INFLATION, PRICE STABILITY AND FOREIGN INVESTMENT IN NIGERIA: THE NECESSITY OF FOREIGN EXCHANGE (DOLLAR) RATE UNIFICATION

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ABSTRACT

Foreign exchange rate is a significant determinant of pace of economic activities in developing countries that depend on importation and foreign investment. This study is an investigation into the effect of foreign exchange rate unification on inflation, price stability and foreign investment. The study adopted a survey approach. Primary data was collected using questionnaire. The study employed PLS-SEM to examine the impact of foreign exchange rate unification on inflation, price stability and foreign investment. The study found that inflation, price stability and foreign investment are all influenced by exchange rate unification. The study concludes that exchange rate unification has adverse impact on price stability, highlighting the presence of short-term difficulties during the transition period. The study recommends that punitive measures and strict political discipline must be exercised to check unethical practices that may undermine the primary objectives of foreign exchange rate unification.

Keywords: Foreign exchange rate unification, inflation, foreign investment, price stability

INTRODUCTION

Unification of exchange rate is predicated on existing fiscal distortions, uncertainties, apparent multiple exchange rate complexities and other corrupt practices in the financial and banking sectors of the economy (Gray, 2021). The central objective of foreign exchange unification is to provide a single window for investors to access foreign currency in the expectation that transparency of operations will be displayed by sellers and financial authorities.

Economic activities in Nigeria are anchored on the rate at which Nigeria's Naira is exchanged for the US Dollars (Hassan et al., 2023). The Naira-Dollar regime has been in effect for over three decades with fluctuations mostly in favour of the US Dollars. The Dollar has had significant negative impact on people's purchasing power against the dwindling value of the naira in recent times. The resulting effect has been a continual inflationary trend, reduction in investment and consistent fall in the country's foreign reserves.

Arbitrage and rent-seeking are made possible by multiple exchange regime and rates that significantly affect the mechanism for managing exchange rates, making it much less likely that access to official and lower rate would be determined by empirical data and national priorities. It was built on patronage and served as a foundation for corruption. It is important to remember that businesses and individuals who use the official exchange window benefit from a subsidy not offered to competitors. This discrimination violate the rights to equality before the law and equal protection under the law guaranteed by the constitution.

Exchange Rate Unification refers to the process of merging different exchange rates for the Nigerian currency, the Naira, into a single unified rate. Historically, Nigeria had multiple exchange rates, which led to various challenges and inefficiencies in the economy. The multiple exchange rates include the official rate, the interbank rate, SME rate and the parallel market rate. The official rate was often lower than the other rates and was primarily used for government transactions and selected sectors. The interbank rate was used by banks for foreign exchange transactions, while the parallel market rate, also known as the black market rate, was determined by supply and demand in unofficial currency markets. The unification process however merged these multiple exchange rates into a single rate. This is typically achieved by allowing market forces to determine the exchange rate, with the central bank intervening as necessary to maintain stability (Nairacompare, 2023).

Foreign investors struggle to convert earnings or repatriate profits because of limitations and fluctuating exchange rates. Foreign direct investment, which is essential for job creation, technology transfer, and overall economic development, has been deterred by this lack of clarity and openness. Multiple exchange rates have also increased uncertainty for both individuals and corporations. For operations to be planned, investments to be made, and risks to be managed, businesses need stable and predictable exchange rates. Multiple rates, however, have made it challenging for them to manage their foreign exchange risks, price their goods and services, and effectively estimate expenses.

The federal and state governments are highly indebted to foreign creditors, therefore more naira must be set aside by governments to service these loans. Another disadvantage is the increased Naira value of foreign debts. Additionally, affected businesses include those who have taken out loans from overseas lenders. Second, given that Nigeria's economy is import-dependent, any goods and services that were initially financed by the more favorable exchange regime and imported into the nation will now be expensive since more Naira will be required for their purchase.

