Assessment of the Implementation of Central Bank of Nigeria Foreign Exchange Policy in Promoting Economic Growth in Nigeria

Adeyi Ngbede, Sylvanus Mohammed Itodo & Charles Ifeanyi Asomba

Department of Public Administration,
Nasarawa State University Keffi
Corresponding author: ngbedeadeyi2k2@gmail.com

Abstract

This study examines the implementation of the Central Bank of Nigeria's (CBN) foreign exchange policy and its effectiveness in promoting economic growth in Nigeria. Through qualitative research combining content and document analysis, the study evaluates policy documents, economic reports, and institutional data from 2015 to 2023. The research particularly focuses on assessing the effectiveness of CBN's foreign exchange policies in promoting sustainable economic growth and analyzing the impact of forex market distortions on investment patterns and overall economic performance. Findings reveal that while the introduction of the Investors' and Exporters' (I&E) window in 2017 initially attracted significant foreign investment (approximately $20 billion in its first year), the overall effectiveness of forex policies has been mixed. The agricultural sector demonstrated resilience with 3.2% average annual growth, while the manufacturing sector experienced volatility, contracting by 1.5% during periods of significant exchange rate fluctuations. Foreign exchange reserves fluctuated considerably, peaking at $45.1 billion in June 2019 before declining to $33.8 billion by December 2020, affecting the CBN's capacity to maintain exchange rate stability. The study concludes that while CBN's forex policies achieved some success in maintaining exchange rate stability and supporting key economic sectors, their effectiveness in promoting sustainable economic growth was limited by external shocks, structural economic constraints, and implementation challenges. Recommendations include implementing targeted sector-specific support measures and enhancing coordination between monetary policy and fiscal initiatives to create a more coherent framework for sustainable economic growth

Keywords: Central Bank, Foreign Exchange, Policy, Economic Growth, Nigeria

Introduction

In recent years, the interconnection of global economies has underscored the importance of sound foreign exchange (forex) policies for economic growth. Foreign exchange policies regulate the currency value, stability, and availability in international trade, significantly affecting a nation’s economic landscape. According to a report by the International Monetary Fund (IMF), effective forex management strategies can substantially enhance trade volumes, stabilize inflation rates, and foster sustainable economic growth (IMF, 2020). Many countries have adopted expansive foreign exchange frameworks geared towards economic resilience, especially in the wake of adverse impacts from global crises like the COVID-19 pandemic. A well-structured foreign exchange policy allows for smoother transactions in the international marketplace, aiding countries in mitigating erratic fluctuations in currency value.

The adoption of flexible and multifaceted forex interventions has become a common strategy among central banks worldwide, with varying degrees of success (BIS, 2021). These interventions often manifest as direct market interventions, adjustments to interest rates, and regulatory reforms designed to enhance liquidity and facilitate trade. Developing countries, in particular, face unique challenges that underscore the necessity of tailored foreign exchange policies to suit their economic contexts. In

Africa, for instance, currency depreciation and volatility have prompted central banks to rethink their foreign exchange strategies, viewing them as crucial for advancing economic stability and growth (Fasanya & Ogochukwu, 2020). The necessity for robust foreign exchange policies is evident, with nations striving to create economic environments that attract foreign direct investments and enable sustainable development.

On the national stage, Nigeria's economic landscape has been significantly shaped by its foreign exchange policies, particularly those implemented by the Central Bank of Nigeria (CBN). As the largest economy in Africa, Nigeria is uniquely positioned to leverage its foreign exchange resources to spur growth and development. However, the nation has grappled with persistent economic challenges, including currency volatility, inflation, and fluctuating oil prices, which have generally undermined its economic stability (Ajayi & Olayiwola, 2021). The Central Bank of Nigeria, recognizing the importance of a stable and accessible foreign exchange system, has put forth various policies aimed at promoting economic growth and maintaining the stability of the Nigerian Naira.

The CBN's foreign exchange policies have evolved over the years, responding to both ongoing domestic financial crises and international economic dynamics. In the early 1980s, Nigeria operated a fixed exchange rate system that was progressively abandoned in favor of a more flexible regime in the 1990s (Osabohien, 2020). More recently, the CBN has employed a managed floating exchange rate system, which allows for certain flexibilities while still maintaining control over the currency's fluctuations. This transition reflects a broader global trend whereby central banks utilize various methodologies to stabilize their currencies amidst the dynamic pressures of international markets (CBN, 2022).

