FOREIGN EXCHANGE DETERMINANTS IN NIGERIA

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Abstract

This paper delves into the determinants of exchange rate fluctuations in Nigeria, noted for its reliance on oil, high propensity to import, and structural inefficiencies. Despite being Africa's largest economy, the Naira remains persistently volatile, undermining business planning. Key factors such as global oil price volatility, insufficient export diversification, and speculative activities in the informal forex market exacerbate currency instability. Theoretical perspectives, including the Purchasing Power Parity (PPP) and Balance of Payments (BOP) models, provide conceptual frameworks but often fail to capture the unique challenges of Nigeria's economic structure. Empirical findings reveal strong correlations between exchange rate movements and macroeconomic variables, such as GDP, inflation, and external reserves, highlighting the complex interplay of these factors. Policy measures by the Central Bank of Nigeria (CBN), have achieved limited success, as they often address symptoms rather than root causes. This research was an ex post facto design, and the analysis was done using Multiple regression and Descriptive approach. Standard deviation was used to determine the level of currency volatility in some countries. The findings reveal that fluctuations in foreign currency values significantly affect businesses' revenues. Drawing insights from other resource-dependent economies like Malaysia and Indonesia, this paper underscores the urgency of diversifying Nigeria's economy, strengthening local production capacity, and implementing coherent monetary and fiscal policies. By identifying the primary drivers of exchange rate instability and proposing actionable policy recommendations, this research aims to stabilize the Naira, foster economic resilience, and create a conducive environment for sustainable growth and global competitiveness.

Keywords: Exchange rate, Purchasing power parity, macroeconomic variables, Monetary and fiscal policies

1.1 Introduction and Background

Foreign exchange, often referred to as the lifeblood of an economy, plays a pivotal role in shaping the economic destiny of nations. For Nigeria, a country endowed with immense natural resources and a vibrant entrepreneurial population, the story of its currency—the Naira—reflects both promise and persistent challenges. Over the years, the value of the Naira has experienced significant fluctuations, impacting businesses, individuals, and the nation's overall economic health.

Imagine a Nigerian entrepreneur who imports machinery for her growing factory. Each time the Naira depreciates, her costs rise, profits shrink, and the dream of expansion becomes harder to realize. Similarly, a family saving for their child's education abroad might see their plans dashed by soaring exchange rates. These personal stories highlight the real-world

consequences of a volatile foreign exchange system and underscore why finding a solution is so urgent.

Nigeria's foreign exchange struggles are deeply rooted in its economic structure. As an oil-dependent economy, over 90% of its foreign exchange earnings come from crude oil exports. This reliance creates vulnerability to global oil price fluctuations, which directly affect the Naira's stability. In addition, the country's high import dependency—ranging from basic commodities to industrial inputs—creates a perpetual demand for foreign currency that the economy often struggles to meet.

Despite various policy measures introduced by successive governments and the Central Bank of Nigeria (CBN), the exchange rate has remained a thorny issue. From pegged rates to managed floats and forex restrictions, the approaches have yielded mixed results. For businesses, the lack of a predictable exchange rate regime translates to uncertainty, higher costs, and difficulties in planning. For citizens, it often means higher inflation and reduced purchasing power. The persistent instability of the Naira is more than an economic problem; it is a developmental challenge that affects millions of lives. This paper explores the intricacies of foreign exchange management in Nigeria, identifies the factors driving Naira instability, and proposes a practical policy blueprint for stabilizing the currency. By doing so, it aims to chart a course for economic resilience, enabling Nigerian businesses and citizens to thrive in a more predictable financial environment. Foreign exchange rates are a critical component of any economy, influencing trade, investment, and overall economic stability. In Nigeria, the determinants of foreign exchange rates have long been a complex and pressing issue. Despite being Africa's largest economy and a leading oil exporter, Nigeria has struggled to maintain a stable exchange rate for its currency, the Naira. This instability has profound implications for businesses, households, and the broader economy.

At the core of the problem lies Nigeria's overdependence on oil exports, which account for over 90% of its foreign exchange earnings (Monday & Salihu, 2017). This reliance exposes the economy to external shocks, as global oil price fluctuations directly impact the supply of foreign currency. When oil prices fall, foreign reserves dwindle, creating pressure on the exchange rate. From essential goods to industrial inputs, the demand for foreign exchange often outstrips supply, leading to depreciation and volatility. Additionally, structural issues such as weak industrial capacity, limited export diversification, and inefficient monetary and fiscal policies compound the problem. The informal forex market, where rates often diverge significantly from official rates, further fuels speculation and undermines policy effectiveness. These dynamics create a vicious cycle of volatility that hampers economic growth, discourages foreign investment, and increases inflationary pressures.