Another significant issue is the lack of immediate source of expanding foreign exchange supply when taking into account the outstanding unmet foreign exchange demand, related liabilities, and projections for future foreign exchange. In the present context, there is a risk that the market may promote free fall of the naira, which might cause the currency to depreciate to unanticipated levels, exacerbate price instability, fuel inflation, and cause economic uncertainty. Preemptive mitigation of the consequences of uncontrollable financial fall is therefore imperative.

Prior to the Nigerian government’s June, 2023 announcement of migration to a single window exchange system, multiple exchange operations characterized the financial market. This system was fraught with corruption, arbitrage, and rent-seeking. Foreign currency was purposely hoarded, creating artificial scarcity and price increase. In expectation of dollar availability, financial experts therefore proposed unification and stabilization of the foreign exchange market.

This study is aimed at providing insight into perceived benefits and challenges that might be the outcome of migration to a single window of foreign exchange operations. It is a contribution to empirical knowledge as well as an attempt to motivate informed thoughts in the direction of an articulate foreign exchange policy. Diverse stakeholders are affected by the challenges of foreign exchange operations in Nigeria. The main aim of this study is to examine the effects of unification of foreign exchange rates on inflation, price stability and foreign investment in Nigerians.

LITERATURE REVIEW

Theoretical Framework

Stable foreign exchange is recognized as a significant factor and a prerequisite for foreign trade as well as motivation for investment. However, failure to understand the theoretical premises of foreign exchange stabilization and behaviour finance does not only disrupt the structure of trade, but results in currency devaluation and disincentive among investors. Some theoretical insight is provided to underpin the concepts of exchange rate unification. In view of the clarification that theories offer, focus is given to the theory of risk-based exchange rate stabilization, purchasing power parity theory and public-choice theory. Each of these theories has a strong linkage with foreign exchange management and its impact on economic activities as well as the people's welfare.

Theory of risk-based exchange rate stabilization

Theory of risk-based exchange rate stabilization (Hassan *et al*., 2023) analyses the need to make firms investment-attractive for local and foreign investors through the intervention and actions of economic policy makers (Hassan *et al*., 2023). The theory specifically attempts to show that economic policies crafted to induce currency appreciation when foreign investors' marginal utility is high tend to reduce expected rate of returns on national currency and push up domestic firms' market value. This economic logic is in application to stabilize exchange rate.

Economically weaker countries that are largely characterized by structural imbalances and non-convertible currency, drive efforts at stabilizing their exchange rates in relation to currencies of economically stronger countries (Dominguez, 2019). The objective of stabilization within the ramification of the theory is that weak economic condition increase capital accumulation and wages at the domestic level. The handling of Nigeria's currency against the US dollar in the recent single window policy of the government is in light of the risk-based exchange rate stabilization theory. Endogenously, the US dollar has emerged overtime as Nigeria's anchor-trading currency, dominating the Naira value concurrently.

Purchasing Power Parity Theory

International trade and investment bring foreign exchange to the fore of government policy-making mechanism. A series of foreign exchange theories help researchers' understanding and exploration of the complexities and forecasting probabilities of exchange rates determination. For Nigeria, at a critical stage of economic difficulties, all stakeholders, to a large extent, hold a degree of purchasing power. Hence, the theory of purchasing power parity is plausible. The theory illuminates the link between exchange rates and general price level across markets (Taxmann, 2021). Certain variables impinge upon economic behaviour of individuals and firms. These are inflation and price movement. Theory of purchasing power parity significantly addresses the relationship between inflation and exchange rate. These two variables, if uncontrolled, inevitably stir inflation and affect purchasing power negatively, thus necessitating intervention (CBN, 2016).

Empirical evidence suggests that change in general price levels necessitate adjustment in nominal interest rate (Fernandez *et al*., 2015). However, the pace of adjustment is a function of availability and appropriateness of information provided, as well as behaviour of actors in the financial market (CBN, 2016). Suffice to stress that proportionality plays a critical role in interest rate adjustment. That is, the proportion by which nominal interest rate is at variance with inflation rate is a critical factor in the determination of adjustment. Further, economic strength is determined significantly by strong institutions, and adherence to principles of transparency. As a consequence, stabilization of exchange rate and a currency, itself depends on volume and quality of reserves (Domanski *et al*., 2016).