Despite these measures, the effectiveness of the CBN's forex policies in promoting sustainable economic growth remains a topic of heated debate among economists and policymakers. Critics argue that the CBN's forex policies have often led to unintended consequences, such as creating a disparity between the official and parallel forex markets, ultimately hindering genuine economic growth (Iganiga & Iganiga, 2020). This disparity has become a crucial issue, driving businesses and individuals toward unofficial channels for currency exchange, which can exacerbate exchange rate volatility and inflation (Umar & Akinola, 2022). Furthermore, the extensive reliance on oil revenues continues to expose Nigeria's economy to vulnerabilities, stressing the necessity for diversification and innovative forex policies to mitigate such risks.

Research indicates that the ass**essment of the CBN's foreign exchange policies must consider not only their immediate implications o**n currency value and market liquidity but also their broader impact on economic indicators such as GDP growth, employment rates, and investment patterns (Adeleye et al., 2022). A comprehensive evaluation could provide insights on refining existing policies and developing new frameworks that link foreign exchange management directly to economic growth outcomes.

Conceptual Review

Foreign Exchange Policy

Foreign exchange policy refers to the framework and measures implemented by a country's central bank or monetary authority to manage its currency's value in the global market. This policy encompasses various aspects, including the exchange rate regime, interventions in the foreign exchange market, and regulatory measures that govern foreign trade and currency transactions. The primary objective of foreign exchange policy is to promote economic stability, facilitate international trade, and foster sustainable economic growth.

At the core of foreign exchange policy is the exchange rate, which is the price of one currency in terms of another. The exchange rate can be determined through various mechanisms, including fixed, floating, or managed floating systems. According to the International Monetary Fund (IMF, 2020), a fixed exchange rate system is where a country pegs its currency's value to another major currency or a basket of currencies, thereby providing stability and predictability. In contrast, a floating exchange rate system allows market forces of supply and demand to dictate the currency's value, which can lead to greater fluctuations. The managed floating system is a hybrid, where the central bank intervenes occasionally to stabilize the currency when necessary (BIS, 2021).

Central banks typically implement foreign exchange policies to fulfill several economic objectives. One key goal is to maintain currency stability, which is crucial for encouraging foreign investment and trade. As noted by Iganiga and Iganiga (2020), a stable currency fosters an environment conducive to business operations by reducing uncertainty regarding future costs and revenues in international transactions. Furthermore, stable exchange rates can help mitigate inflation, as excessive volatility can lead to increased prices for imported goods, thereby undermining economic stability.

Another significant aspect of foreign exchange policy is its influence on monetary policy. The exchange rate affects interest rates, inflation, and overall economic activity. According to Ajayi and Olayiwola (2021), an effective foreign exchange policy can complement monetary policies by ensuring that exchange rate movements do not adversely impact inflation or economic growth. For instance, if a central bank anticipates inflationary pressures, it may consider a currency's value in its interest rate decisions to manage the money supply and maintain stable pricing levels.

Economic Growth

Economic growth refers to the increase in the production of goods and services in an economy over a specified period, typically measured by the growth rate of Gross Domestic Product (GDP). This concept is fundamental in understanding a nation's economic performance, as it provides a quantitative measurement of the economy's health and its capacity to improve living standards over time. According to the World Bank (2023), economic growth indicates an economy's ability to create wealth, generate jobs, and enhance overall prosperity, making it a crucial indicator for policymakers and economists alike.

Economic growth can be driven by various factors, including increases in physical capital, labor force improvements, technological advancements, and productivity enhancements. The Solow Growth Model, a widely recognized economic theory, emphasizes the role of capital accumulation and technological progress as key determinants of long-term economic growth (Solow, 1956). As capital stock increases, whether through investment in infrastructure, machinery, or technology, the productive capacity of an economy rises, leading to higher output. Moreover, the efficiency of labor is enhanced when workers acquire skills and education, which serves to increase productivity and, consequently, economic output.

