CONFLICTING ISSUES IN CURRENCY DEVALUATION AND ECONOMIC DEVELOPMENT IN NIGERIA FROM 1970 TO 2009

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Abstract

This work examines the conflicting issues in currency devaluation and economic development in Nigeria. While the aim of currency devaluation is to adjust currency value in order to improve the economy, the situation is rather the reverse in Nigeria. The currency is devalued but variables of economic development are deteriorating. Based on this, the work sought to establish relationships among the balance of payments (BOP) position, foreign reserve position (FrP) and exchange rate, export and import volumes. A modified macro simulation model is applied and the multiple regression model used in analysing the data collected. Inverse relationships between BOP and imports as well as FrP and exchange rates are established. The conclusion is that unless the objective of devaluation policies are fully aligned with the objectives of economic development, the situation will not improve. On the bases of this, recommendations are that more aggressive steps such as export incentive skill, infrastructure improvement and domestic products quality upgrading be adopted to encourage export of goods and services and discourage imports of those products available within the domestic markets.

1.0 Introduction

Nations transact business, establish and maintain economic, diplomatic and social relationships among themselves from time to time. Such transactions and other relationships that exist usually results in the flow of goods and services on one hand and payments for those products on the other hand. In addition to these, the flow of earnings accruing to the nationals of the different countries also exist. These transactions and their flows are usually recorded in the balance of payment.

The balance of payments as stated here indicates the financial position of a country for a given period of time usually one year. That is whether it is favourable or unfavourable. But it should be noted here that countries of the world including Nigeria always seek to maintain favourable or equilibrium balance of payments at all times. This is one of the cardinal macroeconomic objectives of the governments of different countries of the world.

However, it should be pointed out that in most cases, most countries find it very difficult to achieve the above objectives. In order to achieve these objectives, it becomes imperatives for some adjustments to be made in balance of payments (BOP). In this exercise, many adjustment strategies exist. One of such strategies is currency devaluation. Currency devaluation refers to a reduction in the value of a national currency as compared to other national currencies. Some

of the major objectives of currency devaluation is to correct balance of payment deficit and open up the economy for increased economic transactions with foreign trading partners, as the value of the domestic currency is reduced. The use of currency devaluation in adjusting the balance of payment deficit position is characterized with some conflicts. For instance, since it is always an interventionist option, it fails in most cases to align with the various sectorial policies or even the overall policy focus of the government. Example, in a situation where governments adopt tight or liberal monetary and fiscal policies, currency devaluation has different implications on such policies. These may lead to adverse economic performance and development. This work is therefore designed to assess the conflicting issues involved in currency devaluation as it affects economic development in Nigeria.

However, in opening up such economy for more transactions with foreign countries, the domestic policies such as the fiscal and monetary policies, industrial policies as well as policies on infrastructural development need to be fully streamlined for the objectives of the devaluation exercise to be achieved. It is imperative to note that in Nigeria, from the various devaluation experiences such as those of the 1970s and others, the naira devaluation exercise or policy was in conflict with those highlighted above.

When currencies are devaluated, the aim is to reduce the prices of products in the domestic economy to attract foreign trading partners to buy their products. When these goods are sold, the stock of inventory reduces and the capacity to produce increases. These further lead to increase in employment levels. The situation in Nigeria is the reverse because even with the present devaluation of the naira, the balance of payments (BOP) position still runs into deficits. We don't even have enough to export, capacity utilization rate is highly fluctuating, reserve position is highly depleting and the rate of growth continued to fluctuate. It is on the bases of this problem that this work is designed to establish the relationship between currency devaluation variables and the variables of economic development. The exchange rate, export volume and import volume are the measures of currency devaluation while the balance of payment position (BOP) and the foreign reserve position (Fp) are measures of economic development.

2.0 Conceptual and Theoretical Review

This section review literature relevant to the study. The major issues addressed are the concept, nature and objectives of currency devaluation, currency devaluation and economic development and the nature and theories of economic development.

