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Exchange Rate Volatility and Economic Growth in Nigeria

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ABSTRACT

The study investigated the impact of exchange rate volatility on economic growth in Nigeria, utilizing annual time-series data spanning 27 observations. The research employed a comprehensive econometric framework, including the Augmented Dickey-Fuller (ADF) unit root test, Johansen Cointegration, and the Autoregressive Distributed Lag (ARDL) Error Correction Model (ECM). Preliminary diagnostics via Descriptive Statistics and Jarque-Bera tests confirmed the normality of the primary variables, while Variance Inflation Factor (VIF) analysis identified moderate to acceptable multicollinearity among exchange rate and growth indicators. The unit root results revealed that all variables are integrated of order one I(1), and the Johansen test confirmed the existence of a long-run equilibrium relationship. The empirical results from the ARDL-ECM revealed that exchange rate volatility (ERVOL) has a statistically significant negative impact on economic growth in the short run ($b = -155.69$, $p < 0.05$). Conversely, interest rates and trade openness demonstrated statistically insignificant effects within the study period. A key finding is the highly significant Error Correction Term (ECT) of -1.046, indicating an exceptionally rapid speed of adjustment where the economy corrects deviations from the long-run equilibrium almost entirely within one period. The study concluded that currency instability is a primary deterrent to steady GDP expansion in Nigeria. It recommended that the Central Bank of Nigeria (CBN) prioritize exchange rate stabilization and that fiscal authorities pursue aggressive export diversification to insulate the economy from external shocks.

Keywords: Economic growth, exchange rate volatility, interest rate, trade openness and inflation

1.1 Introduction

Nigeria, as Africa's largest economy and a major oil-exporting nation, presents a particularly compelling case for examining the nexus between exchange rate volatility and economic growth. Since independence in 1960, the country has experimented with a succession of exchange rate regimes, each reflecting prevailing economic philosophies and responses to domestic and external pressures. From 1960 to 1986, Nigeria operated a fixed exchange rate system under which the Central Bank of Nigeria pegged the Naira against major international currencies (Ogun & Oyelade, 2016). This period, while initially providing stability, gradually gave

way to significant distortions, including an overvalued currency, unsustainable trade deficits, mounting external debt, and the progressive depletion of foreign reserves (Ogun & Oyelade, 2016). The fixed regime's inability to reflect true market conditions created a thriving parallel market and encouraged speculative activities that further undermined economic stability.

The structural adjustment programme (SAP) of 1986 marked a watershed moment in Nigeria's exchange rate management history. In response to the deepening economic crisis of the early 1980s, the government adopted a floating exchange rate system under the Second-tier Foreign Exchange Market (SFEM), designed to allow market forces to determine the value of the Naira (Abdulhamid, Usman, & Ibrahim, 2024). This transition was intended to correct the distortions of the fixed regime, enhance export competitiveness, and attract foreign investment. However, the dual exchange rate structure that emerged comprising an official window and a market-determined window—created new challenges, including round-tripping, currency speculation, and continued disparities between official and parallel market rates (Ogun & Oyelade, 2016).

The Nigerian economy's heavy dependence on crude oil exports has rendered it particularly vulnerable to exchange rate fluctuations. Oil exports account for the vast majority of foreign exchange earnings, making the Naira's value highly sensitive to global oil price movements (Kavkav, et al. 2025). This structural characteristic means that any shock to international oil prices whether arising from geopolitical tensions, global economic downturns, or supply disruptions transmits directly to the domestic exchange market. The COVID-19 pandemic provided a stark illustration of this vulnerability, as oil prices collapsed and export revenues fell from $67.48 billion in 2019 to $35.09 billion in 2020, precipitating a sharp depreciation of the Naira and prompting yet another policy response: the exchange unification policy of May 2023, which aimed to allow market forces to determine the effective exchange rate (Abdulhamid, et al 2024).

The empirical literature on exchange rate volatility and economic growth in Nigeria has produced a substantial body of evidence, with recent studies converging on several key findings (see, Kavkav et al. 2025; Nwangene and Akamobi, 2025, & Elegbe, 2025). Beyond the direct negative impact, studies by Abdulhamid et al. (2024) have confirmed that exchange rate fluctuations are not merely transitory disturbances but rather represent a key indicator that induces growth performance over extended horizons. While some studies have reported positive long-run effects of exchange rate movements on growth, the preponderance of evidence points to the

destabilizing consequences of excessive volatility, particularly in economies characterised by narrow export bases and limited productive diversification.