Another aspect contributing to economic growth is technological innovation. The introduction of new technologies can dramatically improve production processes, allowing for greater efficiency and the development of new products and services. Research by Acemoglu and Robinson (2012) illustrates that societies that foster inclusive institutions—those that support innovation—tend to achieve sustained economic growth over time. This highlights the importance of a conducive environment that encourages research and development, creativity, and entrepreneurship.

Economic growth is often associated with broader socioeconomic developments, including poverty reduction and improvements in quality of life. As economies grow, governments typically have more resources to invest in public services such as education, healthcare, and infrastructure. The United Nations Development Programme (UNDP) emphasizes that economic growth can enable governments to provide essential services and improve living standards, which contributes positively to human development indices (UNDP, 2022). However, it is important to note that economic growth alone does not guarantee equitable distribution of wealth. Thus, policymakers must consider inclusive growth, ensuring that the benefits of economic expansion reach all segments of the population.

Central Bank of Nigeria

The Central Bank of Nigeria (CBN) is the apex financial institution in Nigeria, established to oversee the country's monetary and financial systems. Founded in 1958, the CBN operates under the Central Bank of Nigeria Act, which provides it with the authority to regulate and supervise the financial sector, issue currency, manage foreign reserves, and formulate monetary policy. The CBN's primary objectives include ensuring monetary stability, fostering a sound financial system, promoting economic growth, and maintaining the stability of the naira, Nigeria's currency (CBN, 2022).

One of the CBN's key roles is to formulate and implement monetary policy aimed at achieving macroeconomic stability. It employs various tools, such as interest rate adjustments, open market operations, and reserve requirements, to influence money supply and stabilize prices. According to Ajayi and Olayiwola (2021), effective monetary policy is crucial for controlling inflation, promoting investment, and supporting sustainable economic growth. By adjusting the monetary policy rate (MPR), the CBN seeks to influence lending rates across the banking sector, thereby affecting consumer spending and investment decisions.

Furthermore, the CBN is responsible for the regulation and supervision of commercial banks and other financial institutions in Nigeria. This includes setting prudential standards to ensure the soundness and stability of the banking system. The CBN conducts regular audits and examinations to monitor compliance with these standards, thereby safeguarding depositors' funds and promoting confidence in the financial system (Iganiga & Iganiga, 2020). A stable banking system is essential for facilitating economic transactions and enabling businesses to access credit for expansion and investment.

In addition to its monetary policy functions, the CBN also plays a crucial role in managing Nigeria's foreign exchange reserves. It intervenes in the foreign exchange market to stabilize the naira's value against other currencies, especially in times of volatility. The CBN's foreign exchange policy aims to maintain an adequate level of foreign reserves, which is vital for ensuring the country's ability to meet international obligations, such as imports and debt servicing (Umar & Akinola, 2022). These interventions can include direct buying or selling of currencies or adjusting exchange rate mechanisms.

The CBN also undertakes various developmental initiatives aimed at promoting financial inclusion and enhancing the overall economic landscape. Programs such as the Financial Inclusion Strategy aim to increase access to financial services for underserved populations, including micro, small, and medium enterprises (MSMEs) (Noko & Okafor, 2023). The CBN recognizes that a well-functioning financial system can significantly contribute to economic growth by enabling broader access to credit and improving financial literacy among citizens.

Empirical Review

Nwoko, Ihemeje & Anumadu (2016), conducted a study on "The impact of monetary policy on the economic growth of Nigeria". This work examined the extent to which the Central Bank of Nigeria Monetary Policies could effectively be used to promote economic growth, covering the period of 1990-2011. The influence of money supply, average price, interest rate and labour force were tested on Gross Domestic Product using the multiple regression models as the main statistical tool of analysis. Studies show that CBN Monetary Policy measures are effective in regulating both the monetary and real sector aggregates such as employment, prices, level of output and the rate of economic growth. Empirical findings from this study indicate that average price and labour force have significant influence on Gross Domestic Product while money supply was not significant. Interest rate was negative and statistically significant. It is therefore, recommended that Central Bank Monetary Policy could be an effective tool to encourage investment, reduce unemployment, reduce lending rate and stabilize the economy of Nigeria.

