FOREIGN PORTFOLIO INVESTMENT AND CAPITAL MARKET DEVELOPMENT IN NIGERIA

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Abstract

The poor performance of Nigeria's stock market is a source of concern and has generated contentious debates among the stakeholders in Nigerian Stock Exchange Market (NSE). This study investigates the impact of foreign portfolio investment on the performance of stock market in Nigeria for the period of 30 years (1989-2018). Secondary source and time series data were used and the variables such as; stock market capitalization proxy for capital market performance, portfolio investment, exchange rate and inflation rate were employed for the study. The data were sourced from Central Bank of Nigeria (CBN) statistical bulletin. To avoid spurious results, unit roots test and regression analysis was used as the tools of data analysis. The findings show that all the predictors have no significant impact on stock market capitalization except exchange rate that is statistically significant at 5% critical value. However, the f-statistic results (18.83660) indicate that the combine variables have significant impact on stock market performance in Nigeria. It was therefore concluded that foreign portfolio investment if properly encouraged serve as lubricant for enhancing the performance of stock market in Nigeria. The study recommends among others that, there is need for the government through the central bank to implement policy that will increase the level and size of market capitalization in the capital market.

Keywords: Market capitalization, exchange rate, investment, inflation rate

Introduction

Developing economies of the world consider saving as a sufficient tool for investment that equally serve as yardstick for economic growth. Foreign inflows such as foreign direct investment, portfolio investment, concessional loans, or grants are also seen as a lubricant factor for development process in emerging economies of the world. One of the major aim of any foreign investment is to contribute and transform the economic welfare of the recipient individual of the Nation (Obalade & Obisesan, 2015). It is generally recognized that government in developing economies have not only geared efforts towards creating conducive environment for business to grow but also tried to create attractive business

environment for foreigners to participate (Adaramola & Obisesan, 2015). Right from the phenomenal integration of the Nigerian economy with the outside world, there have been remarkable surge of capital inflow in the form of foreign investment (direct and portfolio), overseas development assistance and World Bank loans. Recently, foreign portfolio investment appears to have taken the lead.

FPI has become an increasingly important part of the world economy over the past three decades and many developed countries like China, United States of America, Japan e.t.c and developing countries like Nigeria, Ghana, Kenya e.t.c. are exploring it to develop their economies. However, the percentage of Foreign Portfolio Investment in the Nigerian bond market is relatively small compared to domestic investments of Pension fund, Insurance companies, Merchant banks, Money Deposit Banks and discount houses even though there are opportunities to strengthen the market by attracting more foreign investors. The abrogation of the exchange control Act 1962, in Nigeria has allowed foreigners to participate in the Nigerian capital market both as operators and investors. The internationalization of the Nigerian stock exchange, which was part of the financial liberalization policy in Nigeria in the mid-2000, has also precipitated to an increase in inflows of foreign portfolio investment into the Nigeria economy through the capital market (Ozurumba, 2012).

The challenges facing the inflow of foreign portfolio investment determines the value of inflow to Nigeria in the past and present. The emerging and underdeveloped status of the Nigeria financial market compared with financial markets of the developed nations, makes Nigeria financial market lack some credibility to attract foreign portfolio investment. For instance, prior to the consolidation reform in the banking system, Nigerian banks were not considered very healthy to attract Foreign Portfolio Investment as a result of the poor rating. The capital market and other institutional policies also have a negative effect on the inflow of Foreign Portfolio Investment in Nigeria (Onoh, 2002). Other factors may either have a negative or positive effect on Net inflow of Foreign Portfolio Investment (FPI). The operational efficiency of the Nigerian financial market has been seriously hindered by several economic challenges in Nigeria, resulting in the inability of the market to actively mobilize idle funds to finance domestic investments as well as attract foreign capital to Nigeria.

In light of the above, the objective of this study is to evaluate the impact of Foreign Portfolio Investment (FPI) on the performance of capital market in Nigeria. In order to achieve the stated objective, the following questions were raised; what are the impacts of portfolio investment on stock market

performance in Nigeria? To what extent does exchange rate influence the Nigeria' stock market performance?