Public-choice Theory

The rationale for choice of Public-choice theory is Nigeria's political and socio-economic nature. Given the preponderance of corruption in the public space, and the systemic apathy to public policies, plausibility of applying the theory is all too substantive. Public-choice theory is alternatively labeled new approach to political economy. The approach sees government as weak and incapable of doing anything right, given the level of human corruption in society.

The theory assumes that policy-makers and administrators of public enterprises solely from a self-interest perspective, using their power and authority of government for their own selfish ends (Todaro & Smith, 2011). It is presumed from traditional deviant practices in developing countries that privileged individuals use political influence to obtain gains from public policies, while indirectly denying the general public from the benefits of state policies (Ilter, 2018).

In the main, politicians and few influential individuals consolidate their positions by means of government policies. Their self-serving interests tend to negate the primary objective of state economic policies, thus eventually derailing the socio-economic intentions of government. There is therefore a link between this behaviour and the intentions of government with the single window under investigation.

Evidence from political occurrence in Nigeria shows that government policies hardly achieve the objective for which they are designed, owing principally to corruption, lack of political will, and divergence of understanding between policy formulators and implementers (Dada, 2023). Reforms in Nigeria's financial sector have not consistently yielded expected results (CBN, 2016). Going by antecedents, the new direction for a single window foreign exchange operation may not yield a different result. However, results are inconclusive until more empirical evidence and case studies emerge.

LITERATUR REVIEW

Concept of Foreign Exchange Rates Unification

Unified exchange rate regime is an economic agent that enhances liquidity in the foreign exchange market and has the potential to reduce uncertainty in the market. Consequently, it boosts investors' confidence as a transparent mechanism for foreign currency allocation. There is evidently minimal discretion in the allocation of foreign exchange, which also tends to reduce vulnerability to corruption in the process. Strong commitment to the regime closes the gap that may permit round tripping and sharp practices. Foreign exchange experts tend to see some economic prospects laden in the regime. They agree that it would increase disclosures in relation to export proceeds and compliance with non-oil export declarations, especially the non-oil export documentation.

The essence of unification is to absorb foreign exchange parallel market, streamline market fragmentation and eliminate inefficiencies associated with the financial market (Gabaix & Maggiori, 2015). Unification of a foreign exchange regime assumes the form of a fixed uniform peg, which is determined by interactive forces. Developing countries have mostly been found applying foreign exchange pegging, but with difficulties. Nevertheless, there are still traces of leakages melting out of the system. It is presumed that unification (all things being equal) will maximize gains from efficiency. This implies that unification will drive efficiency (de la Torre & Ize, 2014).

Foreign exchange rate unification is also assumed to possess the ability to stabilize the local currency and curb rising inflationary trends. There are conflicting statistics about the rate of inflation in Nigeria, but evidently the rates fluctuate more inconsistently. According to the National Bureaus of Statistics (2023), the rates staggered between 22.2 per cent and 22.04 per cent in the first quarter of 2023.

A unified exchange rate will create a more stable economic environment and reduce uncertainties for businesses, both domestic and foreign, by providing clear and consistent exchange rate for transactions. Such stability will also enhance investors' confidence, encourages foreign direct investment and stimulate economic growth (Bujeti, 2023). Further, exchange rate unification enhance macroeconomic stability by reducing exchange rate volatility and promoting confidence in the Nigerian economy. It attracts foreign investment, encourages capital inflows, and supports economic growth.