For Nigerian businesses, exchange rate instability translates into higher operational costs and uncertainties in planning. For instance, companies reliant on imported raw materials face constant price fluctuations, eroding their competitiveness. Small and medium-sized enterprises (SMEs), which are the backbone of the economy, are particularly vulnerable as they lack the financial tools to hedge against currency risks. On a broader scale, households bear the brunt of rising costs of goods and services, reducing their purchasing power and quality of life.

Despite various policy interventions by the Central Bank of Nigeria (CBN), including forex controls, multiple exchange rate windows, and devaluation efforts, these measures have often been short-term fixes rather than sustainable solutions. Without addressing the underlying determinants of foreign exchange instability—such as overdependence on oil, inadequate export diversification, and structural inefficiencies—the Naira appears trapped in a cycle of vulnerability (Falaiye, 2025).

This persistent instability calls for a deeper exploration of the determinants of foreign exchange rates in Nigeria. Understanding these factors is crucial to crafting policies that not only stabilize the Naira but also strengthen the country's economic resilience. By addressing these challenges holistically, Nigeria can unlock its potential for sustainable growth and global competitiveness. The main objectives of this study are to identify the key factors influencing foreign exchange rates in Nigeria and to assess the effectiveness of existing monetary and fiscal policies in managing foreign exchange rates.

2.0 Literature Review

This literature review delves into the theoretical and empirical foundations of foreign exchange rate determinants, with a focus on their application to Nigeria's context. It begins by examining key economic theories that explain exchange rate behavior, such as Purchasing Power Parity (PPP), Interest Rate Parity (IRP), and the Balance of Payments approach. These frameworks provide a conceptual basis for understanding the interaction between domestic economic variables and external factors.

2.1 Theoretical Review

Theories on the factors that influence foreign exchange can be classified into two broad categories: Traditional and Modern. The traditional models are the Mint Parity Theory and Purchasing Power Parity Theory, while the modern models include the Balance of Payment Theory, Monetary Approach, and Portfolio Balance Approach. The Mint Parity theory and The Balance of Payment Approach will be examined.

2.1.1 Mint Parity Theory:

The Mint Parity Theory, also known as the Gold Standard Theory, was developed when the gold standard was the primary monetary system. This theory, which was developed by classical economists such as David Ricardo, John Stuart Mill, and Alfred Marshall, states that the exchange rates between the currencies of two countries are

influenced by their respective gold values. A country's currency is either composed of gold or pegged to a fixed gold value. Consequently, the mint rate, which is determined by the gold content of one currency with another, governs the exchange rate. However, the theory's limited applicability today is underscored by criticisms that result from the prevalence of fiat currencies and independent domestic policies. This renders the fixation of currency values based on gold content impractical.

2.1.2 Modern Theory or Balance of Payments:

The theory of exchange rates, also known as the Balance of Payments (BOP) theory, provides a comprehensive explanation of how exchange rates are determined. The balance of payments determines exchange rates by maintaining equilibrium between foreign exchange demand and supply. A deficit in the balance of payments arises when there is a decline in the demand for a country's currency, whereas a surplus occurs when there is an increase in demand. According to the IMF (2019), the free market forces in foreign exchange determine a rate that maintains a balance between demand and supply, thus avoiding deficits or surpluses. The theory highlights the complex relationship between the balance of payments and foreign exchange demand and supply, covering various international transactions. Deficits increase exchange rates, while surpluses decrease them. The BOP theory aligns with the general equilibrium theory and acknowledges factors beyond merchandise trade, including capital movements. However, it has been criticized for assuming perfect competition, neglecting the connection between exchange rates and internal prices, and lacking clarity on the factors affecting the balance of payments and exchange rate dynamics.

2.2 Empirical Review

The determinants of foreign exchange rates in Nigeria have garnered substantial scholarly attention in recent years, given their implications for economic stability, trade, and policy formulation. This empirical review highlights key studies conducted since 2018, focusing on critical themes such as oil dependency, import reliance, monetary policy, structural challenges, and external shocks.

