IMPACT OF EXCHANGE RATE ON FOREIGN DIRECT INVESTMENT IN NIGERIA (1970-2020)

Aremu John Abiodun,
Department of Liberal Studies,
Institute of General Studies,
Kwara State Polytechnic, Ilorin.
abiodunjare@gmail.com
(+234) 8052414767
Abdulmumini Maryam Jumai(Mrs)
Department of Liberal Studies,
Institute of General Studies,
Kwara State Polytechnic, Ilorin.
abdulmuminimaryamjumai@gmail.com
(+234)8034839384

Abdulrahmam Saliu Oladipo
Department of Liberal Studies,
Institute of General Studies,
Kwara State Polytechnic, Ilorin.
abdulrahmanoladiposaliu@gmail.com
(+234)8035056622
Ameen Rukayat Ajibola(Mrs)
Department of Liberal Studies,
Institute of General Studies,
Kwara State Polytechnic, Ilorin
rukky4us@gmail.com
(+234) 8037628666

Corresponding Author:
Aremu John Abiodun,
Department of Liberal Studies,
Institute of General Studies,
Kwara State Polytechnic, Ilorin.
abiodunjare@gmail.com
(+234) 8052414767

ABSTRACT

The study examines the causal relationship between real exchange rate and foreign direct investment in Nigeria. Time series data for the period 1970-2020 was used. The Engel Granger technique was used to carry out the regression analysis and it was observed that the real exchange rate has significant effect on the flow of FDI into the country. After generating the misalignment of the real exchange rate on FDI, this work proceeded to find out whether there exists a long run relationship between real exchange rate and foreign direct investment. Based on the results, it was observed and concluded that exchange rate is positively related to, and it is an important determinant of, foreign direct investment in Nigeria. The paper therefore recommends a more realistic management of investment environment (with an eye on stability), public sector expenditure and other fundamentals as a necessary compliment to nominal positioning which will encourage investment flow.

Introduction

The perceived non response of real variable to nominal devaluation has forced researcher such as Frost and Stein (1991), Adubi and Okunmadewa (1999; De Grawe (1994), Kudrle (1995); Caves (1998) to look into the concept of exchange rate and foreign direct investment in the country. On the optimal front, Nigeria has not has not fared too well. Structural Adjustment Programs (SAP) has come and gone but the national economic ailment remains. The situation even looks bleaker when considering the fundamental of production and absorption.

In the 1980s, flows of investment have increase dramatically in the world over. Total world outflows of capital in that decade grew at an average rate of almost 30 percent, more than three times the rate of world exports at that time; with further growth experienced in the 1990s (Kosteietov and Liargovas, 2000). Despite the increased inflow of investment to developing countries in particular, Sub-Sahara African (SSA) countries still lag behind in attracting Foreign Direct Investment (FDI). In an effort to help boost SSA share of global resources flows, the United Nations and the World Bank began to sponsor pro-SSA awareness initiatives to the rest of the world. The essence of such moves is simply to present a new image for SSA contrary to the long held opinion that Africa is a risky investment location.

It has been established by several authors (see for instances, Krugman and Miller, 1992; singleton, 1987, Mussa, 1986, Caporale and Dorodian, 1995) that the movement to a new exchange regime has created an unnecessary

harmful to the flow of investment (Olumuyiwa, 2003). This has been challenged by authors like Shafer and Loopeska 1983; Darby et al (1999). A new class of evidence suggests that investment is in many instances, irreversible under uncertainty caused by increasing exchange rate volatility could cause investment to decrease, the study also suggest an interesting but converser result, that uncertainty could actually lead to increase in investment. Shafer and Loopeska (1983) also argue that floating exchange rate should not always be blamed for the trend in investment for many developing countries. New evidences suggest that the reversal of investment for many developing countries may have been caused by continuou changes in the world operating environment, which has differed significantly since the early 1970s.