Foreign exchange rate unification and inflation

Inflations centres on the frequency of price increases without a corresponding increase in the volume of goods and services. Inflation is observed to be evident when goods and services become expensive over a period without any observed increase in consumers' purchasing power or income (Oner, 2017). Uncontrollable factors such as scarcity of production materials may result in inflation as much as a situation in which demand outstrips supply of goods, further resulting in a continuous rise in the prices of goods (Farid *et al*., 2012).

Inflation forces the purchasing power of the currency to fall during the period of incidence. However, foreign exchange rate unification curb inflation by stabilizing the local currency. Therefore, we hypothesize that:
H_1: Unification of foreign exchange rate has no significant effect on inflation in Nigeria.

Foreign exchange rate unification and price stability
Price stability is critical to economic sustainability. It maintains a link with purchasing power and inflation. Consumers generally experience impact of price stability when viewed from domestic currency perspective (Agosin & Meyer, 2000). Price stability is the state in which the national currency maintains its purchasing power, given that inflation remains stable and low (Castaned & Wood, 2011).

It is measured by using consumer price index over a period of time. Where the general prices of goods and services neither increase nor decrease over time in the absence of inflation or deflation, then the assertion can be made that price stability is in effect. There is a correlation between price stability and inflation, given that price stability is the aggregate rate of inflation overtime as reflected in the prices of essential goods and services (Ajayi, 2012). Accordingly, it refers to a relative certainty in price level and implies that inflation is either low or absent.

In lieu of the idea that foreign exchange rate unification maximize gains from efficiency (de la Torre & Ize, 2014) and is capable of stabilizing local currencies and curb inflation; we hypothesize that:
H_2: Unification of foreign exchange rate has no significant effect on price stability in Nigeria.

Foreign exchange rate unification and Foreign Investment
Foreign investment is a type of business ownership stake in a foreign company. It is the commitment of funds by individuals into a project or company in a foreign country (Agosin & Meyer, 2000). Foreign investment is characterized by financial, material and human resources for productive purposes, but with specific objectives and goals. A direct link has been found between foreign investment and economic growth (Todaro & Smith, 2011). Foreigners invest in a country when they are confident that their investments will produce good yields.

A unified foreign exchange rate is a transparent mechanism for foreign currency allocation that boosts investors' confidence because it reduce vulnerability to corruption. A unified exchange rate also create a more stable economic environment and reduce uncertainties for businesses, by providing clear and consistent exchange rate for transactions (Claesseus & Ghosh, 2013). So, the stability that comes with unified foreign exchange rate enhance investors' confidence, encourages foreign direct investment and stimulate economic growth (Bujeti, 2023) because it engenders reduced exchange rate volatility and promotes confidence in the local economy. Thus, we hypothesize that:
H_3: Unification of foreign exchange rate has no significant effect on foreign investment in Nigeria.

METHODOLOGY

The research strategy employed in this study is the survey method. This choice was made since longitudinal surveys require a longer duration in comparison to cross-sectional surveys (Kothari & Garg, 2014). The study's population consisted persons residing in Lagos state, Nigeria. By means of questionnaire, primary data were obtained from sampled respondents in three locations namely, Ikeja, Alaba market, and Festac. The present study employed Partial Least Square Structural Equation Modelling (PLS-SEM) to examine the effect of exchange rate unification on price stability, inflation and foreign investment. Smart PLS3 aided the statistical analysis and test of hypotheses.

RESULTS AND DISCUSSION

Table 1: Construct Reliability and Validity (Measurement Model) n=151

Construct	Items	Loadings	AVE	CR
Unification of Foreign Exchange Rate	UFXR1	0.72	0.55	0.82
	UFXR2	0.73		
	UFXR3	0.77		
	UFXR4	0.76		
	UFXR5	0.81		
Inflation	INF1	0.78	0.59	0.81
	INF2	0.82		
	INF3	0.85		
	INF4	0.85		
Price Stability	PST1	0.72	0.58	0.78
	PST2	0.77		
	PST3	0.81		
	PST4	0.82		
Foreign Investment	FI1	0.71	0.53	0.76
	FI2	0.72		
	F33	0.72		
	F44	0.74		
	FI5	0.71		

Note: AVE represents Average Variance Extracted; CR represents Composite Reliability.