Shuaibu (2017), wrote a thesis on "An analysis of the impact of exchange rate fluctuations on economic growth of Nigeria". This study empirically analyses the impact of exchange rate fluctuations on economic growth for Nigeria for the period of 1980A:2016A using vector error correction model (VECM). The study is interested in investigating whether exchange rate fluctuations have effect on growth performance in Nigeria with the adoption of flexible exchange rate regime than the other exchange rate regimes adopted over the years in Nigeria. The study confirms the long run cointegration among the variables of interest and in all there is a positive effect of exchange rate fluctuations on economic growth of Nigeria. Another finding of the research reveals that the results of the Granger causality test confirm a unidirectional short run causality that runs from real effective exchange rate (REER) to economic real economic growth (RGDP). Nevertheless, a unidirectional that runs from oil price (OPR) to real interest rate (RIR) in Nigeria also exists. Accordingly, the results for variance decomposition reveal that an increase or decrease in one RGDP is the result of a corresponding increase or decrease in REER, OPR, RIR and INF (cpi) within the observed period in the study. The study recommends some form of government intervention in the foreign exchange market. In addition, the government should diversify the export base of other economic sectors against the oil sector that serves as the main source of Nigeria foreign exchange earnings.

Furthermore Anowor & Okorie (2016), wrote a paper on "A reassessment of the impact of monetary policy on economic growth: Study of Nigeria". This study empirically reassessed the impact of monetary policy on economic growth of Nigeria adopting the Error Correction Model approach. It utilized time series secondary data spanning between 1982 and 2013. The result showed that a unit increase in Cash Reserve Ratio (CRR) led to approximately seven units increase in economic growth in Nigeria. The result was in consonance with economic literature as monetary policy among other objectives is geared towards achieving the macroeconomic objectives of sustained economic growth and price stability. Therefore, the study recommends that monetary authorities should give priority attention to CRR monetary policy tool as it will produce a more desired result in terms of economic stabilization. And also some combination of fiscal policy measures are needed to attain the complementary balance required to drive an economy towards to desired goals.

Theoretical Framework

This study is anchored on the Principal Agent Theory. The Principal-Agent Theory, initially developed in economics and later adopted in public administration, provides a framework for understanding relationships where one party (the principal) delegates authority to another party (the agent) to act on their behalf. According to Jensen and Meckling (1976), this theory fundamentally addresses the challenges that arise when delegating decision-making authority in organizational contexts.

The Principal-Agent Theory assumes that both principals and agents are rational actors who seek to maximize their utility. Ross (1973) emphasizes that this relationship becomes complex due to information asymmetry, where agents typically possess more information about their tasks and actions than their principals. This information gap creates potential conflicts of interest and monitoring challenges in the principal-agent relationship.

The theory operates on several key assumptions. First, it assumes that agents may have different goals and risk preferences from their principals. Eisenhardt (1989) explains that agents might pursue their self-interest at the expense of the principal's objectives, leading to what is termed as 'agency problems.' Second, the theory assumes that perfect monitoring is either impossible or prohibitively expensive, making it difficult for principals to fully verify agent behavior and performance.

In the context of public administration and policy implementation, the Principal-Agent Theory becomes particularly relevant. Wilson (1989) argues that government agencies, acting as agents, often have complex and sometimes competing objectives, making it challenging for political principals to ensure their interests are properly served. This complexity is amplified in specialized areas like monetary policy and foreign exchange management, where technical expertise significantly influences policy implementation.

The theory identifies two primary types of agency problems: adverse selection and moral hazard. Adverse selection occurs before the principal-agent relationship is established, where the principal cannot fully verify the agent's capabilities. Moral hazard, as described by Holmström (1979), emerges after the relationship is established, when the agent might not exert agreed-upon effort levels or might take unnecessary risks because they don't bear the full consequences of their actions.

To address these challenges, the theory suggests various control mechanisms. These include monitoring systems, reporting requirements, incentive structures, and performance-based contracts. However, Williamson (1985) notes that implementing these mechanisms incurs agency costs, which must be balanced against their potential benefits.

Methodology

This study employs a qualitative research design that combines content and document analysis to examine the implementation of the Central Bank of Nigeria's foreign exchange policy and its impact on economic growth. Through this methodological approach, the research systematically examines policy documents, economic reports, and institutional data to uncover patterns and relationships between policy implementation and economic outcomes.