Literature Review

Concept of Foreign Portfolio Investment (FPI)

Portfolio investment include investments made by a resident entity in one country in the equity and debt securities of an enterprise resident in another country which seek primarily capital gains and do not necessarily reflect a significant and lasting interest in the enterprise. The category includes investments in bonds, notes, money market instruments and financial derivatives other than those included under direct investment, or in other words, investments which are both below the ten per cent rule and do not involve affiliated enterprises. Foreign Portfolio Investment (FPI) is a passive investment in the securities of another country such as stocks or bonds or equity and debt transaction which do not offer the investor optimum control over the operation of the enterprise (Ajayi, Adejayan & Obalade, 2017). They stressed further that foreign portfolio investment is the transfer of financial assets by way of investment in securities in one country by resident individuals, enterprises and institution s of other country either directly in the assets of the companies or indirectly through financial markets. Foreign portfolio investment although is a recent phenomenon in Nigeria when compared to foreign direct investment, Overseas Development Assistance (ODA) and bank loans, has been on the increase since the mid-80s. The importance of portfolio investment to developing country like Nigeria has been attributed to the effective role played by the Nigerian capital market in the recent years. This includes the deregulation of the capital market in 1993 which made the federal government to internationalize the market in 1995, with the abrogation of laws that constrained foreign participation in the Nigeria capital market. Following the abrogation of the Exchange Control Act 1962, foreigners can participate in the Nigerian stock exchange, which was part of the financial liberalization policy in Nigeria in the mid-2000. There were increase inflows of foreign portfolio investment into the Nigerian economy through the capital market (CBN, 2006).

Determinants of Foreign Portfolio Investment in Nigeria

Nigerian economy has experienced a seemly exponential growth since the introduction of SAP as almost all the macroeconomic variables, especially Gross Domestic Product (GDP) component, posted positive indication when compared with the figures before 1986, according to CBN Statistical Bulletin (2013). The E- CBN Statistical Bulletin data depicts that foreign capital inflows to Nigeria have surpassed most African countries and has since 2000s become one of the most attractive foreign capital destinations in

the world. However, factors that have inhibited the constant inflows of foreign portfolio investment and the growth of stock market in Nigeria during the early years of SAP were somewhat, the indigenization policy through Nigeria Enterprise Promotion Decree (NEPD). Other factors are undeveloped financial system, inconsistent government policies, and weak institutional and legal frameworks. Presumably, as a result of technological innovation and globalization and economic reforms, Nigerian capital and money market have experienced considerable growth and development in recent years since 1986. As part of the Nigerian monetary reforms, CBN liberalized operation in the banking sector, leading to the rise of number of commercial banks from 40 banks in 1986 to 120 banks in 1992. Also, the reforms led to the emergence of other financial institutions such as discount houses and bureau de change which were nonexistent prior to 1986. Importantly, CBN has been increasing the capital base of banks since the introduction of reforms, for instance, capital base of all bank financial institutions was raised in 1998 from 10 million to 500 million. Presently, after recapitalization in 2005, the capital base rose to 25 Billion Naira. The deregulation of interest rates in 1987 and the implementation of privatization and commercialization program between 1988 and 1993 have worked to promote portfolio investment in Nigeria by expanding the choice of investment instruments, deepening the market and improving, generally, the liquidity of the market, apart from attracting more participants in the market process. He stated that between 1988 and 1993, the number of listed security rose from 188 to 272, and market capitalization grew by 326% to N46.9 billion, while turnover appreciated from 259.9 million shares to worth N250.3 million to 430 million shares valued at N662 million.

Concept of Capital Market

Globally, capital market played an important role in the economy due to its financial intermediation roles which in turn affects positively most economic activities in a given state. This has made the existence and continued enhancement of the functions of the market the focus of economic development policies of policy makers in most countries of the world. Consequently, institutionalizing and sustaining efficient capital market performance has become a requisite condition for economies wanting to experience accelerated growth and development and this is because the capital market provides the fulcrum for stock market activities and it is often cited as a barometer of business direction. In an attempt to explain the purpose and importance of the capital market in a typical modern society, several authors have defined the phenomenon. Al-Faki (2006) defined capital market as a network of specialized financial institutions, series of mechanisms, processes and infrastructure that, in various ways, facilitate the bringing together of suppliers and users of medium to long term capital for

investment in socio-economic developmental projects. In like manner, Ndako (2010) explains that the capital market is a complex institution imbued with inherent mechanism through which long-term funds of the major sectors of the economy comprising households, firms, and government are mobilized, harnessed and made available to various sectors of the economy. This means that for sustainable economic growth, funds must be effectively mobilized and allocated to enable businesses and the economies harness their human, material, and management resources for optimal output.

