign direct investment inflow, money supply, inflation rate, and human capital and importantly, the exchange rate policy was captured using a dummy variable. In order to achieve the three specific objectives, the study employ Ordinary Least Square (OLS) method, Autoregressive Distributed Lag (ARDL), Augmented Dickey-Fuller (ADF), Unit Root test, and F- statistics bound test. Results found that the flexible exchange rate has a negative impact on the balance of payments as well as a negative impact on Nigeria's economic growth, whereas the fixed exchange rate policy has an insignificant negative impact on the balance of payments with a slightly better overall result and a positive impact on Nigeria's economic growth. Therefore, the study recommends the monetary authorities should place greater emphasis on the fixed exchange rate policy than the flexible exchange rate policy due to its overall and long-term impact on macroeconomic performance factors including economic growth and the balance of payments.

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