The theoretical and empirical insights from the existing literature provide a robust foundation for the present study. The persistent challenge of exchange rate volatility in Nigeria, despite decades of policy reforms, underscores the need for a comprehensive understanding of its effects on economic growth. The present study contributes to this body of knowledge by employing the Autoregressive Distributed Lag (ARDL) approach to examine both the short-run and long-run dynamics between exchange rate volatility and economic growth in Nigeria. By incorporating key macroeconomic variables such as interest rates and trade openness, the study aims to provide a holistic assessment of the channels through which exchange rate instability affects economic performance.

2.0 Theoretical and Empirical Review

The theoretical framework provides the conceptual foundation for understanding the relationship between exchange rate volatility and economic growth. This study is anchored on the Mundell-Fleming Model.

2.1 The Mundell-Fleming Model

The Mundell-Fleming model, developed independently by Robert Mundell (1963) and Marcus Fleming (1962), represents a seminal contribution to open economy macroeconomics. The core tenet of the Mundell-Fleming model is that the effectiveness of macroeconomic policies depends critically on the exchange rate regime and the degree of capital mobility (Fleming, 1962). Under a floating exchange rate regime, monetary policy is effective in influencing output, while fiscal policy is relatively ineffective due to exchange rate adjustments that crowd out net exports. Conversely, under a fixed exchange rate regime, fiscal policy becomes more effective while monetary policy is constrained by the need to maintain the exchange rate peg (Mundell, 1963).

In the context of this study, the Mundell-Fleming model provides a theoretical basis for understanding how exchange rate volatility interacts with interest rates (monetary policy) and trade openness to influence economic growth. The model suggests that in a floating exchange rate regime like Nigeria's particularly since the unification reforms of 2023 exchange rate volatility can significantly affect monetary policy transmission and external sector performance (CBN, 2024).

2.2 Empirical review

The empirical review examines existing studies that have investigated the relationship between exchange rate volatility and economic growth, with particular attention to studies that incorporate the roles of interest rates and trade openness. Aghion, Bacchetta, Rancière, and Rogoff (2009) conducted a seminal study examining the relationship between exchange rate volatility and productivity growth in a sample of 83 countries over the period 1960–2000. Using panel data techniques, the study found that exchange rate volatility has a negative effect on productivity growth, particularly in countries with less developed financial markets. The findings suggested that financial development plays a crucial role in mitigating the negative effects of exchange rate volatility, as countries with deeper financial markets are better able to hedge against currency risk and maintain investment in the face of uncertainty.

Hausmann, Panizza, and Rigobon (2005) examined the relationship between exchange rate volatility and economic growth in a sample of developing countries. The study found that countries with more volatile exchange rates tend to experience lower growth, even after controlling for other determinants of growth. The authors suggested that exchange rate volatility may be a manifestation of broader macroeconomic instability that undermines investment and productivity.

Schnabl (2008) investigated the impact of exchange rate volatility on growth in Central and Eastern European countries. Using panel data techniques, the study found that exchange rate volatility has a negative effect on growth, with the effect being stronger in countries with less developed financial markets. The findings highlighted the importance of exchange rate stability for sustaining growth in emerging economies.

Clark, Tamirisa, and Wei (2004) examined the relationship between exchange rate volatility and trade flows across a large sample of countries. The study found that exchange rate volatility has a negative effect on trade volumes, with the effect being more pronounced in developing countries. The authors suggested that the trade contraction channel is an important mechanism through which exchange rate volatility affects economic growth. Rodrik (2008) examined the relationship between real exchange rates and economic growth in a sample of developing countries. The study found that undervalued real exchange rates are associated with faster economic growth, suggesting that exchange rate policy can influence growth outcomes. Eichengreen and Leblang (2003) investigated the relationship between exchange rate regimes and economic growth in a sample of countries over the period 1870–1998. The study found that fixed

exchange rate regimes are associated with faster growth in some periods but not in others, with the relationship depending on the degree of capital mobility and the stability of the international financial system. The findings suggested that the effects of exchange rate stability on growth are context-dependent. Ghosh, Gulde, and Wolf (2003) examined the relationship between exchange rate regimes and economic performance in a large sample of countries. The study found that countries with fixed exchange rate regimes tend to have lower inflation but also lower growth compared to countries with more flexible regimes.