Table 1 presents the reliability and validity results of the constructs examined in the study. The assessment of the reliability and convergent validity of the constructs was conducted by employing the composite reliability and Average Variance Extracted (AVE) measures, as recommended by Garson (2016). According to Lee and Chen (2013), composite reliability coefficient should be equal to or greater than 0.7. Similarly, Garson (2016) suggests that the AVE coefficient should be equal to or greater than 0.5.

Hair *et al.* (2014) recommends that item loadings should exceed a threshold of 0.5. Table 1 displays the observation that all the items satisfied the minimum threshold for item loadings (0.5), composite reliability (0.7), and AVE (0.5). Hence, it can be inferred that the variables presented in Table 1 exhibited both reliability and convergent validity. The data were subsequently subjected to a discriminant validity test using the Fornell-Larcker criterion. The findings are displayed in Table 2.

Table 2: Discriminant Validity using Fornell-larcker criterion (n=151)

		1	2	3	4
1	Unification of Foreign Exchange Rate	**0.74**			
2	Inflation	0.57	**0.77**		
3	Price Stability	0.45	0.14	**0.76**	
4	Foreign Investment	0.56	0.11	0.08	**0.73**

Note: The bold diagonal numbers represent the square root of the AVE of each latent construct.

The study employed AVE measure to assess discriminant validity, using the Fornell-Larcker criterion. In order for discriminant validity to be established, it is necessary for the square root of the AVE to exceed the correlation between the AVE and other latent variables (Garson, 2016). The square root of the AVE for each latent construct is indicated by the bold numbers in Table 2. The square roots of the AVE for each construct exhibit larger values compared to their associations with other latent constructs. Based on the Fornell-Larcker criterion, it can be concluded that the data demonstrates discriminant validity. The study subsequently examined the hypotheses by employing a structural model and conducting bootstrapping on the samples 5,000 times.

Table 3: Direct Path Coefficient

Hypotheses	Relationship	Beta Value	Standard Deviation	T Stat	P Value	Decision
H_1	UFXR->INF	0.48	0.03	15.51***	0.00	Rejected
H_2	UFXR->PST	-0.37	0.05	-7.38***	0.00	Rejected
H_1	UFXR->FI	0.41	0.08	5.17***	0.00	Rejected

*** p< 0.01; **p< 0.05; *p <0.1

The analysis of Table 3 reveals substantial positive association between foreign exchange rate unification (UFXR) and the inflation rate (INF) in Nigeria, with a beta coefficient of 0.48 and a p-value of less than 0.01. Therefore, the null hypothesis H_1, which posits that foreign exchange rate unification has no substantial impact on inflation in Nigeria, is rejected.

Furthermore, Table 3 reveals a strong negative association between foreign exchange rate unification (UFXR) and price stability (PST) in Nigeria, with a coefficient of -0.37 and a p-value of less than 0.01. Therefore, the null hypothesis (H_2) which posits that the unification of foreign exchange rates does not have a major impact on price stability in Nigeria is rejected based on statistical evidence.

Based on the statistics in Table 3, it is evident that foreign exchange rate unification (UFXR) has a statistically significant positive association with foreign investment (FI) at a level of significance of less than 1 percent (β=0.41, p<0.01). Therefore, the empirical analysis rejects H_3, which states that foreign exchange rate unification does not have substantial impact on foreign investment in Nigeria.

Table 4: R Square

Construct	R Square
Inflation Rate	0.37
Price Stability	0.29
Foreign Investment	0.32

The regression model assessing the impact of foreign exchange rate unification on inflation rate reveals an R-squared value of 37%, indicating that foreign exchange rate unification accounts for about 37% of the observed variability in inflation rate. This observation suggests a moderate degree of explanatory capacity. To clarify, the model indicates that around 37% of the variations in inflation rate can be ascribed to fluctuations foreign exchange rate unification. The inclusion of exchange rate unification in the model does not account for remaining 63% of the fluctuation observed in inflation rate. This implies that fluctuations in inflation rate are influenced by factors beyond foreign exchange rate unification.