Instruments of Nigeria's Capital Market

The following terms and instruments are consistent with the activities of capital market operation in Nigeria:

i. **Ordinary Shares:** They are issued to owners of the company. They are long term financing with a nominal value or face value. The memorandum and article of association of a company specified the number of authorized ordinary shares a company can issue. The ordinary shareholders of a company have a residual claim in the company, their claims to income and assets come after the creditors and preference shareholders have been paid in full. As a result, a shareholders return on investment is less than the return to a lender or preference shareholders. However, there is no limit to the return of ordinary shares.

ii. **Preference Shares:** Preference shares is another major source of long term financing to a company. The holders are entitled to a fixed percentage dividend before any dividend is paid to ordinary shareholders. However, preference dividend can only be paid if sufficient distributable profits are available, although with cumulative preference shares the right to an unpaid dividend is carried forward to later years. The arrears of dividend on cumulative preference shares must be paid before any dividend is paid to ordinary shares. For credibility sake, companies always try to pay the fixed dividend regularly. Just like the debt instruments, a preference shares have a nominal value and dividend, which is paid at a fixed percentage of this amount. Preference shares can be redeemable or irredeemable.

iii. **Debt Instrument:** A bond represents a method of long term borrowing by corporation of government agencies, when a corporate bond is issued, it as a legal contract that goes with it which contains the provision of loans in terms of its amounts, interest and maturity period. Bonds are sold in multiples such as N1000. They are purchased by Money Deposit Banks, insurance companies,

pension fund and even individuals. This form of financing is usually reserved for target companies or corporation. This is why they have prior claims on the firm's asset in the event of liquidating.

iv. **Market Capitalization:** Market capitalization represents the aggregate value of stock size. Market capitalization is the measurement of the size of businesses and corporations which are equal to the market share price times the number of shares in this case shares that have been authorized, issued, and purchased by investors of a publicly traded company (Al-Faki, 2006). Market capitalization is also calculated by multiplying the shares of the company by the price per share. The investment community uses the figure to determine a company's size or worth, as opposed to sales or total asset figure.

Benefits of Investing Within the Capital Market

i. **Savings:** Investing in securities that are listed in the capital or stock market encourages investors to accumulate their savings in small amounts over time

ii. **Income:** Investment in the stock market provides a source of income. Shares pay dividends when companies declared profits and decide to distribute part of the profits to Shareholders. bonds pay an interest income to the bondholders. Sometimes the income earned from listed securities is higher than interest earned from the money or banking sector.

iii. **Wealth or Capital Gain:** Whenever the prices of securities listed in the market go up, The value of the investment of the holders of those securities increases. This is called capital gain and is an important way of growing wealth through the stock market. It is important to note that a one – off investment in the capital market does not make sense. It is therefore the accumulative investment over time that creates opportunities for growth in wealth through the capital market.

iv. **Liquidity:** Liquidity is the ability to convert shares or bonds into cash by selling within The shortest time possible without losing much value. When one needs funds Urgently, listed securities could be very useful because they are more liquid than most other forms of assets.

v. **Bonds Pay an Interest Income and Shares Pay Dividends Income**

Grow Wealth: Over time, the value of your investment increases, whenever the prices of your stock go up. This is called capital gains. Listed securities are easily acceptable as collateral against loans.

Types of Capital Market

Primary Market

The primary market is a market where freshly issued securities are traded i.e. for the first time. It is also known as the new issues market. This market enables both initial public offering and a further public offering. In this market, the funds will be deployed with the help of offering through a prospectus, preferential issue, rights issue, e-IPO, and private placement of securities.

Secondary Market

It is a type of capital market where old securities are traded i.e. trading done after transacting first in the primary market. We also call this market as the stock market or aftermarket. Both stock markets and over-the-counter trades come under the secondary market. Examples of secondary markets are the London Stock Exchange, the New York Stock Exchange, NASDAQ, etc.