2.1 Concept, Nature and Objectives of Currency Devaluation

In international monetary and financial operations, the exchange rates play predominant role in the import and export of goods and services between and among nations. Various factors including changes in tastes, relative incomes, prices, real interests and speculations determine the exchange rate variations visa viz balance of payments position. When a country faces balance of payments deficit, its reserve position is depleted. This implies that such a country has a balance of payments disequilibrium requiring some adjustments. One of the adjustment strategies to stabilize the system and bring the balance of payments to equilibrium is through currency devaluation.

A currency is said to be devalued when fixed exchange rates are adjusted downward to raise the amount at which a domestic currency is exchanged for a foreign counterpart currency. Since 1973, the flexible exchange rate system used between most countries, allowed supplies and demands for currencies in international market to set exchange rate. However, before then, treaties established most exchange rates but these agreements rarely survived. If they are in conflict with powerful market forces (Byrns and Stones, 1992:855). When fixed exchange rates are

adjusted, a currency that appreciate is revalued and the depreciating currency is devalued. As noted implicitly above, in an earlier era, many currencies were based on gold standard by which a government guaranteed to exchanged a fixed amount of currency for a fixed amount of gold. The gold standard therefore automatically yield fixed international exchange rate. Even today, when some exchange rates are fixed, they must be occasionally adjusted. Some cited cases are drawn from the French economy that suffered from high inflation and capital flight in 1983 in which the French Franc was devalued relative to the German Deutch mark, the British pound sterling and other European community currencies.

Whatever circumstances that may compel currency devaluation, it is important at this point to observe that two forms of devaluation are common. These are the speculation and negotiated devaluation. Speculative devaluation arises when the reliability of the market forces are in doubt and future foreign positions uncertain. Another condition in which speculative devaluation may occur is when the existing/treaties are no longer adhered to and a near laissez faire approaches prevailed. On the other hand, a negotiated devaluation takes places as a result of long term balance of payments (BOP) imbalances, in which the affected country through parliamentary processes and countrywide or sectorial consultations decide to depreciate or devalue her currency. In any form currency devaluation may take, its major focus is on the adjustments to stabilize the economy and correct the balance of payments imbalances, thereby promoting economic development and growth. (Kalyoncu, H. Artan, S. Tezekci, S. and Ozturk, Ilhan, 2008:1450-2887).

2.2 Currency Devaluation and Economic Development in Nigeria

Although research data and information on currency devaluation and economic development in Nigeria are scanty, to the best of my knowledge there are some evidences of strong correlation between currency devaluation and economic development. For instance, president Nixxon of the United States of America achieved a substantial level of economic development in that country in the early seventies through currency devaluation. Similar reports have been made on the economy of Japan and other European nations (Byrns and Stones, 1992:851-855). Currency devaluation relaxes the exchange rates between two or more trading nations and open up markets for export of goods and services. The openings created through devaluation creates foreign exchange earnings which build up the reserve positions of the affected country, thereby improving its balance of payment position.

As improvements are recorded in the BOP positions, more products are produced, prices are stabilized, capacity utilization rates stepped up and more employment opportunities created. These variables are the measures of economic development and growth. Although conceptual details of economic development are discussed in the section that follows, it is important to highlight here that economic development focuses on positive changes and improvements in the living standards, health care delivery, literacy rate as well as sustainability in the rate of growth in these indices.

2.3 Nature and Theories of Economic Development

For the poor countries to develop, they must go through a process of mechanization of agriculture, urbanization and industrialization. This means that there must be improvement in modern machine building electronics, transportation facilities, existence of sophisticated business services such as finance, insurance, graphics and others. In other words the standard of living must shift from the traditional ways of doing things to more sophisticated ways which will lead to improvement in the standard of living. In this way, economies mature as they grow and there is improvement in the quality of lifestyle, goods available and how production

is organized among others.

On the bases of the aforementioned, economic development refers to the study of how economies develop, why some failed and what policies or strategies would be most successful in encouraging development and economic growth (Henderson and Poole, 1991:1193-1198). There are different focuses on the study of economic development. The focus could be on the command of income (i.e GDP/per capita income) or on accumulation of physical and human capital (including human knowledge and heavy industry base). These measures however are not completely accurate in reflecting differences in the standard of living. The inaccuracy involves exchange rates because most goods within countries (such as perishable, housing, furniture, beverages etc) are not traded with other countries and so differences in their prices do not directly affect exchange rates. Apart from that income is highly unequally divided across nations than within a given economy. The gap between the rich and the poor nations is widening and some narrowing.