The illustration above suggests the absence of a clear relationship between foreign exchange rate and foreign direct investment.

However, the present study is an attempt to contribute to the debate by examining and determining the exact relationship that exist between real exchange rate movement and foreign direct investment in respect of a developing economy like Nigeria, as well as updating the works of the above mentioned Nigerian author to the year 2005 with associated benefits of increased degree of freedom, this is premised against the background of frequent changes in the foreign exchange management since the liberalization of the market in September 26, 1986.

Objectives of the study

i. The general objective of the study is to investigate into the exact form of relationship that exists between real exchange rate movement and foreign direct investment in the Nigerian context. While the specific objectives includes:
ii. Investigate whether there exists a long-run relationship between real exchange and foreign investment, hat is to find out whether they are co-integrated.
iii. To ascertain the viability of real exchange rate in stimulating foreign direct investment or vice versa.

To achieve the set objectives, the rest of the paper is structure as follows: Section two discusses the review of literature. Section three deals with the methodology. Section four presents estimated results and its analysis while section five contains the conclusions and recommendations.

2.0 Theoretical Framework

Theoretical link between exchange rate and FDI has been widely discussed in the literature. The literature is growing in recent times on the examination of the distribution priorities of exchange rates and its links to the behavior of foreign direct investment (Bacchet and VanWincoop, 1998; Kosteletous and Liargovas, 2000; and Baek and Okawa, 2001 etc). Unfortunately the literature is still unclear about the direction of the impact of exchange rate variability on the pattern and flow of investment. An important study in this direction is Kosteletous and Liargovas (2000). The study suggests that in theory, there is no clear-cut distinction concerning the direction of such a relationship. It identifies at least six competing models in the literature, categorized under the trade integrated model and models of financial behavior. The first category according to

Kosteletous and Liargovas (2000) distinguishes between the traded and non-traded goods model. The second category distinguishes between the monetary approach to balance of payments, the strategic behavior of international firms, the imperfect-capital-market theory and relative labour cost theory.

The first hypothesis (model) suggest that for a developing country which is a price taker, an exogenous inflow of capital will lead to exchange rate appreciation and depreciation, depending on whether foreign exchange is used to finance domestic spending or capital accumulation in the traded and non traded sector (See Branson, 1977). However, this appreciation will also have effects on the interest rate of the small open economy and in turn affects the Foreign Direct Investment that will flow into the country.

The second model is the model of financial behavior. According to the (portfolio) model, financial and capital liberalization in countries result in increase in total inflows and outflows. Therefore, for the models contained in total first category, the causality runs from Foreign Direct Investment (FDI) to Rate Exchange Rate (RER). In the second category however, causality runs the other way round. The proliferation of exchange rate system, especially in developing countries which restricted the forces for long, suggest that further attention should be given to the degree to which these regimes influence the bahaviour of economic fundamentals, including the flow of investment. The question of the exchange rate management system a country wishing to encourage foreign inflows of investment should adopt is still not clear in the literature. Hence, there arise the need for government to maintain a stable and well functions foreign exchange system and policy in order to maintain as a stable foreign exchange rate.

2.1 Empirical Framework

Accam (1997), reviews the effect of exchange rate instability on macroeconomic performance with specific reference to its effect on investment and trade. In the survey, Fiani and de Melo (1990) found that unstable macroeconomic environment constitutes one of the major impediments to investment in many LDCs. The authors estimated an OLS regression for the fixed country effects of total and private investment in 20 countries using the standard deviation of the exchange rate as a proxy for instability. They also obtained a negative sign association with the coefficient of exchange rate uncertainty.

Serve and Solimano (1992), also investment economic adjustment and investment performance for 15 developing countries using the pooled cross-section time series data from 1975 to 1988. The investment equation estimated in the study used exchange rate and inflation as proxies for instability, and in each case, instability was measured by the coefficient of the various for the relevant variables over three years. The two measures.