Eze and Okonkwo (2022) investigated the impact of exchange rate volatility on economic growth in Nigeria using the ARDL bounds testing approach for the period 1980–2020. The study found that exchange rate volatility has a negative and significant effect on economic growth in both the short run and long run. The findings suggested that exchange rate instability has been a significant constraint on Nigeria's growth performance, and the study recommended policies to stabilize the exchange rate. Ogunleye and Adebayo (2023) examined the relationship between exchange rate volatility, interest rates, and economic growth in Nigeria using vector error correction model (VECM) for the period 1986–2021. The study found that exchange rate volatility has a negative effect on growth, while interest rates have a negative effect through the cost of capital channel. The study also found that trade openness has a positive but statistically insignificant effect on growth, suggesting that Nigeria has not fully realized the growth benefits of trade integration.

Adeniyi, Omisakin, and Egwaikhide (2021) investigated the effect of exchange rate volatility on economic growth in Nigeria using the GARCH model to generate volatility estimates and ARDL to estimate the growth equation for the period 1970–2019. The study found that exchange rate volatility has a negative and significant effect on growth, with the effect being stronger during periods of economic liberalization. The findings highlighted the importance of maintaining exchange rate stability to support growth. Oladipo and Akinbode (2022) examined the interactive effects of exchange rate volatility and monetary policy on economic growth in Nigeria using threshold regression techniques for the period 1981–2020. The study found that the negative effect of exchange rate volatility on growth is more pronounced when interest rates are high, suggesting that monetary policy can either amplify or mitigate the effects of exchange rate instability. The findings implied that coordinated policy responses are needed to address the dual challenges of exchange rate volatility and high interest rates.

Nwankwo and Okafor (2024) investigated the relationship between exchange rate volatility, trade openness, and economic growth in Nigeria using the ARDL approach for the period 1999–2023. The study found that exchange rate volatility has a negative effect on growth, while trade openness has a positive effect. The study also found that the negative effect of exchange rate volatility on growth is partially offset by greater trade openness, suggesting that trade integration can help buffer the effects of exchange rate instability. Arize, Osang, and Slottje (2008) examined the effect of exchange rate volatility on trade flows in a sample of developing countries, including Nigeria. The study found that exchange rate volatility has a negative and significant effect on export volumes, suggesting that the trade contraction channel is an important mechanism through which volatility affects growth.

Serven (2003) investigated the relationship between exchange rate volatility and investment in developing countries. The study found that exchange rate volatility has a negative effect on private investment, with the effect being stronger in countries with less developed financial markets. The findings suggested that the investment uncertainty channel is an important mechanism linking exchange rate volatility to growth. Aghion, Howitt, and Mayer-Foulkes (2005) examined the relationship between financial development and the effects of exchange rate volatility on growth. The study found that the negative effects of volatility are more pronounced in countries with less developed financial markets, consistent with the financial instability channel. The findings highlighted the importance of financial deepening for mitigating the effects of exchange rate instability.

Despite the valuable contributions of existing studies, limited attention has been paid to the simultaneous examination of exchange rate volatility, interest rates, and trade openness within a unified analytical framework. Most existing studies have focused on one or two of these variables, without considering their interactive effects. The present study addresses this gap.

3.0 Methodology

This study adopts a quantitative ex-post facto research design. The design is appropriate because it examines existing phenomena (exchange rate volatility, interest rates, trade openness, and economic growth) without manipulating any variables. The study relies on historical secondary data collected from official sources from 1999 to 2025. The period 1999–2025 is chosen to capture the post-democracy era in Nigeria, including major economic shocks such as the 2008 global

financial crisis, the 2016 recession, the COVID-19 pandemic, and recent foreign exchange policy reforms.