Besides the material standard of living, the quality of life on measures such as education, health, literacy rate and access to basic services need be considered. Although, there is rising awareness on education, some countries still have a long way to go. For instance in Nigeria, it is only of recent that preference had just been given to girl child education, even with that participation by females in schools is relatively low. However in the few years to come, literacy rate among females would rise due to the universal basic education system. Health care services are also gaining popularity, thereby reducing infant/maternal mortality rate but the gap between the rich economies and the poor ones is still enormous especially when it comes to sophistication and saving time. The gap so created is caused by the fact that some countries have experienced rapid increases in their standards of living while others have remained largely agricultural, maintaining traditional manufacturing approaches. Some workforce are completely illiterate and unable to use sophisticated machines, in some countries the institutional framework is completely unorganized without conducive environment for growth. Infrastructural facilities in some countries are poor compared to others. There is population up rise due to high birth rates, among others.

3.0 Research Methodology

3.1 Research design

The main focus of this section is on research methodology which comprises the, model specification and techniques of data analysis, among others. A research design is a master plan specifying the methods and procedures for collecting and analyzing needed information. It is a framework of the research plan of action (Zikmund, 1994:43). In this research, the descriptive and analytical research methods are adopted. The descriptive method of analysis transforms raw data into a form that makes them easy to understand, analyse and interpret. It moves on to assess the statistical significance of various independent variables about a single dependent variable. The analytical research method involves data processing (using analytical tools) with little or no alteration.

3.2 Research Hypotheses

From the objectives above, the following research hypotheses were developed:

(1) Ho: There is no significant relationship between the balance of payments position, exchange rate, export and import volumes.
Hi: There is a significant relationship between the balance of payments position, exchange rate, export and import volumes.

(2) Ho: There is no significant relationship between the foreign reserve position, exchange rate, export and import volumes.
Hi: There is a significant relationship between the foreign reserve position, exchange rate, export and import volume.

3.3 Model specification

Based on the research hypotheses above, the following models are specified:

(i) $BOP_p = a_o + b_1Exr + b_2ExpV + b_3ImpV + e$

(ii) $Frp = a_{o..} b_1Exr + b_2ExpV + b_3ImpV + e$

Where:

BOP_p = Balance of payments position

FrP = Foreign Reserve Position

Exr = Exchange rates

ExpV = Export volumes

ImpV = Import Volumes

b_1, b_2 = regression coefficients

a_o = regression constant

3.4 Techniques of data analysis

The method of analysis used in this study is the multiple regression model. In analyzing the hypotheses, the multiple regression models were used. The multiple regression analysis is an analysis of association that simultaneously investigates the effect of two or more independent variables on the single, interval scaled or ratio-scaled dependent variable (Zikmun, 1994:575). In this study variations in the dependent variable are attributed to changes in each of the independent variables as specified in the models.

Furthermore, for tests of hypothesis, the F-ratio was used to evaluate the statistical reliability of the result estimated. This involves comparing the calculated F value (F_c) with the table value (F_t) at a stated level of significance. If $F_c > F_{t..}$ that is, the calculated F value is greater than the table value of F value, then the value of R^2 adequately reflects the variations in the dependent variable and this shows the predictive power of the model. When Fc > Ft, the overall significance of the regression is hampered in this case, it implies that the model is weak.

4.0 Empirical review

This section of the work is designed to analyse the data collected. The data are those of the balance of payments positions, foreign reserve position, exchange rate, export volume and import volume. These data are presented in table 1 and 2 below:

4.1 Data presentation

Table 1

Relationship between Balance of payments position (BOP), Exchange rate (Exr), Export Volume (ExpV) and Import (ImpV) in Nigeria, 1970 and 2009.