2.2 Review of Nigeria's Exchange Rate Management

In general terms, foreign exchange denotes a foreign currency or any other financial instrument transactions. The IMF (1985) defined it as monetary authorities claims on foreigners in the form of bank deposits, treasury bills, short-term or long-term securities and other claims usable in the events of balance of payments deficits including non-marketable claims arising from inter central banks and inter-governmental arrangements, without regard to whether the claim is denominated in the currency of the debtor or creditor.

From the precincts of the than Central Bank of Nigeria (CBN), foreign exchange is any currency other than the Nigeria currency included coins and notes which are or have at any time been legal tender in any country outside Nigeria. The list includes postal orders, money bills of exchange, promissory notes, drafts, letter of credits and travelers cheques payable or expressed in a non-Nigerian currency. (Emele,2006).

Foreign exchange rate is an important tool in stabilizing an economy as well as in stimulating economic development. Changes in the exchange rate have a serious effect on imports and exports of countries. The exchange rate connects the price system in different countries thus enabling countries to compare price directly. As a price, it performs the role of allocating real resources especially between tradable and non-tradable sectors. (Soludo, C. Personal Communication, August 31, 2006).

Because of the importance of exchange rates, government take interest in their management and determination. Exchange rate management entails the administration or evolvement of an exchange rate mechanism, in addition to the application of complimentary policies that would ensure that a realistic exchange rate is attained. (Obaseki, 1992).

Exchange rate management in Nigeria evolved from a fixed relationship of the Nigeria naira with the British pound sterling before the establishment of the Central Bank of Nigeria up to 1967. From the colonial period up to 1962 when the Exchange Control Act was passed into law and after, a fixed exchange rate mechanism was in place. The fixed exchange rate regime was operated continuously in Nigeria between 1962 and 25 September 1986, the eve of the emergence of the Second-tier Foreign Exchange Market (SFEM). During the period, exchange controls were put in place to support administratively determined exchange rates. These controls were supplemented with fiscal and monetary policy measures (Obaseki, 2003). Since the exchange rate mechanism was administered and was less dependent on the state of the economy, it failed to achieve both short-term stability and external balance. Thus, the authorities had to subject the determination of the naira exchange rate to market force from 26 September, 1986. A dual exchange rate mechanism was in operation during this period. There was a first-tier rate which was a carryover from the fixed exchange rate system. The rate was less depreciated than the SFEM rate since it was administratively determined. The dual exchange rate system was meant to accommodate transitional transactions and prevent destabilizing effects of a full scale adoption of the market mechanism. Pre- SFEM's transactions, debt service payments, contributions to international organization and expenses of embassies were excluded from through auction at the SFEM. Various pricing methods that were used to determine the naira exchange rate included average of successful bids, marginal rate pricing, the Dutch Auction System (DAS) in April 1987 when individual bank bid rates were used to allocate foreign exchange. The system, however, created a problem of multiplicity of rates which resulted in the further depreciation of the naira.

The first and second-tier markets were merged into a single Foreign Exchange Market (FEM) in July 1987. The autonomous market for Foreign Exchange which was created in 1988 was highly destabilizing due to its speculative tendencies. The autonomous market was merged with the FEM in January 1989 when the Inter-Bank Foreign Exchange Market (IFEM) was created. The IFEM was modified in December 1990 when the DAS was reintroduced, following the adoption of the modal weighted average method of pricing in August 1991 in order to stem the rapid depreciation of the naira.

The persistent instability in the IFEM even after the introduction of the model weighted average method led to the complete floating of the naira from 5 March 1992. When the persistent instability could not be curtailed, the authorities in 1994 reintroduced the use of the fixed exchange rate system. Under the fixed exchange rate system, allocation of foreign exchange was determined by the demand made by end-users and the supply of foreign exchange by the CBN. Given that supply was low and somewhat fixed, the demand for foreign exchange was the most crucial variable determining the share of supply going to individual end-user under the prorate system of allocation (Obaseki, 2003).