Nature and Trend of Foreign Capital Flows to Nigeria

Nigeria's foreign private capital flows involve mostly the Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI). The Foreign Portfolio Investment is a recent development in Nigeria and this was initially attributed to the non-internationalization of the country's money and capital markets as well as the non-disclosure of information on the portfolio investments of Nigerian investors in the foreign capital/money markets (CBN 1997).

Foreign Portfolio Inflow in Nigerian Capital Market

Foreign portfolio inflow was not observed in the Nigerian capital market in the early 1980s up to 1985. The first report made by the Central Bank of Nigeria (CBN), recorded foreign portfolio inflow of N151.6 million in 1986. Beginning from 1985 when the second-tier securities market was established coupled with the promulgation of the Nigerian Enterprise Promotion Decree in 1987, the Nigerian capital market continued to register the inflow of foreign portfolio investment. Thus, directives that the Nigerian capital market must be internationalized to make it more responsive and attractive to both local and foreign investors buttressed government's appreciation of the importance of the capital market in national development. Ideally, internationalization should enhance the market's competitiveness and attractiveness in the global market place (SEC, 1995).

The later part of the 1980s particularly between 1987 and 1988 received foreign portfolio inflow of N4,353 million and N2,611.8 million respectively, representing a drastic rise when compared to the 1986's figure, though it fluctuated downward from 1987 to 1988.

Although the Nigerian capital market was completely deregulated in 1993, foreign portfolio inflow continued to be negative up to 1998 and reversed in 1999 with a record of N1,815.7 million (SEC, 2008). In 2000, the FPI inflow into the market stood at N51.1 billion compared to N1.82 billion in 1999. Since then the market has witnessed a tremendous increase in the inflow of fund from oversea, high records of N311.1 billion in 2006 and N703.6 billion in 2007 respectively. The N391.1 billion increase in FPI inflows in 2007 over 2006 which represents 125% increase. Also, there was a sharp increase in FPI inflow between 2005 and 2006, rising from a low inflow of N23.5 billion in 2004 to stand at N116.0 billion in 2005 and N311.7 billion in 2006. The inflow of FPI dropped after the 2000's figure to N26.0 billion in 2001, slightly dropped again in 2002 to N24.8 billion and stagnated between 2003 and 2004 recording N23.5 billion for the two years. Despite this fluctuation or sharp fall in the inflow of FPI, the inflow of foreign portfolio investment rose significantly in 2009 to the tune of N2.15 trillion approximately and further rose in 2010 toN2.73 trillion approximately.

Theoretical framework

Modern Portfolio Theory (MPT)

This theory was pioneered by Harry Markowitz in his paper "Portfolio Selection," published in 1952 by the Journal of Finance. Modern portfolio theory (MPT) is a theory on how risk-averse investors can construct portfolios to optimize or maximize expected return based on a given level of market risk, emphasizing that risk is an inherent part of higher reward. According to the theory, it's possible to construct an "efficient frontier" of optimal portfolios offering the maximum possible expected return for a given level of risk. Modern portfolio theory argues that an investment's risk and return characteristics should not be viewed alone, but should be evaluated by how the investment affects the overall portfolio's risk and return. MPT shows that an investor can construct a portfolio of multiple assets that will maximize returns for a given level of risk. Likewise, given a desired level of expected return, an investor can construct a portfolio with the lowest possible risk. Based on statistical measures such as variance and correlation, an individual investment's return is less important than how the investment behaves in the context of the entire portfolio. MPT makes the assumption that investors are risk-averse, meaning they prefer a less risky portfolio to a riskier one for a given level of return. This implies than an investor will take on more risk only if he or she is expecting more reward. The expected return of the portfolio is calculated as a weighted sum of the individual assets' returns.

Neoclassical Financial Theory of Portfolio Flows

This theory was propounded by Harison (2000). Theory lies in interest rate differentials between countries. According to this theory, portfolio investment moves in response to changes in interest rate differentials between countries, regions and multinational companies which are simply viewed as arbitrageur of capital from countries where return is low to countries where it is high. This explanation, however, fails to account for the cross movements of capital between and across countries. In practice, capital moves in both directions between countries.