Years	Bop (₦mil)	Exr (₦/US$)	ExpV (₦mil)	Imp V (₦mil)
1970	46.6	0.61	885.7	756.4
1971	117.4	0.66	1,293.4	1,078.9
1972	57.2	0.66	1,434.2	990.1
1973	197.2	0.66	2,278.4	1,224.8
1974	3,102.2	0.62	5,794.8	1,737.3
1975	157.5	0.63	4,925.5	3,721.5
1976	-339.0	0.63	6,751.1	5,148.5
1977	-527.2	0.65	7,630.7	7,093.7
1978	1,293.6	0.65	6,064.4	8,211.7
1979	1,868.9	0.56	10,836.8	7,472.5
1980	2,402.2	0.54	14,186.7	9,095.6
1981	-3,020.8	0.61	11,023.3	12,839.6
1982	-1,398.3	0.67	8,206.4	10,770.5
1983	-301.3	0.71	7,502.5	8,903.7

1984	354.9	0.81	9088.0	7,178.3
1985	349.1	1.00	11,720.8	7,062.6
1986	-5,667.7	3.32	8,920.6	5,983.6
1987	-18,264.8	4.19	30,360.6	17,861.7
1988	-20,795.0	5.35	31,192.8	21,445.7
1989	-22,993.5	7.65	57,971.2	30,860.2
1990	-5,761.9	9.00	109,886.1	45,717.9
1991	-15,796.6	9.75	121,535.4	89,488.2
1992	-101,404.9	19.67	205,611.7	143,151.2
1993	-42,060.4	22.05	218,770.1	165,629.4
1994	-42,623.3	21.89	206,059.2	162,788.8
1995	-195,316.3	21.89	950,661.4	755,127.7
1996	53,152.0	21.89	1,309,543.4	562,626.6
1997	1,076.3	21.89	1,241,662.7	845,716.6
1998	-220,675.1	21.89	751,856.7	837,418.7
1999	-326,6634.3	92.69	1,188,969.8	862,515.7
2000	314,139.2	102.11	1,945,723.3	98,502.4
2001	24,738.7	111.94	1,867,953.9	1,358,180.3
2002	-563,483.9	120.97	1,744,177.7	1,512,695.3
2003	-162,298.4	129.36	3,087,866.4	2,080,235.3
2004	1,124,157.2	133.50	4,602,781.5	1,987,045.3
2005	-1,473,537.1	132.15	6,372,052.4	2,800,856.3
2006	-2,406,340.6	128.65	5,752,747.7	3,412,176.6
2007	-2,379,064.7	125.88	8,120,147.9	4,381,930.0
2008	-3,482,276.4	118.86	9,774,510.9	5921449.7
2009	-5,951,669.18	145.75	8,832,413.8	5,022,162.6

Source: CBN Statistical Bulletin (for various years), NBS. World Economic outlook

Table 2

Relationship between Foreign reserve Position, Exchange rate (Exr), Export Volume (ExpV) and Import (ImpV) in Nigeria, 1970 and 2009.

Years	FrP (₦mil)	Exr (₦/US$)	ExpV (₦mil)	Imp V (₦mil)
1970	156.58	0.61	885.7	756.4
1971	281.38	0.66	1,293.4	1,078.9
1972	243.58	0.66	1,434.2	990.1
1973	377.98	0.66	2,278.4	1,224.8
1974	3,452.30	0.62	5,794.8	1,737.3
1975	3,583.70	0.63	4,925.5	3,721.5
1976	3,286.30	0.63	6,751.1	5,148.5
1977	2,814.50	0.65	7,630.7	7,093.7
1978	1,298.90	0.65	6,064.4	8,211.7
1979	3,059.80	0.56	10,836.8	7,472.5
1980	5,462.00	0.54	14,186.7	9,095.6
1981	2,441.60	0.61	11,023.3	12,839.6
1982	1,043.30	0.67	8,206.4	10,770.5
1983	224.40	0.71	7,502.5	8,903.7
1984	710.10	0.81	9088.0	7,178.3
1985	1,657.90	1.00	11,720.8	7,062.6
1986	2,836.60	3.32	8,920.6	5,983.6
1987	7,504.59	4.19	30,360.6	17,861.7
1988	5,229.10	5.35	31,192.8	21,445.7
1989	3,047.62	7.65	57,971.2	30,860.2