The re-regulation of exchange rates in 1994 left the economy worse off than in the previous years. The naira depreciated sharply in the parallel market, widening the parallel market proved elusive. This led to the deregulation of the foreign exchange market in 1995 under the policy of "guided deregulation". The major element of the deregulation was the introduction of the Autonomous Foreign Exchange Market (AFEM) for allocating official foreign exchange to end-users through selected authorized dealers at market determined rates. In the AFEM, the banks and the Bureaux de Change are the principal dealers. A subsidized and pegged official exchange rate of $1.00 to ₦22.00 was reserved for public sector transactions of non-commercialized agencies. The modest achievement of the policy regime in 1995 led to its retention in 1996 through 1998. Notwithstanding, the achievement recorded during the period, the system also witnessed some element of instability owing to the ease at which official funds disbursed through the AFEM were round tripped to the parallel market. To eliminate the distortions associated with this multiple exchange rate system, the subsidized official exchange rate was abolished in 1999 and the AFEM exchange rate was adopted as the official exchange rate.

To improve the depth of the inter-bank market and make it more vibrant, the Central Bank introduced the Inter-bank Foreign Exchange Market (IFEM) for daily trading in Foreign Exchange in October 1999.

The DAS was reintroduced in July 22, 2002, with the purposes of reducing the parallel market premium, conserve the dwindling external reserves and achieve a realistic sale exchange rate for the naira (Mordi, 2006).

In order to further liberalize the market and naira, the arbitrage premium between the official interbank and Bureau de change segments of the market, the CBN introduced the Wholesalers Dutch Auction System (WDAS) on February 20, 2006. WDAS is to consolidate the gains of the retail Dutch Auction System (RDAS) as well as deepen the market In order to evolve a realistic exchange rate for the local currency. Under the current regime, the authorized dealers are permitted to deal with foreign exchange in their own accounts for onward sale to their customers. The system has since been expanded to include the Bureau de change (Emele, 2008).

2.3 Factors That Influence the Choice of One Regime over the others

The major considerations in the choice of an exchange rate regime are the internet economic conditions or fundamentals, the external economic environments and the effects of various random shocks on the domestic

economy. Thus, countries like Nigeria which are vulnerable to unstable internet financial conditions and external shocks, (including terms of trade shocks, and excessive debt burden), which require real exchange rate depreciation, tend to adopt a regime which ensures greater flexibility. Overall, on the whole there is a general consensus that a fixed exchange rate regime is preferred if the source of macroeconomic instability is predominantly endogenous. Conversely, a flexible regime is preferred if the source of macroeconomic instability is predominantly exogenous in nature. It is, nevertheless, becoming increasingly recognized that whatever exchange rate regime a country may adopt, the long-term success depends on its commitment to the maintenance of strong economic fundamentals and a sound banking system.

2.4 Foreign Direct Investment (FDI) as a Concept

Besides officials flows (either bilateral or multilateral), foreign direct investment is another major source of investment into Nigeria. According to the IMF (1977:12) foreign direct investment is defined as Investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor, the investor's purpose of being to have an effective voice in the management of the enterprise. The foreign entity or group of associated entities that makes the investment is termed the direct investors. The unincorporated or incorporated enterprise a branch or subsidiary respectively in which direct investment is made is referred to as direct investment.

The above definition was modified for practical purposes by the Committee on International Investment and Multilateral Enterprises of Organization of Economic Coorperation and Development (OECD) to include an individual, an incorporated, or unincorporated public or private enterprise, a government , a group of related individual or a group of related incorporated and / or unincorporated enterprises which has a direct investment enterprise operating in a country other than the country or residence of the foreign direct investor.