2.2.1 Oil Dependency and Exchange Rate Dynamics

Nigeria's reliance on oil exports remains a central factor influencing the foreign exchange market. Igbinovia and Ogiemudia (2021) used a vector error correction model (VECM) to analyze the relationship between oil price volatility and exchange rate movements in Nigeria. Their findings confirmed that global oil price shocks significantly impact the value of the Naira, with depreciation being more pronounced during periods of declining oil prices.

2.2.2 Import Dependency and Foreign Exchange Pressure

Recent studies emphasize the destabilizing effects of Nigeria's heavy import dependency on exchange rate

stability. For example, Umoru, Obomeghie, and Eshemogie (2022) found that rising import prices and import volumes exert significant pressure on Nigeria's foreign exchange reserves, weakening the Central Bank's ability to stabilize the naira—particularly during periods of reserve depletion.

In a related study, Agyapong, Ayamga and Anyars (2022) applied Structural Equation Modeling to assess how import substitution policies affect currency dynamics. Their results show that although boosting domestic production can lower foreign exchange demand, the effectiveness is curtailed by inconsistent policy application and infrastructural weaknesses—constraints that weaken the ability of such strategies to stabilize the exchange rate

2.2.3. Monetary Policy and Exchange Rate Management

The Central Bank of Nigeria (CBN) has been pivotal in managing exchange rate volatility through its monetary policy toolkit. Research by Adeoye and Saibu (2014) shows that adjustments to the Monetary Policy Rate (MPR) and open market operations (OMO) can have short-term stabilizing effects on the naira. However, their long-term impact is compromised by persistent inflation and speculative activity, which undermine the central bank's ability to maintain exchange rate sustainability.

Several studies have investigated the relationship between inflation targeting and exchange rate stability in Nigeria using ARDL modelling. For instance, Ilu (2020) analysed key macroeconomic variables—such as inflation and interest rates—and concluded that achieving stable, low inflation through coordinated policy is essential for long-term currency stability.

2.2.4 Structural Challenges and Export Diversification

Structural constraints—particularly weak industrial capacity and poor infrastructure—continue to undermine Nigeria's ability to stabilize its currency. Akpan (2012) conducted a panel-style co-integration study assessing macroeconomic fundamentals, including industrial capacity utilization, import volumes, and external reserves, as key determinants of exchange rate volatility in Nigeria. The results indicate that low-capacity utilization significantly heightens exchange rate volatility, largely due to reduced non-oil export competitiveness and diminished foreign exchange inflows. These findings suggest that without meaningful improvements in infrastructure and production capacity, efforts to stabilize the naira will remain limited.

In a recent panel data study, Nwolisa et al. (2023) employ an ARDL framework to examine how non-oil export diversification affects exchange rate volatility in Nigeria. Their findings show that countries with more diverse export bases, particularly in sectors like agriculture, manufacturing, and services, experience significantly lower currency instability. For Nigeria, they recommend focused investments in these sectors to reduce dependence on oil

revenues and improve forex inflows, ultimately enhancing naira stability.

2.2.6. External Shocks and Global Economic Trends

Recent studies have highlighted the profound impact of external shocks such as global health crises and financial turbulence on Nigeria's foreign exchange market. For example, Gbadebo (2022) employed an Error Correction Model (ECM) to investigate the pandemic's effects on exchange rate volatility, demonstrating that rising COVID-19 infection and death statistics significantly increased naira instability during 2020–2021. Similarly, Nwosa (2021) analyzed daily data using causality techniques and found that the COVID-19 outbreak negatively affected oil prices, forex rates, and stock market performance—worsening vulnerabilities, reducing foreign direct investment inflows, and accelerating naira depreciation beyond levels observed during earlier economic downturns. These findings underscore that the pandemic exacerbated pre-existing structural weaknesses, further destabilizing Nigeria's exchange rate due to trade disruptions and declines in FX inflows.