1990	4,541.45	9.00	109,886.1	45,717.9
1991	4,149.30	9.75	121,535.4	89,488.2
1992	1,554.61	19.67	205,611.7	143,151.2
1993	1,429.59	22.05	218,770.1	165,629.4
1994	9,009.11	21.89	206,059.2	162,788.8
1995	1,611.11	21.89	950,661.4	755,127.7
1996	3,403.91	21.89	1,309,543.4	562,626.6
1997	7,222.22	21.89	1,241,662.7	845,716.6
1998	7,107.50	21.89	751,856.7	837,418.7
1999	5,424.60	92.69	1,188,969.8	862,515.7
2000	9,386.10	102.11	1,945,723.3	98,502.4
2001	10,267.10	111.94	1,867,953.9	1,358,180.3
2002	7,681.10	120.97	1,744,177.7	1,512,695.3
2003	7,467.78	129.36	3,087,866.4	2,080,235.3
2004	16,955.02	133.50	4,602,781.5	1,987,045.3
2005	28,279.06	132.15	6,372,052.4	2,800,856.3
2006	42,298.11	128.65	5,752,747.7	3,412,176.6
2007	51,333.15	125.88	8,120,147.9	4,381,930.0
2008	53,000.36	118.86	9,774,510.9	5921449.7
2009	42,382.48	145.75	8,832,413.8	5,022,162.6

Source: CBN Statistical Bulletin (for various years), NBS. World Economic outlook

4.2 Data analysis

The characteristics movement of data relating to the balance of payments position, exchange rate, export and import volumes are presented in table 1 above. From the table, we observed that the balance of payments position increased from N 46.6 million naira in 1970 to N2402.2 million in 1980 and dropped a huge to deficit of N-22,993.5 million naira in 1989. Since then the balance of payments have been in deficits with insignificant surpluses of N53,152 million and N1,076.3 million recorded in 1996 and 1997 respectively. From 1998, the balance of payments further slided and remained in deficit throughout 2009 with a value of N-5,951,669.18 million. Within this period, the exchange rate had depreciated from N0.61 in 1970 to N145 in 2009. The trend shows that as exchange rate depreciates, the balance of payments position runs into deficits. The volume of exports rise with increase in the exchange rate while import volumes were highly fluctuating, reducing as exchange rate rose.

Table 2 presents the relationship between the foreign reserve position, exchange rate, export and import volumes. The foreign reserve position is highly fluctuating increasing at reducing rates from N156.58 million in 1970 to N5,462 million in 1980 and down to N224.40 million in 1983 and the rose to N9,009.11 million in 1994 and so on till 2009 when it stood at N42,382.48 million. These fluctuations are caused by incessant rise and fall in exchange rates as depicted in the table from N0.61 in 1970 to N0.54% in the year 1980, N9.00 in the year 1990, N102 in year 2000 and N145.75 in year 2009. Volumes of exports had risen from N885.7 million in the year 1970 to N109,886.1 million in the year 1990 and further rose to N832,413.8 million in year 2009 while imports increased at reducing rates from N756.9 million in the year 1970 to N30,860.2 million in 1989 and N5,022,162.6 million in year 2009.

4.3 Relationship Analysis

In analysing the relationship that exist between the balance of payments position, exchange rate, volume of exports and imports, the null hypothesis relating to this is stated thus:

"There is no significant relationship between the balance of payments position, exchange rate volumes of exports and imports".

The regression equation was given as:

$BOP_p = a_o + b_1Exr + b_2ExpV + b_3ImpV + e$

The regression result is stated as follows:

BOP_p = N100,152.936 + N3,095.58 Exr + N .32ExpV N.999ImpV + e

t values = (.793) (1.382) (.620) (-2.695)

Adj R^2 = 71.7%, R^2 = 73.9%, R = 86.0%

The regression result shows that within the period under review, the balance of payments position stood at an average of N100,152.936 million. Considering the independent variables, a one naira rise in exchange rate increases the balance of payments position by

N3,095.58 million while a one naira increase in exports increases the balance of payments position by N132 million. On the other hand, a one naira increase in imports reduces the balance of payments position by N-0.999 million. In testing for the statistical significance of the model, the calculated F value (F_{cal}) was 33.967 compared to the critical value of f (F_{tab}) of 1.69. So for F_{cal} larger tan F_{tab}, the null hypothesis which states that there is no significant relationship between the balance of payments position, exchange rates, export and import volumes is rejected and its alternative accepted. In other words, a significant relationship exist among the aforementioned variables.