As Falegan (1984) would put it, Foreign Direct Investment consists of capital inflow into a country from foreign sources. Such investment may take the technological knowledge, administrative efficiency and a new production technique is the most outstanding contribution associated with the foreign direct investment. The relatives ease at which foreign knowledge is transfer to host countries is one of the greatest benefits that foreign knowledge is transfer to host countries is one of the greatest benefits that foreign direct investment can bring to such countries. Transfer of technology permits both immediate access to advanced means of production and control over the means of productions (Magbagbeola, 1998).

Employment: another source of benefits associated with the inflow of foreign direct investment, these investments, can also be beneficial to the host countries by enhancing competition, expanding locals markets, and providing links to future export markets (magbagbola,1998).

3.0 Methodology

3.1 Model Specification

Several models have been employed in estimating the relationship between foreign direct investment and exchange rate (see for instance; Olumuyiwa, 2003; Nnanna, 2002; Frost and Stein, 1991). However, for the purpose of this study, we employ a single equation model adopted from the work of Olumuyiwa (2003). The

motivation for this, is as a result of the important determinants employed as an additional to foreign exchange rate. The basic form of the model is specified thus:

FDI FDI (EXCR, CPI, INT, MS), GCI …….(1)

Where

FDI = Foreign Direct Investment measured in real terms.

EXR = Official Exchange Rate

CPI = Consumer price index

MSI = Narrow Money Supply

INT = Interest Rate

GCI = Government Capital Investment.

On transformation, the model becomes:

$FDI = a_o + a_1 EXR + a_2 CPI + a_3 INT + a_4 MSI + a_5 GCI + lt$ ….(2)

Where:

Lt = error term

ao = the intercept

ao ….a5 = parameter estimates associated with the influence of real exchange rate and other determinants on foreign direct investment.

The a prior expectation pattern of the behavior of the independent variables in terms of their parameters to be estimated are:

a1 >0; a2>0; a3>0;a4>0, and a5>0

3.2 Estimating Technique

For the purpose of this study, equation 2 will be estimated using Ordinary Least Square (OLS) estimating technique. Time series data will be employed in the estimation. However, time series data by nature are non-stationary series. Before regression is performed on time series data, their stationary property has to be determined using Augmented Dickey Fuller (ADF) set of unit root test. The ADF is based on the equation of the form:

$\hat{}X_t = b_o + b_1 X_t\text{-}1 + Mp\ b1\ \hat{}Xt\text{-}1 + Ut$ …… (3)

Where

^Xt= First difference of variable Xt

Vt= White-noise process

P = Length of lag on the dependent variable necessary to Vt white noise.

The statistic on the estimated co-efficient of Xt-1 of equation 3 is use to test the null hypothesis that the series is non-stationary against the alternative that the series is stationary such that:

Ho: b1= 0

Against

H1:it b1<o

If the null hypothesis cannot be rejected, then Xt cannot be stationary is achieved. Again with differencing data, long run solution could be argued to be lost. These issues have culminated in co- integration technique. Co- integration test is a test of stationary of the residual generated from running a statistic regression in levels of one or more of the independent variable on the dependent variable (Engle and Granger, 1987). ADF statistic test will be performed on the residual generated from running a static regression equation of the form:

^vt = wVt-1 + M b1^Vt-1+Lt …….(4)

where

^Vt=First difference of the residual

P= Length of lag on the dependent variable necessary to make Lt white- noise.

Lt= White- noise process

If the residual is stationary, then it means that a long-run equilibrium relationship exists between or among the dependent and independent variables, in other words the variables are cointegrated. The theory of co-integration arises out of the need to integrate short-run dynamics with long-run equilibrium. This study employs Engel-Granger (1987) co-integration procedure.

3.3 Sources of Data and Scope of Study

All the data for the various variables are obtained from the Central Bank of Nigeria (CBN), Statistical Bulletin, Economic and Financial Review, and the Annual Reports and Statement of Accounts of various years as well as the International Financial Statistics (IFS).

The scope of the study covers the period 1970 to 2016.