The regression model on influence of foreign exchange rate unification on price stability reveals an R-squared value of 29%, suggesting that foreign exchange rate unification accounts for approximately 29% of variability in price stability. This implies that the model's explanatory power is moderate, albeit slightly lower in comparison to inflation rate model. This finding suggests that price stability is influenced by factors other than foreign exchange rate unification.

In the specific framework of foreign investment regression model, R-squared value of 32% was observed. This indicates that foreign exchange rate unification is responsible for about 32% fluctuation in foreign investment. This finding suggests that the presence of a uniform exchange rate account for significant proportion of the observed fluctuations in foreign investment levels. Nevertheless, similar to the previous models, there are supplementary elements that influence foreign investment which are not taken into consideration in the current study.

DISCUSSION OF FINDINGS

One of the key findings of this study is the significant impact of foreign exchange rate unification on inflation, which is both positive and statistically significant. The obtained outcome is in accordance with the anticipated theoretical predictions and supports the idea that a unified exchange rate have impact on domestic pricing levels. The underlying cause of this phenomenon can be ascribed to fluctuations in expenses associated with imported goods and services, thereby influencing aggregate consumer price index.

The convergence of exchange rates results in reduced volatility in prices of imported goods, hence fostering a more stable inflationary climate. Foreign exchange rate unification reduces the susceptibility of imported goods and services to price volatility (Ajayi, 2012). Uncertainties may occur in a multi-tiered exchange rate system, when distinct rates are applied to different categories of transactions.

The presence of uncertainties can be attributed to various sources, including administrative difficulties and market distortions. As a result, enterprises working within such a context may encounter difficulties in forecasting and controlling expenses, hence potentially impacting price stability. In the context of a unified foreign exchange rate system, the aforementioned risks are mitigated. The process of unification enhances efficiency of pricing imported goods and services, hence mitigating the likelihood of sudden fluctuations in costs.

The results of the present study validate the findings of Hassan and Zhang (2020). Also, the reported stabilization effect holds particular significance for commodities that are largely dependent on imports for their manufacturing or distribution processes. The stabilization of production costs can be attributed to the increased predictability of imported input costs resulting from the unification of exchange rates (de la Torre & Ize, 2014).

In contrast to initial assumptions, the research revealed a noteworthy adverse impact of foreign exchange rate unification on price stability. The findings of this study indicate that foreign exchange rate unification convergence may give rise to temporary disturbances that have the potential to impact the stability of local market pricing. The destabilizing influence in question may arise from various sources, such as uncertainty pertaining to the process of transition, potential disruptions in the supply chain, and temporary mismatches between demand and supply.

Foreign exchange rate unification frequently entails a shift from a multi-tiered exchange rate framework to a singular unified rate. The implementation of this change may engender uncertainties within the market, as both enterprises and customers undergo the process of adapting to the new system. The presence of uncertainties regarding the implications of the unified rate on expenses, revenues, and profitability may result in a conservative approach to decision-making, which could have possible ramifications for the overall stability of the market (Gray, 2021). Furthermore, the unification of currency rates has the potential to induce alterations in the cost framework of imported commodities and services.

The potential consequences of this phenomenon can lead to significant disruptions in supply chains, particularly for enterprises that depend on imported goods. Abrupt change in costs resulting from introduction of a new exchange rate can result in scarcity of vital goods and services, hence causing a temporary surge in prices. Moreover, the implementation of a single exchange rate has the potential to influence equilibrium between domestic demand and supply.

A rapid fluctuation in currency exchange rates can result in transient disparities. In the event that demand remains stable but import expenditures increase, it may lead to a deficit in supply and subsequently, an escalation in prices. Likewise, in the event that consumers possess expectations of elevated prices, this might result in decrease in demand and an oversupply situation, so exerting a downward influence on pricing.