Empirical Review

The following empirical studies were reviewed in this study:

Akinmulegun (2018) examined the effect of capital market development on foreign portfolio investment in Nigeria over the period 1985 to 2016. The study employed secondary data sourced from Central Bank of Nigeria Statistical Bulletin and publications of Nigeria Stock Exchange. In order to achieve the objective of the study, the researcher adopted Vector Error Correction Mechanism (VECM) to analyze the short run and long run dynamism of the variables while also focusing on the direction of causality between capital market development and foreign portfolio investment in Nigeria, using granger causality test. The Granger causality test revealed that there is no causality between capital market development and foreign portfolio investment in Nigeria. Result from the vector error correction model indicated that Market Capitalization (MCAP) has negative significant effect on foreign portfolio investment in Nigeria while All Share Index (ASI) has positive relationship with foreign portfolio investment. Therefore, the study concluded that capital market development has significant effect on foreign portfolio investment in Nigeria within the period examined. Based on the findings, the study recommended that government and capital market regulatory authorities should develop and enforce policies that will further propel capital market development in such a way that it will sustain its positive effect in attracting foreign portfolio into the Nigerian economy as well as stimulate improved interest of foreign investors in subscribing to portfolio investment in Nigerian enterprises.

Nwonodi (2018) examined the effect of foreign portfolio investment on the performance of Nigerian capital market. The specific objectives are to investigate the impact of Net Foreign Portfolio Investment, Foreign Portfolio Investment in Equity, Foreign Portfolio Investment in Bonds, Foreign Portfolio in Government Securities and Nigerian Exchange Rate per US Dollar on the performance of Nigerian Capital Market. The required data were sourced from Central Bank of Nigeria (CBN) Statistical Bulletin and Stock Exchange Annual Report. The study has All Share Price Index and Market Capitalization as

proxy for Capital market performance while Net Foreign Portfolio Investment (NFPI), Equity Investment (PIE), Bond Investment (PIB), Portfolio Investment in Government Securities (PIGS) and Exchange Rate as predictors variables. The Ordinary Least Square multiple regressions with econometric view were used as data analysis techniques. Granger Causality Test, Augmented Dickey Fuller Test and Error Correction Model were used to examine the variables and its relationship to the dependent variables. Model one revealed that foreign portfolio investment in bonds and foreign portfolio investment in government securities have negative relationship with All Share Price Index while Net Foreign Portfolio investment, foreign portfolio investment in equities and exchange rate have positive relationship with All Share Price Index. Model two revealed that Net Foreign Portfolio Investment, Portfolio Investments in Bonds and Government securities has negative relationship with market capitalization while equity investment and exchange rate have positive relationship with market capitalization. The study concludes that foreign portfolio investment have significant relationship with Nigerian capital market performance. It therefore recommends that policies should be devised to enhance the operational efficiency of the Nigerian capital market, to attract foreign investors.

Methodology

The study employed time series and secondary source of data for the period of 30 years (1989 – 2018). The data were sourced from Central Bank of Nigeria (CBN) statistical bulletin of 2018. The variables considered include; stock market capitalization proxy for capital market performance (dependent variable) and the explanatory variables are; portfolio investment, exchange rate and inflation rate. The ex-post facto research design was adopted for this study because the researcher does not intend to manipulating already made data. The study also employed Ordinary Least Square (OLS) econometric technique with the Econometric view (E-view) as method of data analysis.

Model Specification

The model for the study is given below:

Mathematically,

$MCAP = f(PI, EXCH, INFR)$

In econometric term

$MCAP = \beta_0 + \beta_1 PI_1 + \beta_2 EXCH_2 + \beta_3 INFR_3 + \mu$

Where:

MCAP = Stock Market Capitalization

PI = Portfolio Investment

EXCH = Exchange Rate

INFR = Inflation Rate

β_0 = Constant term

$\beta_1 - \beta_3$ = coefficient of explanatory variables

μ = Error term

Results and Interpretation

Table 1: Unit Root Tests

	ADF		PP	
Variables	**T-stats**	**Prob Level**	**T-stats**	**Prob Level**
D(MCAP)	-5.848329*	0.0004*	-11.21829*	0.0000*
D(PI)	-4.940160*	0.0027*	-27.20542*	0.0000*
D(EXCH)	-2.434426*	0.0169*	-2.351401*	0.0205*
D(INFR)	-8.151160*	0.0000*	-4.542256*	0.0061*

ADF = Augmented Dickey Fuller Statistics

PP = Phillips-P**erron Statistics**

***Stationary at 5percent**

The unit root test was employed to ensure that the variables enter their corresponding models in a non-explosive form and are robust. Non-stationary variables are not very useful in economics. The establishment of relationships between variables is very crucial in macroeconomic analysis, thus when variables are non-stationary, they tend to produce spurious relationships. The main step of making non-stationary variables to be stationary is by differencing them. The variables were tested in their first difference to determine if they contain unit roots or not, using the ADF and PP procedures. The results of the ADF and PP indicate that all the variables considered for the study are stationary at first difference. Thus, a regression is run on these variables, no spurious outcomes are expected to prevail.