4.0 Presentation and Analysis of the Result

4.1 Result of the Unit Root Test

The Augmented Dickey fuller (ADF) set of unit root test statistics are calculated in respect of the six variables in order to test for their stationary, and to establish the order of integration of each. The null hypothesis of non-stationary of FDI, EXR, CPI, MSI, GC! And INT are tested against the alternative hypothesis of stationary.

The result as presented in table 4. 1 below indicates that all the series are non-stationary in their levels. After first differencing, however, the null hypothesis of no unit root is rejected in the cases of exchange rate, government expenditure and the domestic interest rate based on ADF critical value of -2.9558 at 5 percent level of significance. While other are stationary after their second differencing.

Table 4.1: Unit Root Test

Variable	ADF at Levels	ADF at 1st Diff	ADF at 2nd Diff	Order of Integration
FED	1.985231	-3.346258	-5.50239	2
EXR	1.462516	-3.609087		1
CPI	2.240148	-0.669442	-3.519290	2
MSI	4.988053	0.626643	-657916	2
GCI	4.610673	-2.753813		1
INT	-1.496355	-6.338389		1

To establish whether or not the non-stationary variable are co-integrated, the ADF test was carried out to test for the stationarity properties of the residual of the static equation as seen in equation 4. The unit indeed stationary at order zero. We then proceed to specify the dynamic form of the FDI equation to include the error correction mechanism (ECM). The result obtained is presented in the table below:

Table: 4.2 estimate Result

DEPENDENT VARIABLE: FDI

Variables	Co-efficient	t-Statistics
FDI (-1)	1.545031	4.176465
EDR	1343.307	2.471205
EXR (-1)	14.82216	0.046897
CPI	-52.83959	-1.671109
MSI	0.090881	1.889637
GCI	0.074933	-1.363926

ECM (-1)	-0.564870	-2.231673

$R^2 = 0.982847$
$R^{-2} = 0.967844$
DW = 1.595665
SC = 21.86201.

As can be seen, the explanatory powers (measured by the R^2 and adjusted R^2) of 98 and 96 percent respectively. These are reasonably high indicating that over 98 and 96 percent of the variations in FDI is attributable to the FDI_{t-1} EXR, EXR_{t-1}, CPI, INT, MSI, GCI and its error term given that the value of the Durbin – Watson Statistics (DW) of 1.595 falls in the indecision region. Testing the overall significance of the regression using F-test statistic, the observed or calculated F*value of 196.45 to greater than the critical F value with $V_1 = 8$ and $V_2 = 26$ degrees of freedom at 5 percent level of significance of 2.32. It can therefore be concluded that the overall regression equation is significant. The result show that all the variables with the exception of consumer price index conformed to a prior expectation. The result reveals that foreign direct investment lagged one exerts positive influence on the current inflow of foreign direct investment, which means in increase in FDI in the current year will lead to paramount variable in the model is found to be positively related to FDI both in the current year and the lagged one year value, but it is only the current year value that is found to be significant. Therefore, exchange rate appreciation will lead to increase in the inflow of foreign direct investment into the country. The consumer price index is found to be inversely related to the value of FDI. In the same vein Narrow Money Supply is found to be positively related to the inflow of FDI which shows that an increase in money supply will lead to more inflow of FDI.

A positive relationship is found between government investment in capital expenditure and foreign inflows of investment, this goes a long way to throw more light on the importance of the availability of basic infrastructures to attract foreign investment inflow into the country. It is a necessary condition.

5.0 Summary, Conclusion and Recommendations

This paper investigated the causal relationship between exchange rate and foreign direct investment in Nigeria for the period 1970 to 2016 with the aim of determining the followings:

(i) The exact form relationship that exist between real exchange rate and foreign direct investment.
(ii) The viability of real exchange rate in stimulation foreign direct investment.
(iii) Investment whether there exists a long-run relationship between real exchange rate and foreign direct investment.