3.1 Model specification

The functional relationship between exchange rate volatility and economic growth is expressed as:

GDPGR = *f*(ERVol, INTR, TOP, INFL, FDI)…….i

Where:

GDPGR = Economic Growth (annual GDP growth rate, %)

ERVol = Exchange Rate Volatility

INTR = Interest Rate (Monetary Policy Rate, %)

TOP = Trade Openness ((Exports + Imports) / GDP, %)

INF = Inflation Rate (annual CPI inflation, %)

FDI = Foreign Direct Investment (net inflows % of GDP)

To achieve the stated objectives, the study will employ the Autoregressive Distributed Lag (ARDL) bounds testing approach to cointegration. The ARDL model is suitable for small sample sizes and accommodates variables with mixed orders of integration (I(0) and I(1)). The error correction model (ECM) is specified as:

$$\Delta GDPGR_t = \alpha_O + \sum_{i=1}^{p} \beta_1 \Delta GDPR_{t-1} + \sum_{i=0}^{p} \beta_2 \Delta ERVol_{t-1} + \sum_{i=0}^{p} \beta_3 \Delta INTR_{t-1} + \sum_{i=0}^{p} \beta_4 \Delta TOP_{t-1} + \sum_{i=0}^{p} \beta_5 \Delta INFL_{t-1} + \sum_{i=0}^{p} \beta_6 \Delta FDI_{t-1} + \lambda_1 GDPR_{t-1} + \lambda_2 ERVol_{t-1} + \lambda_3 INTR_{t-1} + \lambda_4 TOP_{t-1} + \lambda_5 INFL_{t-1} + \lambda_6 FDI_{t-1} + u_t \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots ii$$

Where:

- Δ= first difference operator
- $\beta_1 - \beta_6 =$ short-run coefficients
- $\lambda_1 - \lambda_6 =$ long-run coefficients
- P = optimal lag length determined by AIC/SIC
- $u =$ error term

If the bound test confirms co-integration, the ECM will read as:

$$\Delta lnGDPGR_t = \sum_{j=1}^{p} \alpha_j \Delta lnGDPGR_{t-j} + \sum_{k=0}^{q} \beta_k \Delta ERVol_{t-k} + \sum_{k=0}^{q} \phi_k \Delta lnINTR_{t-k} + \sum_{k=0}^{q} \pi_k \Delta lnTOP_{t-k} + \sum_{k=0}^{q} \Omega_k \Delta lnINFL_{t-k} + \sum_{k=0}^{q} \delta_k \Delta lnFDI_{t-k} + \varphi ECT_{t-1} + u_t \quad \ldots\ldots\ldots\ldots\ldots \text{iii}$$

Where:

ECT_{t-1} = the Error Correction Term.

Before running the main model, you must verify the stationarity of your variables using the Augmented Dickey-Fuller (ADF) test. This determines if the data "drifts" over time. Thus, the ADF equation is written as thus:

$$\Delta y_t = \propto + \delta y_{t-1} + \sum_{i=1}^{p} \gamma_i \Delta y_{t-1} + \varepsilon_t \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots iv$$

Decision Rule: If the variables are a mix of I(0) and I(1), the ARDL model below is the mathematically correct choice.

4.0 Data analysis

The estimation procedure begins with preliminary tests to ensure the validity of the dataset and the appropriateness of the econometric technique. All estimations and tests for the data analysis were performed using EViews 12 statistical software.

4.1.2 Unit root - stationarity

The primary objective of the Augmented Dickey-Fuller (ADF) test is to determine whether the time-series variables are stationary—meaning their mean and variance remain constant over time—or if they possess a "unit root." At their level forms, all variables including GDPGR, ERVOL, INTR and TOP failed the stationarity test. As shown in table 4.2, the p-values for all variables at level are significantly greater than the standard 0.05 threshold (ranging from 0.1324 to 0.9186). Consequently, we cannot reject the null hypothesis that these variables contain a unit root; they are non-stationary and exhibit a stochastic trend, which could lead to spurious regression if used in this form.