Table II: Regression Results

Dependent Variable: MCAP-1
Method: Least Squares
Date: 22/01/20 Time: 23:48
Sample: 1989 2018
Included observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2227.197	2002.442	-1.112240	0.2762
PI-1	0.051188	0.119338	0.428935	0.6715
EXCH-1	76.59152	11.71068	6.540314	0.0000
INFR-1	4.548708	48.32787	0.094122	0.9257

R-squared	0.684886	Mean dependent var	5664.027
Adjusted R-squared	0.648527	S.D. dependent var	7104.335
S.E. of regression	4211.819	Akaike info criterion	19.65274
Sum squared resid	4.61E+08	Schwarz criterion	19.83957
Log likelihood	-290.7911	Hannan-Quinn criter.	19.71251
F-statistic	18.83660	Durbin-Watson stat	0.506161
Prob(F-statistic)	0.000001		

MCAP =-2227.197 + 0.051188PI + 76.59152EXCH + 4.548708INFR + μ

From table 4.2 above, the constant term is -2227.197, this is the intercept of the regression line indicating the value of Market Capitalization (MCAP) if other variables in the equation is held constant. The coefficient of foreign portfolio investment, exchange rate and inflation rate are positive 0.051188, 76.59152 and 4.548708 respectively but only exchange rate is statistically significant with a probability value 0.0000 which is less than 0.05. This implies that for every one-unit increase in the value of foreign portfolio investment and exchange rate while holding other variables constant, the market capitalization will increase by 0.051188 and 76.59152 respectively. More so, as inflation rate increase by 1 percent, market capitalization also rises by 4.548708.

The coefficient of determination R^2 is 0.684886 which states that 68.48% of the variation in market capitalization is influenced by the explanatory variables (PI, EXCH, INFR) while the remaining 2.13percent unexplained variation is being explained by other variables outside the model but captured by the error term. Also, the goodness of fit of the regression remained high after adjusting for the degree of freedom as indicated by the adjusted R^2 (R^2= 0.648527 or 64.85%). The value is expected to be the same or very close to R^2. The Durbin Watson statistics in the model is 0.506161 which explain that there is presence of positive serial correlation among the variables. The Akaike Info Criterion (AIC), Schwarz Criterion (SWC) and Hannan-Quinn Criteron (HQC) respective results of 19.65274, 19.83957 and 19.71251 also confirmed the position of R^2 to ensure the validity of the fitted model.

The F statistics in the regression line shows 18.83660 with P-value of 0.000001. Thus, the P-value is less than 5% critical value (0.000001<0.05). This can be easily inferred that foreign portfolio investment has significant impact on the performance of stock market in Nigeria within the period under review.

Conclusion

Based on the results, the study discovered that all the predictors have no significant impact on stock market capitalization except exchange rate that is statistically significant at 5% critical value. However, the *f*-statistic results indicate that the combine variables have significant impact on stock market

performance in Nigeria. It was also observed that despite the flows of portfolio investment into the country, the performance of Nigeria's stock market is still questionable. The study thus concludes that foreign portfolio investment if properly encouraged serve as lubricant for enhancing the performance of stock market in Nigeria.

Recommendations

Based on the findings, the following recommendations were provided:

i. Investors should be encouraged with necessary incentives so as to increase the volume and value of equities being traded in the Nigeria's stock market.

ii. The government should concentrate more on providing basic infrastructures to create an enabling environment for businesses to grow and enhance efficiency in productivity which will boost economic activities.

iii. There is need for the government through the central bank to implement policy that will increase the level and size of market capitalization in the capital market. Such increase in capital market will provide the needed funds for investors for further investments and hence increased productivity in Nigeria.

iv. The monetary authority should formulate and implement favourable exchange rate policies in order to ensure price stability in the economy.

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