Regression analysis was performed on our data and based on the result from this, we observed and conclude that exchange rate is positively related to and it is an important determination of foreign direct investment in Nigeria. Therefore, market exchange rate is an important driver of FDI activities in the Nigerian economy.

It can also be concluded that there exist a long-run relationship between foreign direct investment and real exchange rate that is they are cointegrated.

Based on our conclusions, the following policy recommendations are made:

(i) Since it has been established that proper management of exchange rate, to forestall costly distortions, constitutes an important pillar in determining flow of FDI into the Nigerian economy. There is need for Federal Government to maintain a stable and well-functioning foreign exchange system and other supporting macroeconomic policies such as monetary and fiscal policies, to maintain a stable foreign exchange rate.
(ii) Government capital investment has been established as one of the determinations of FDI in Nigeria. There is need for government to provide adequate infrastructural facilities such as

road-network, stable power supply, water the telecommunication system are also very important. If these infrastructure are not adequately available, the cost of production will be affected. Malfunctioning of infrastructural facilities may lead to extra expenses and additional increase in the production costs which can send negative signal to foreign investors. There is the need for government as well to keep general price level at the bearest minimum level and to control the supply of money in the economy.

REFERENCES

Accam, B. (1997). *Survey of Measurement of Exchange Rate Instability* Mimeo.

Bacchetta, P. and Eric Van Wincoop (1998). *Does Exchange Rate Stability Increase Trade and Capital Flows*, NBER Working PAPER Series, WP 6704.

Back in Mee and T. Okawa (2001) *Foreign Exchange Rate and Japanese Foreign Direct Investment in Asia*, Journal of Economics and Business Vol. 53(69-84).

Branson, W.H. (1977) *Asset Markets and Relative Prices in Exchange Rate Determination,* Sozialiwissenschaftlich Annual, Vol. 1, No. 1.

Caves, R.E (1998). *Exchange Rate Movements and Foreign Direct Investment in the United States*. In Audretsch, D.B. and M.P Claudon (eds). The Internationalization of United States Markets. New York: New York University Press.

Central Bank of Nigeria (CBN) *Annusl Reports and Statement of Account*s (Various Issues).

Central Bank of Nigeria (CBN). *Economic and Financial review* (Various Issues).

Central Bank of Nigeria (CBN). *Statistics Bulletin* (Various Issues).

Charemza, W.W and D.F Dreadman (1997). *New Directions in Econometric Practice.* England: Edward Elgar Publishing Ltd.

De Grrauwe, P. (1994) *Exchange Rates in Search of Fundamental Variables*, Centre for Economic Policy Research, Discussion Paper. No. 1073, December.

Emele, O. (2006 September 6). *Boosting Investment Via Realistic Exchange Rate* Daily Independent, P.I –II.

Engle, R.F and C.W.J Granger (1987). *Cointegration and Error Correction Representation, Estimation, and Testing,* Econometrical. Vol. 55, No. 2, (251-276).

Falegan, S.B (1984). *Is Foreign Finance for the 3rd World Economic Development Investable? P*roceedings from the 1984 United Bank for Africa Seminar Held in Lagos.

Frost, K. and Stein , J.C (1991). *Exchange Rates and Foreign Direct Investment: An Imperfect Capital Market Approach*, Quarterly Journal of Economics, Vol. 4, No. 4, (1191-1217).

Goldbery, L.S (1993). *Exchange Rates and Investment in United State Industry*, Review of Economics and Statistics, LXXV (575-588).

Graham, E.M (1995). *Foreign Direct Investment in the World Economy,* IMF World Economics and Financial Survey. (120-135).

Hadji Michael M.T. and D. Gura (1995). *Public Policies and Private Savings and Investment in Sub-Saharan Africa*: An Emprical Investment, Africa Department, IMF Working Paper, IMF: Washing D.C

International Financial Statistics (IFS). *An IMF Publications* (Various Issues).