R^2 recorded a value of 74% meaning that the model showed a goodness of fit. In other words, approximately 74% of variations in the balance of payments are explained by the independent variables. The remaining 26% of variations are caused by other variables not included in the model.

In considering the relationship between foreign reserve position, exchange rate, export volume and import volume, the null hypothesis states that:

There is no significant relationship between the foreign reserve position, exchange rates, export volume and important volume.

The regression equation was given as:
$FrP = a_o + b_1Exr + b_2ExpV + b_3ImpV + e$
The regression result is stated as follows:
Frp = N 2,170.881 N 24.263 Exr + N.004 ExpV + N. 002ImpV +e
Adj R^2 = 92%, R^2 = 92.7%, R = 96.3%
The regression result shows that between the year 1970 and 2009, foreign reserve position stood at an average of N2,170.881 million. In this case, a one naria rise in the rate of exchange reduced the foreign reserve position by N-24.263 while a one naira increase in export volume increases the foreign reserve position by only N.004 million. A one naira increase in import volume increases the foreign reserve position by N.002 million. Using F-statistic, F_{cal} of 151.485 was larger then F_{tab} of 1.69 meaning that the null hypothesis is rejected and the alternative hypothesis accepted. The model shows a good fit as R^2 recorded approximately 93% meaning that 93% of variations in foreign reserve position are caused by the independent variables while the remaining 27% of variations are caused by variables not included in the model. In other words, significant relationships exist among the variables.

4.4 Discussion

According to Edobor (2003:2) there are three basic functions of a currency, these functions include medium of exchange, standard of value (accounting units) and a store of value. In view of these three functions, the entire pace of economic activities and development in any given economy depends to a large extent on the value of the currency and the various strategies upon which the currency values are adjusted, as well as the goals of the currency adjustment.

As noted in this work, the major strategy of currency value adjustment is through devaluation. Various objectives prevail at any point in time for currency devaluation, for instance in the 1999, when the pressure on the naira increased in tandem with increase demand for foreign exchange, the currency had to be devalued in March from N86.00 to N90.00 to the dollar. This was to make up for the shortfall in government revenue as a result of the declining oil prices (Obadima, 1999:2-3). Similarly in the year 2009, the government of Nigeria through the central bank, devalued the naira in response to the economic pressure caused by the global economic recession and crash of the naira.

This was a deliberate government policy to generate more naira for the government to make up for the shortfall still from dwindling oil revenue.

In view of Ubom (2010:8) the aim of the government in devaluing the currency to raise more naira is to finance budget deficits and to stabilize exchange rates in the economy with the hope of increasing economic productivity, accumulating foreign exchange earnings capable of improving reserve and balance of payments position.

As highlighted in this work, reserve positions and balance of payments positions are the key measures of economic development. The primary focus of this work has been on the establishment of the relationship that exist between the variables of currency devaluation and those of economic development from 1970 to 2009. From the findings, it was established that from 1970 to 2009 the balance of payments position was highly fluctuating, recording frequent deficits more than surpluses, just as the rate of exchange fluctuated. Even when exports rose, it was insufficient to beef up the domestic economy, meaning that the level of production was low and goods and services not enough for sales and sustenance of the economy. Within the forty years of study, twenty four years of deficit and sixteen years of insignificant surpluses had been observed. Again, positive relationships exist between the balance of payments, exchange rate and export volumes meaning that as exchange rates and export volumes increased, the balance of payments position increased and vice versa. However, as import increased, the balance of payment position decreased (reflected by deficits BOP) showing an inverse relationship. The economy is highly import dependent, preferring foreign goods to their domestic counterparts.