2.3 Conceptual Framework

The exchange rate is a crucial economic indicator that indicates the stability and health of a nation. Policymakers, investors, and businesses must comprehend the factors that affect the exchange rate. The objective of this conceptual framework is to investigate the determinants of the exchange rate (ER) by integrating critical economic variables, including the Gross Domestic Product (GDP), Balance of Payments (BOP), External Reserves, Inflation, Savings Rate, and Lending Rate. Various macroeconomic factors that reflect a country's economic performance and monetary policies determine the exchange rate. Traditional theories, such as Purchasing Power Parity (PPP), offer fundamental insights into how economic variables affect exchange rates. Nevertheless, contemporary methodologies also consider the broader economic environment, encompassing lending practices, savings behaviours, and fiscal policies. The dependent variable in this context is the exchange rate (ER), which is defined as the price of one currency relative to another. It indicates the comparative value and economic stability of a nation's currency. The independent variables consist of:

Gross Domestic Product (GDP): An increase in GDP suggests a more robust economy, resulting in currency appreciation. Consequently, the relationship is anticipated to be beneficial. **Balance of Payments (BOP)**: A positive BOP (surplus) indicates more foreign currency inflows than outflows, strengthening the domestic currency. The anticipated relationship is beneficial. **Inflation**: Increased inflation depreciates the currency, diminishing purchasing power. Therefore, the relationship is anticipated to be detrimental. **Savings Rate**: A higher savings rate can support a stronger currency, increasing domestic investment and economic stability. The anticipated relationship is favourable. **Lending Rate**: The currency appreciates due to the higher

returns that higher lending rates provide, which attracts foreign investment. The anticipated relationship is favorable.

The conceptual model for this analysis is represented as:

$$ER_i = \beta_0 + \beta_1 GDP_i + \beta_2 BOP_i + \beta_3 ExtR_i + \beta_4 INF_i + \beta_5 SR_i + \beta_6 LR_i + \epsilon_i$$

Where: ER_i = Exchange Rate, GDP = Gross Domestic Product, BOP_i = Balance of Payment, $ExtR_i$ = External Reserves, INF_i = Inflation Rate, SR_i = Savings Rate, LR_i = Lending Rate, β_0 = Intercept, β_1, β_2, β_3, β_4, β_5, β_6 = Coefficients of the respective variables, ϵ_i = Error term

A [Foreign Exchange Rate] --> ∫ (B, C, D, E & F)

Explanation: These independent variables can individually/collectively influence volatility.

3.1 Research Methodology

The study employs a quantitative research methodology to investigate the determinants of foreign exchange rates in Nigeria. Quantitative methods enable the identification and measurement of relationships between macroeconomic variables and exchange rate movements.

Descriptive Approach: To describe the trends and patterns of exchange rate dynamics in Nigeria. **Explanatory Approach:** To identify and explain the factors influencing exchange rate volatility, such as oil dependency, import reliance, inflation, monetary policies, and external shocks. The study will utilize **secondary data** collected from reputable sources, including: Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS), World Bank and International Monetary Fund

(IMF). The dataset will cover a period from 2000 to 2024, ensuring that recent trends and long-term patterns are adequately captured. Since the study relies on secondary data, sampling will involve the selection of relevant macroeconomic indicators that influence foreign exchange rates. These indicators include: Gross Domestic Product (GDP). Balance of Payments, Inflation rates, External Reserves. Savings and Lending Rates and Exchange rates.

3.2 Analytical Tools and Techniques

The study will use the following techniques to analyze the determinants of foreign exchange rates: **Descriptive Statistics:** To summarize and describe the data trends, **Correlation Analysis:** To examine the relationships between independent variables and exchange rate movements and **Multiple Regression Analysis** which will quantify the influence of selected variables on the Naira's exchange rate.

4.0 Discussion and Findings

The issue of foreign exchange in Nigeria touches everyone, from the market woman in Lagos to the industrialist in Kano. The rise and fall of the Naira are more than just numbers on a screen; they reflect how policies, global events, and local realities shape the lives of millions. Behind every swing in exchange rates lies a web of factors—some predictable, others beyond control. Understanding these factors is not just an academic exercise; it's a vital step toward building a stronger, more resilient economy that works for everyone.

4.2 Descriptive Analysis

	Exchange rates of the value of Different Currencies to the Dollar					
Year	Ghana Cedi	Chinese Yuan	Euro	Mexican Peso	Nigerian Naira	Pound Sterling
2019	5.3590	6.1900	0.8928	19.2500	360.0594	0.7813
2020	5.7268	6.9000	0.8772	21.4800	380.2556	0.7813
2021	5.9249	6.4500	0.8475	20.2900	403.5808	0.7246
2022	9.0356	6.7300	0.9050	20.1100	423.7166	0.8064
2023	11.6900	7.0800	0.9259	17.7200	899.3930	0.8064
2024	12.5190	7.1300	0.9174	17.0700	1330.2600	0.7874
Volatility score	2.9072	0.3366	0.0262	1.5198	363.3060	0.0274
	Source: The Wall Street Journal					
	Volatility score was calculated					

Comparing the standard deviation scores of the volatility of different currency exchange rates provides insights into the relative levels of volatility among various currencies.