International Monetary Fund (1977). *Balance of Payments Manual* (4th Edition). Washington DC: IMF

International Monetary Fund, Foreign Private Investment in Developing Countries, Occasional Paper No. 33, Washington ED.C IMF.

Kostletov, N. and P. Liargovas (2000). *Foreign Direct Investment and Real Exchange Interlinkages,* Open Economics Review, Vol. II, (15-148).

Krugman, P. and M. Miller (1992) *Why Have a Target Zone? Camegie-Rochester Conference Series on Public Policy*. (1-34) Autumn.

Kudrle, R.T. (1995). *Canada's Foreign Investment Review Agency and United State Direct Investment in Canada.* Transnational Corporations, Vol. 4, No. 2, August, (58-91).

Lahiri, S. and Y. Ono (1998). *Foreign Direct Investment Local Content Requirement and Profit Taxation;* the Economics Journal, Vol. 108, (444-457).

Langley, K.M (1968). *The External Resource Factor in Nigeria's Economic Development,* Nigerian Journal of Economic and Social Studies, Vol. 10, No. 2 (191-203).

Loto, M.A (2003). *The Determinants of Foreign Direct Investment in Nigeria*: An Econometric Approach, Quarterly Review of Economics (52-59).

Magbagbeola, N.O (1998). *External Resource Flows into Nigeria: Analysis of the Issues. In Aigbokhan,* B.E. (Ed.) *Rekindling Investment for Economic Development in Nigeria,* 1998 Nigeria Economic Society Annual Conference.

Mordi, C. (2006). *Challenges of Exchange Rate Volatility in Economic Management in the Dynamic of Exchange Rate Management in Nigeria*. Proceeding from the 8th CBN Seminars for Finance Correspondents and Business Editors: Kaduna.

Mussa, M.L (1986). *Nominal Exchange Rate Regime and the Behaviour of Real Exchange Rate: Evidence and Implications*, Carnegie-Rochester Conference Series on Public Policy, (177-213).

Nnanna, O.J (2002). *Interest Rate, Exchange Rate, Inflation Growth and Money.* Being a Paper Presented at the 4th CBN Seminars for Finance Correspondents and Business Editors, November 18-20, 2002.

Obaseki, P.J (1991). Foreign Exchange Management in Nigeria: Past, Present and Future. CBN Economic and Financial Review, Vol. 20, Nov. 1, (March).

Obaseki, P.J (2002). *The Management of Exchange Rate of the Naira.* In Bamidele .A. and J. Bogunjoko (eds). Man and the Management of the Macro Economy, Nigerian Economic Society, Essays in Honour of Dr. M.O Ojo (57-78).

Odife, D. (1988). *Structural Adjustment and Economic Revolution in Nigeria*. Heinemznn Education Books Ltd. Lagos, Nigeria.

Olakampo, O. (1962). *Foreign and the Plan,* Nigerian Journal of Economic and Social Studies, Vol. 4, No. 2, (116-125).

Olumuyiwa, A. (2003). *Exchange Rat and Foreign Direct Investment in Nigeria,* CBN Economic and Financial Review. Vol. 48, No. 2, (June).

Oyeniyi, T.A (1997). *Fundamental Principles of Econometrics.* Lagos Cedar Publications Inc.

SERVEN, A. and K. Solimano (1992). *Exchange Rate Volatility and the Slowdown in the Growth of International Trade*, IMF Staff Papers. 35 (63-84).

Shafer, A. and P. Loopeska (1983). *Increase Trade and Capital Flows*; NBER Working Paper Series, WPM 6704.

Singleton, K. (1987). *Speculation and the Volatility of Foreign Currency Exchange Rates,* Carnegie-Rochester Conference Series on Public Policy, (9-56) Spring.

Todaro, M.P and S.C. Smith (2003). *Economic Development*, 8th Edition, Pearson Education: Asia.