One of the key findings derived from this study is the statistically significant influence of foreign exchange rate unification on foreign investment. This discovery highlights the significance of maintaining a stable exchange rate in enhancing investor trust and stimulating foreign investment. The underlying mechanism of this phenomenon is grounded in the complex interplay between exchange rate stability, perception of risk, and the appeal of investment prospects. The unification of exchange rates typically results in decreased likelihood of sudden and unpredictable changes as corroborated by Richmond (2019).

Uncertainties develop in a managed exchange rate environment characterized by presence of variable rates for distinct transaction types (Maggiori, 2017). The presence of these uncertainties can arise due to possibility of abrupt fluctuations in rates, posing difficulties for international investors in precisely forecasting the future worth of their investments (Verdelhan, 2017). The presence of such unpredictability provides a level of uncertainty that international investors must take into consideration when evaluating potential investment prospects.

On the other hand, the implementation of a single exchange rate system serves to mitigate these risks. The stability and predictability of the exchange rate mitigate the inherent currency-related risk encountered by international investors. The mitigation of risk exposure holds significant relevance for international investors involved in cross-border transactions, as well as those aiming to repatriate earnings and dividends. The enhanced stability facilitates an atmosphere that is favorable for the formulation and execution of investment strategies and decision-making processes.

CONCLUSION AND RECOMMENDATIONS

Success of foreign exchange rate unification is hinged on how well the CBN anchors its efforts at monitoring stability in the real sense of the term. Allocations of foreign currency in relation to sectorial demands stems from CBN’s attachment of significance to sectorial demands and government’s prioritization. In summary, this study has provided valuable findings regarding the impact of implementing a unified foreign exchange rate. The empirical analysis has uncovered far-reaching influence of a unified foreign exchange rate on inflation, price stability, and foreign investment.

The inflation rate is significantly impacted by unification of exchange rates, highlighting the crucial role of a unified exchange rate in mitigating uncertainties related to variations in costs of imported goods and services. The findings indicate that exchange rate unification has a noteworthy adverse impact on price stability, highlighting the presence of short-term difficulties during the transition period. The aforementioned results underscore the necessity for policymakers to implement a comprehensive strategy that addresses possible disruptions stemming from uncertainty and modifications in the supply chain. The findings of this study underscore the significance of stability in attracting foreign capital, as evidenced by the beneficial and statistically significant impact of exchange rate unification on foreign investment. The findings of the study suggest that a consistent and foreseeable exchange rate diminishes level of risk and creates a favorable climate for international investors.

Based on the foregoing, the study recommends that policymakers should adopt a progressive strategy in unifying exchange rates, while concurrently implementing effective communication measures to handle market expectations and concerns. Furthermore, the use of supplementary measures such as providing support to supply chains and intervening in the market can effectively mitigate immediate disturbances to price stability. In addition, measures aimed at fostering openness and efficient governance have the potential to augment domestic economy should be taken to attract international investors.

Unification of foreign exchange rate can be effective, successful and sustainable if exchange restrictions are premised on relaxed restrictions. But it must be supported by unhindered fiscal and monetary policies. Essentially, punitive measures and strict political discipline must be exercised to check unethical practices that may undermine the primary objectives of foreign exchange rate unification. In the same vein, responsibility for these fiscal measures lies with the CBN as well as

Ministry of Finance and Economic Planning, which must also put in place a strong monitoring mechanism.

Additional investigation could delve into the intricacies of these impacts across other sectors, geographical areas, or temporal intervals. Conducting comparative studies that examine the experiences of other cities or nations that have undergone similar exchange rate reforms can offer significant insights into the implementation of effective policy measures. Furthermore, conducting an examination into the possible influence of regulatory frameworks and market structures on the reported effects has the potential to enhance comprehension of the underlying dynamics in the financial sector.

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