The study's data collection relies on comprehensive secondary data sources, drawing from an extensive range of institutional documents and reports. These include the Central Bank of Nigeria's Annual Reports and Statement of Accounts spanning 2015 to 2023, Statistical Bulletins, Monetary Policy Circulars, and Guidelines. Additional data sources encompass reports from the National Bureau of Statistics, World Bank Country Reports on Nigeria, IMF Country Assessment Reports, and relevant academic publications focusing on Nigeria's foreign exchange policy implementation. This diverse range of secondary sources ensures a thorough and multi-faceted examination of the research subject.

For data analysis, the study utilizes thematic analysis, following a systematic approach to identify and interpret meaningful patterns within the collected data. This analytical process progresses through distinct phases of data familiarization, code generation, theme identification, review, definition, and final analysis. The thematic analysis examines key areas including policy implementation mechanisms, economic growth indicators, market response patterns, implementation challenges, policy effectiveness measures, and institutional capacity factors.

The content analysis component focuses on examining the substance and context of policy documents and official communications, while document analysis examines quantitative economic indicators and statistical data. This dual analytical approach enables the research to bridge the gap between policy intentions and actual implementation outcomes. The combination of these methodological elements creates a robust framework for understanding how the Central Bank of Nigeria's foreign exchange policy implementation has influenced economic growth, while maintaining analytical rigor and methodological consistency throughout the research process.

Data Analysis

Research Objective One: The Effectiveness of the Central Bank of Nigeria's Foreign Exchange Policies in Promoting Sustainable Economic Growth.

Category	Details	Notes
Policy Intervention	Introduction of the Investors' and Exporters' (I&E) window in 2017	- Aimed at improving foreign investment inflows
Foreign	Attracted approximately $20 billion in	Demonstrates initial success of

Investment Inflows	foreign investment inflows within the first year of I&E implementation (2018)	the I&E window
Foreign Exchange Reserves	- Peak: $45.1 billion (June 2019) - Decline: $33.8 billion (December 2020)	Fluctuations impacted intervention capacity and exchange rate stability
GDP Growth (2015-2020)	Average GDP growth of 1.8%	Indicates modest economic expansion despite forex policy interventions
Monitoring Period	CBN's Monetary Policy Circulars emphasize multiple forex management strategies	Reflects adaptive measures to stabilize foreign exchange markets
Manufacturing Sector Growth	- Average growth: 2.3% during periods of relative exchange rate stability - Contraction: 1.5% during significant exchange rate volatility	Highlights sensitivity of the sector to forex stability
Exchange Rate Spread	Spread between official and parallel market rates reached as high as 40% at certain points	Points to market distortions arising from multiple exchange rates
Sectoral Forex Allocations	Critical sectors (manufacturing, agriculture, services) received preferential forex allocations	Shows targeted support and its importance for sectoral performance
Agricultural Sector Growth	Relatively stable growth, averaging 3.2% annually	Indicates effective policy support in agriculture compared to manufacturing
Manufacturing Sector Performance	Volatile performance reflecting challenges in forex access and exchange rate management	Suggests need for improved access to forex for consistent sector growth
Export Dependence	- Export earnings heavily dependent on oil revenues - Non-oil exports increased from $1.2 billion (2015) to $2.3 billion (2022)	Indicates limited success in export diversification
Limitations of Forex Policies	Limited effectiveness in promoting sustainable economic growth due to external shocks, structural constraints, and implementation challenges	Suggests areas for improvement and future research directions

Drawing from comprehensive analysis of CBN Annual Reports and Statistical Bulletins between 2015 and 2023, several key patterns emerge regarding the effectiveness of foreign exchange policies in promoting sustainable economic growth. The CBN reports indicate significant policy interventions including the introduction of the Investors' and Exporters' (I&E) window in 2017, which according to CBN Annual Report 2018 helped attract approximately $20 billion in foreign investment inflows within its first year of implementation.

Analysis of data from the CBN Statistical Bulletins reveals that foreign exchange reserves fluctuated considerably, reaching a peak of $45.1 billion in June 2019 but declining to $33.8 billion by December 2020. These fluctuations directly impacted the CBN's capacity to intervene in the foreign exchange market and maintain exchange rate stability. The World Bank's Nigeria Economic Update records show that GDP growth averaged 1.8% between 2015-2020, indicating modest economic expansion despite forex policy interventions.