Table 4.2: ADF unit root result

Variable	Level t-Stat	Level Prob.	First Diff t-Stat	First Diff Prob.	Order of Integration
GDPGR	-2.476443	0.1324	-5.001675	0.0005***	I(1)
ERVOL	-1.732502	0.4039	-5.098743	0.0004***	I(1)
INTR	-0.257616	0.9186	-3.974797	0.0056***	I(1)
TOP	-0.920092	0.7654	-4.653124	0.0011***	I(1)

Source: E-views 12 statistical software

To resolve the non-stationarity, the variables were subjected to first-differencing. The results for the first-differenced series, denoted as D(Variable), show a dramatic shift in statistical significance. For instance, the p-value for D(GDPGR) dropped to 0.0005, and D(ERVOL) dropped to 0.0004 (see, appendix 1), both of which are well below the 1% significance level ($p < 0.01$). Similarly, D(INTR) and D(TOP) also became highly stationary with p-values of 0.0056 and 0.0011 respectively. In all cases, the findings confirm that all variables in your model are integrated of order one, represented as I(1). Since the variables share the same order of integration, there is a strong possibility that a long-run equilibrium relationship exists between exchange rate volatility, trade openness, interest rates, and economic growth, despite their short-term fluctuations.

4.1.3 Cointegration test

The Johansen cointegration test results provide a definitive answer to the core question of the study: whether a long-run relationship exists between Exchange Rate Volatility (ERVOL) and Economic Growth (GDPGR). The trace test results provide strong evidence for at least one long-term relationship among the variables. The null hypothesis of "none" suggests no cointegration, is rejected because the trace statistic of 81.36 is greater than the critical value of 69.81, with a significant p-value of 0.0045. However, when testing the hypothesis of "At most 1", the trace statistic (47.04) falls slightly below the critical value (47.85), and the p-value rises to 0.0595. This indicates that, according to the trace test, there is exactly one cointegrating equation at the 5% significance level.

Table 4.3: Johansen Cointegration Test Summary

Test Type	Hypothesized No. of CE(s)	Eigenvalue	Trace/Max-Eigen Statistic	0.05 Critical Value	Prob.**	Result
Trace	None *	0.746638	81.36713	69.81889	0.0045	Reject H0
	At most 1	0.671522	47.04374	47.85613	0.0595	Accept H0
Max-Eigen	None *	0.746638	34.32339	33.87687	0.0442	Reject H0
	At most 1 *	0.671522	27.8321	27.58434	0.0465	Reject H0

Source: E-views 12 statistical software

The maximum eigenvalue test offers a slightly more complex perspective. Similar to the trace test, it rejects the null hypothesis of "none" (p=0.0442). However, unlike the trace test, it also rejects the hypothesis of "At most 1" (p=0.0465), as the max-eigen statistic of 27.83 narrowly exceeds the critical value of 27.58. This suggests the presence of two cointegrating equations. The presence of cointegration implies that while GDPGR, ERVOL, INF, TOP, and FDI may fluctuate independently in the short term due to market shocks or policy changes, they are bound by a long-run equilibrium relationship. This means that exchange rate volatility and trade openness have a lasting impact on Nigeria's economic growth. This gives credence to carry out the Error Correction Model (ECM) to analyze both the short-run dynamics and the "speed of adjustment"—how quickly the economy returns to its long-term equilibrium after an exchange rate shock.

4.1.4 VAR lag order criteria

Table 4.4 shows the VAR Lag selection table. This is a diagnostic tool used to determine how many past periods of data (lags) should be included in your econometric model to capture the true dynamics of the Nigerian economy. The results show a strong consensus where all five major criteria—the Sequential Modified Likelihood Ratio (LR), Final Prediction Error (FPE), Akaike Information Criterion (AIC), Schwarz Criterion (SC), and Hannan-Quinn Criterion (HQ)—unanimously select Lag 1 as the optimal model length.

Table 4.5: Var Lag Criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-511.1345	NA	5.89E+11	41.29076	41.53454	41.35838
1	-392.9058	179.7077*	3.56e+08*	33.83246*	35.29512*	34.23814*
2	-372.7666	22.55589	6.91E+08	34.22133	36.90286	34.96507

Source: E-views 12 statistical software

Selecting the correct lag is a balancing act between "under-fitting" and "over-fitting" your model. By selecting Lag 1, the criteria suggest that the immediate past year of fiscal spending and debt levels provides the most statistically significant information for predicting current banking sector stability. Including a second lag (Lag 2) would likely introduce unnecessary "noise" into the model, as seen by the higher AIC and SC values (34.22 and 36.90 respectively) compared to those at Lag 1 (33.83 and 35.29).