Comparison based on the standard deviation scores
British Pound (GBP) - 0.0274: Low volatility. Indicates small fluctuations over a specific period
Euro (EUR) - 0.0262: Low volatility. EUR exchange rate experiences relatively stable movements.
Ghana Cedi (GHS) - 2.9071: Exceptionally high volatility. GHS exchange rate experiences substantial fluctuations over the specified period, indicating a higher level of risk.
Mexican Peso (MXN) - 1.5197: Demonstrates considerable volatility. MXN exchange rate experiences significant fluctuations
Nigerian Naira (NGN) - 363.306: Extreme volatility. NGN exchange rate experiences massive fluctuations, indicating significant instability and risk.

Chinese Yuan (CNY) - 0.3366: Relatively moderate volatility. CNY exchange rate experiences moderate fluctuations over the specified period.

In summary, while the paper did not directly address this question, it can be inferred from the findings that factors such as economic stability, institutional frameworks, monetary policies, and market maturity contribute to lower volatility levels in developed countries than in developing ones. Developed countries often have more robust financial systems, deeper capital markets, and greater policy credibility, which help to mitigate volatility risks. Currencies with lower standard deviation scores exhibit lower volatility and greater stability, while those with higher scores experience higher volatility and increased risk.

4.3 Correlation Analysis
Table 2 Correlation Table

Parameter	GDP	BOP	External Reserves	Inflation	Savings rate	Lending rate
Exchange rate	0.7811	0.4945	-0.7189	0.9353	0.7286	-0.1308

The correlation results suggest a robust positive correlation between the exchange rate and GDP (0.7811), inflation (0.9353), and the savings rate (0.7286). Conversely, there is a robust negative correlation with external reserves (-0.7189) and a moderate negative correlation with the balance of payments (BOP) (-0.1308), indicating that a lower exchange rate is associated with higher BOP stability and external reserves. The exchange rate and the lending rate exhibit a moderate positive correlation (0.4945), suggesting that a higher exchange rate may be correlated with higher lending rates.

Table 3 Regression Table

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.978933858
R Square	0.958311499
Adjusted R Square	0.791557493
Standard Error	181.699782
Observations	6

ANOVA

	df	SS	MS	F	Significance F
Regression	4	758925.6461	189731.4115	5.746857456	0.302010503
Residual	1	33014.81078	33014.81078		
Total	5	791940.4569			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-1779.545564	2384.934017	-0.746161341	0.591901365	-32083.00546	28523.91433	-32083.005	28523.91433
X Variable 1	0.003092793	0.002192059	1.410907306	0.392529256	-0.024759963	0.030945549	-0.02476	0.030945549
X Variable 2	-279.6011472	340.2954607	-0.821642306	0.562133643	-4603.464941	4044.262647	-4603.4649	4044.262647
X Variable 3	0.023272961	0.050531198	0.460566182	0.725231124	-0.618786792	0.665332714	-0.6187868	0.665332714
X Variable 4	43.63399831	18.97855146	2.299121637	0.261184103	-197.5113621	284.7793588	-197.51136	284.7793588

The results of the multiple regression analysis conducted to ascertain the influence of various economic factors on the foreign exchange rate are both insightful and inconclusive. The foreign exchange rate is the dependent variable in this study, while the independent variables are inflation, external reserves, the Balance of Payments (BOP), and Gross Domestic Product (GDP).

The regression statistics suggest an exceedingly high correlation between the predicted and observed values, with a multiple R-value of 0.979. The model can

account for 95.8% of the variability in the exchange rate, as indicated by the R Square value of 0.958. Nevertheless, the Adjusted R Square experiences a substantial decline to 0.792, suggesting that the model may not be as robust when accounting for the number of predictors even though it appears to fit the data well. The analysis is based on six observations, and the standard error of 181.70 represents the average distance that the observed values fall from the regression line.

In the ANOVA table, the F-statistic is 5.75, and the sum of squares for regression (SS) is 758,925.65, with a mean square (MS) of 189,731.41. However, despite this, the F value of 0.302 is not statistically significant. This suggests that the model may not be a dependable predictor of the entire foreign exchange rate.