The situation is not quite different from the above when comparing the relationship between foreign reserve position and the independent variables. An inverse relationship exist between foreign reserve position and exchange rate, meaning that as exchange rate increases, the reserve position keeps on depleting meaning that inflows of foreign exchange is slow. At times, part of the reserve is used to finance international obligations, however positive relationship is seen to exist between foreign reserve position and export.

5.0 Conclusion And Recommendations

5.1 Conclusion

The focus of this work had been on examining the conflicting issues in currency devaluation and economic development in Nigeria from 1970 to 2009. Specifically, the work sought to establish relationships among the balance of payments position, foreign reserve position and exchange rate, volumes of exports and imports. Theoretical review was made and the research methodology presented. The tools of analysis used was the multiple regression model. Based on the analysis, it was shown that positive relationships exist between balance of payments, exchange rate, export volume and between foreign reserve position and export volume. However, inverse relationships exist between the balance of payments position, and import volumes and between the foreign reserve position and exchange rates.

The general opinion is that currency devaluation is a tool for improving an economy. By devaluing the currency, exports would be encouraged thereby bringing in more foreign earnings. However, this is not the case in Nigeria, while the currency is highly devalued, the measures of economic development are highlight fluctuating and some depreciating drastically. Thus, objectives of devaluation policies should be made to match the objectives of economic development.

5.2 Recommendations

Based on the forgone analysis, the following recommendations are made:

- Government should adopt more aggressive steps such as provision of export incentives, improvement of infrastructural facilities to encourage the exportation of goods and services and discourage import of products available in the domestic markets.
- The market forces should be allowed to determine the exchange rate, so that inflows of foreign earnings could be stabilized.
- The domestic market should be improved through the use of sophisticated machines, increased productivity to increase exports that would generate more foreign earnings.
- Nigerians should be sensitized through seminars and workshops on the need to patronize locally made products.

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APPENDIX A

Regression Result for the relationship between Bop, Exr, Expv and ImpV

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	ImpV, Exr, ExpV[a]	.	Enter

a. All requested variable entered.

Model summary

Model	R	R square	Adjusted R square	Std. Error of the Estimate
1	.860[a]	.739	.717	6.41546E5

a. Predictors: (Constant), ImpV, Exr, ExpV

ANOVA [b]

Model		Sum of Squares	df	Means square	F	Sig.
1	Regression	4.194E13	3	1.398E13	33.967	.000[a]
	Residual	1.482E13	36	4.116E11		
	Total	5.676E13	39			

a. Predictors: (Constant), ImpV, Exr, ExpV

b. Dependent variable: Bop

Coefficients[a]

Model	Unstandardized Coefficient		Standardized coefficients		
	B	Std. Error	Beta	t	Sig.
1. (Constant)	100152.936	126366.078		.793	.433
Exr	3095.577	2239.870	.159	1.382	.175
Expv	.132	.213	.290	.620	.539
ImpV	-.999	.371	-1.237	-2.695	.011

a. Dependent variable: Bop

APPENDIX B

Regression Result for the relationship between FrP, Exr, Expv and ImpV

Variables Entered/Removeds

Model	Variables Entered	Variables Removed	Method
1	ImpV, Exr, ExpV[a]	.	Enter

a. All requested variable entered.

Model summary

Model	R	R square	Adjusted R square	Std. Error of the Estimate
1	.963[a]	.927	.920	3935.66521

a. Predictors: (Constant), ImpV, Exr, ExpV

ANOVA [b]

Model		Sum of Squares	df	Means square	F	Sig.
1	Regression	7.038E9	3	2.346E9	151.465	.000[a]
	Residual	5.576E8	36	1.549E7		
	Total	7.596E9	39			

a. Predictors: (Constant), ImpV, Exr, ExpV
b. Dependent variable: FrP

Coefficients[a]

Model	Unstandardized Coefficient		Standardized coefficients		
	B	Std. Error	Beta	t	Sig.
1. (Constant)	2170.881	775.213		2.800	.008
Exr	-24.263	13.741	-.108	-1.766	.086
Expv	.004	.001	.791	3.185	.003
ImpV	.002	.002	.244	1.001	.323

a. Dependent variable: FrP