4.2 Short run ECM analysis

The short-run results reveal that Exchange Rate Volatility (ERVOL) has a statistically significant and negative impact on economic growth. The coefficient of -155.69 with a p-value of 0.0113 indicates that sudden shocks in currency stability immediately dampen GDP growth. This suggests that in the Nigerian context, the uncertainty associated with exchange rate fluctuations likely discourages short-term investment and increases the cost of imported inputs, creating a direct "drag" on economic performance. Interestingly, other factors like interest rates, inflation, and FDI do not show a statistically significant impact in the immediate short run, highlighting that the exchange rate is the primary driver of growth volatility in this model.

A central finding of this research is the statistically significant and negative impact of exchange rate volatility (ERVOL) on economic growth in the short run. With a coefficient of -155.69 and a p-value of 0.0113, the ARDL Error Correction Model clearly demonstrates that currency instability acts as a major bottleneck to Nigeria's growth. This aligns with the "uncertainty hypothesis," where frequent and unpredictable fluctuations in the Naira's value increase the risk premium for investors and inflate the costs for firms reliant on imported raw materials. Consequently, the rejection of the first null hypothesis underscores the urgent need for exchange rate management strategies that prioritize stability to foster a conducive environment for domestic production.

Table 4.6: Short run Error Correction (ECM) results

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
D(ERVOL)	-155.6962	53.40654	-2.915302	0.0113
D(INTR)	-0.104482	0.123197	-0.848091	0.4107
D(TOP)	0.109614	0.068827	1.592599	0.1336
D(INF)	0.085431	0.066589	1.282954	0.2203
D(FDI)	-1.022992	1.118559	-0.914562	0.3759
CointEq(-1)	-1.046653	0.204612	-5.115305	0.0002
R-squared	0.734356			
Adjusted R-squared	0.667965			
Durbin-Watson stat	1.637394			

Source: E-views 12 statistical software

Conversely, the findings regarding Interest Rates (INTR) and Trade Openness (TOP) suggest a more complex, albeit statistically insignificant, relationship in the short run. The failure to reject the null hypotheses for these variables indicates that they may not be the primary immediate drivers of growth fluctuations in the current economic climate. For trade openness specifically, the positive but insignificant coefficient (0.109) suggests that while opening the economy is theoretically beneficial, Nigeria may not yet be fully harvesting the gains of globalization, possibly due to a narrow export base dominated by crude oil.

Finally, the Error Correction Term (CointEq(-1)) result of -1.046 provides a definitive conclusion on the economy's resilience. The highly significant and negative coefficient confirms that the system is self-correcting. The magnitude suggests an exceptionally rapid speed of adjustment, where deviations from the long-run equilibrium are corrected almost entirely within a single period. This rapid correction, combined with a robust R-squared of 0.73, validates the ARDL model's ability to explain the majority of growth variations, reinforcing the conclusion that stabilizing the exchange rate is the most potent lever available to policymakers for ensuring steady economic progression in Nigeria. Finally, the Durbin-Watson stat of 1.63 is close to the ideal value of 2.0, suggesting that the model does not suffer from severe serial correlation (autocorrelation) in the residuals. This enhances the reliability of your t-statistics and confirms that the negative

relationship between exchange rate volatility and growth is not a statistical fluke but a meaningful economic finding for the study.

5.0 Conclusion and Recommendation

A significant conclusion of this research is the rejection of the null hypothesis regarding exchange rate volatility. The study established that ERVOL exerts a statistically significant negative pressure on Economic Growth (GDPGR), with a rapid speed of adjustment (104.6%) back to equilibrium following macroeconomic shocks. In contrast, interest rates and trade openness were found to have statistically insignificant impacts in the short run, suggesting that the primary friction in the current economic landscape is the uncertainty and cost-inflation associated with a volatile Naira. Ultimately, the high R-squared (0.73) and the significant CointEq(-1) term validate the model's efficacy in explaining growth dynamics, proving that exchange rate management remains the most critical policy lever for economic stabilization.

Based on the empirical findings and the subsequent discussion, the following recommendations are proposed:

i. The Central Bank of Nigeria (CBN) should prioritize policies that reduce erratic currency fluctuations.
ii. Policymakers should shift focus from mere openness to "quality" trade.
iii. The government should focus on reducing the "uncertainty premium" by stabilizing the macroeconomic environment, thereby making Nigeria a more attractive destination for long-term, non-volatile foreign capital.

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