By analyzing the residuals, we determine that the sum of squares (SS) is 33,014.81, and the mean square (MS) is the same value, with one degree of freedom. This underscores that the residual variability is substantial compared to the small sample size. The coefficients table offers additional information regarding the influence of each independent variable. The t-statistic is -0.75, and the p-value is 0.592, which is not statistically significant. The standard error is 2,384.93, and the intercept is -1,779.55. This is reflected in the broad 95% confidence interval, which spans from -32,083.01 to 28,523.91, indicating high uncertainty surrounding the intercept estimate. The model explains a significant amount of the exchange rate variability (95.8%); however,

the adjusted R-square indicates the possibility of overfitting due to the small sample size. The independent variables do not collectively significantly predict the foreign exchange rate, as evidenced by the overall model being not statistically significant (Significance F = 0.302). This implies that the model may not be reliable due to the small sample size and the lack of statistical significance for the predictors despite the high correlation. Additional data and a more comprehensive analysis would be necessary to derive more definitive conclusions.

5.0 Conclusion

The challenges surrounding foreign exchange in Nigeria are not just abstract economic issues; they directly affect the lives of millions. From the price of bread in the market to the cost of machinery for industries, the volatility of the Naira reverberates across every corner of the country. This study has examined the key factors driving foreign exchange instability in Nigeria, revealing a story of overreliance on oil, structural weaknesses, and policy gaps that leave the Naira vulnerable to internal and external pressures. Nigeria's heavy dependence on crude oil exports has not helped matters. This reliance ties the nation's economic fortunes to unpredictable swings in global oil prices. At the same time, the economy's dependence on imports, coupled with weak industrial capacity, exacerbates the pressure on foreign reserves. Inflation, inconsistent monetary policies, and speculative activities further compound the instability, creating an environment of

uncertainty for businesses and individuals alike.

While these challenges may seem daunting, they also present an opportunity for change. The findings of this study underscore the urgent need for bold reforms and a clear policy direction. Stabilizing the Naira is not just about fixing numbers; it's about ensuring that families can afford essentials, businesses can thrive, and Nigeria can chart a sustainable path to economic resilience.

5.2 Recommendations

Stabilizing the foreign exchange market in Nigeria requires a holistic approach that addresses structural deficiencies, policy gaps, and market dynamics. Below are actionable recommendations to tackle these issues effectively:

Diversify Nigeria's Export Base – Nigeria needs to expand operations in Non-Oil businesses since all along the country has been depending on Oil for its survival. Diversifying into Non-oil businesses will ensure stable foreign exchange earnings. The government can provide incentives such as tax breaks, access to affordable financing, and support for export-oriented industries. For example, agricultural products like cocoa and cashew nuts can be refined locally for export rather than sold as raw materials.

Strengthen Local Production and Reduce Import Dependency - Local production should be encouraged to reduce reliance on imported goods to reduce the undue pressure on the external reserves. Infrastructure is key especially Power and good roads to support local industries. Policies like import substitution programs and support for SMEs in manufacturing sectors can accelerate this process.

Adopt a Unified Exchange Rate System - The Central Bank of Nigeria (CBN) should gradually phase out parallel markets by boosting forex supply.

Tackle Inflation with a Stronger Monetary Policy Framework - The CBN should adopt an inflation-targeting framework, control excess liquidity, and ensure fiscal discipline by curbing deficit financing.

Develop the Financial Markets to Attract Foreign Investment – Nigeria should simplify regulations, promote transparency, and improve it's ease of doing business rankings. Initiatives like capital market reforms and digital platforms for investors can also help attract long-term investment.

Regulate and Monitor Speculative Activities in the Forex Market – The regulatory oversight functions should be strengthened, and penalties should be enforced for illegal forex trading, and promote cashless transactions to reduce black-market activities.

Leverage Technology for Real-Time Forex Monitoring - The CBN can partner with fintech companies to develop tools that

track forex demand and supply trends while using artificial intelligence for forecasting.

Stabilizing the Naira is not only the responsibility of policymakers; it requires a collective effort from government institutions, businesses, and individuals. The journey toward a stable exchange rate begins with acknowledging the challenges and committing to implementing bold, long-term solutions.

If Nigeria can diversify its economy, build strong local industries, and implement sound policies, the Naira can regain its strength and stability. A stable currency is not just an economic goal—it is a foundation for a more secure, equitable, and prosperous Nigeria where everyone can thrive.

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