Examination of the CBN's Monetary Policy Circulars reveals multiple forex management strategies, including restrictions on certain imports and the introduction of various forex windows. Data from the National Bureau of Statistics shows these policies had varying impacts on different economic sectors. Manufacturing sector growth, for instance, averaged 2.3% during periods of relative exchange rate stability but contracted by 1.5% during periods of significant exchange rate volatility.

IMF Country Reports during this period highlight that while CBN's forex policies helped maintain relative exchange rate stability in the official market, the emergence of multiple exchange rates created market distortions. The reports indicate that the spread between official and parallel market rates reached as high as 40% at certain points, impacting overall economic efficiency and investment flows.

The CBN's sectoral allocation data shows that critical sectors like manufacturing, agriculture, and services received preferential forex allocations. However, analysis of economic growth data suggests that these interventions had mixed results. While agricultural sector growth remained relatively stable, averaging 3.2% annually, manufacturing sector performance was more volatile, reflecting challenges in forex access and exchange rate management.

Trade data from the National Bureau of Statistics demonstrates that export earnings remained heavily dependent on oil revenues, highlighting the limited success of forex policies in promoting export diversification. Non-oil exports showed modest growth, increasing from $1.2 billion in 2015 to $2.3 billion by 2022, suggesting partial effectiveness of forex policies in promoting export-oriented growth.

The impact of forex market distortions on investment patterns and overall economic performance in Nigeria

From an analysis of key economic documents and data, the impact of foreign exchange market distortions on Nigeria's investment patterns and economic performance reveals significant relationships. The CBN's Statistical Bulletins from 2015-2023 show that foreign portfolio investments exhibited high volatility during periods of substantial exchange rate differentials between official and parallel markets.

Data from the National Bureau of Statistics indicates that Foreign Direct Investment inflows declined from $3.1 billion in 2015 to $1.9 billion in 2020, coinciding with periods of heightened forex market distortions. The World Bank's Nigeria Economic Update documents how the multiple exchange rate system created arbitrage opportunities, leading to reduced transparency in forex transactions and affecting investor confidence.

CBN Annual Reports reveal that sectors heavily dependent on foreign inputs experienced significant operational challenges. Manufacturing capacity utilization data shows a decline from 59.3% in 2015 to 48.2% by 2020, correlating with periods of forex market segmentation. Economic data demonstrates that businesses faced increased operational costs due to forex scarcity in the official market, forcing many to resort to the parallel market at premium rates.

Analysis of capital importation data from the CBN shows that portfolio investment became increasingly short-term and speculative during periods of market distortions. The documents indicate that while total capital importation reached $16.8 billion in 2018, it dropped to $9.7 billion by 2020, highlighting investors' response to forex market uncertainties.

Discussion of the Findings

The findings of the study revealed that the introduction of the Investors' and Exporters' (I&E) window in 2017 significantly enhanced foreign investment inflows into Nigeria, attracting approximately $20 billion in its first year. This policy intervention aimed to create a more transparent and organized forex market, facilitating better access for investors. The analysis indicates that while this measure contributed to immediate investor confidence and inflows, the effectiveness of the foreign exchange policies subsequently fluctuated, evidenced by the ups and downs in foreign exchange reserves, which peaked at $45.1 billion in June 2019 before declining to $33.8 billion by December 2020. These fluctuations affected the Central Bank of Nigeria's (CBN) ability to stabilize the exchange rate, proving that despite initial success, ongoing policy adaptations were necessary to maintain sustained economic growth.

Moreover, the study revealed that while GDP growth averaged 1.8% from 2015 to 2020, indicating modest economic expansion, sectoral growth rates varied considerably, particularly in manufacturing and agriculture. The manufacturing sector exhibited average growth of 2.3% during relatively stable exchange rates, but contracted by 1.5% during periods of significant volatility. Conversely, the agricultural sector displayed more resilience, with steady growth averaging 3.2% annually. Notably, the heavy reliance on oil revenues for export earnings underscored the limited success of forex policies in fostering export diversification. Although critical sectors received preferential forex allocations, the findings indicate that external shocks, such as oil price fluctuations, and structural economic constraints significantly hindered the long-term effectiveness of these policies in promoting sustainable economic growth.

Conclusion

In conclusion, this study provides a comprehensive assessment of the implementation of the Central Bank of Nigeria's (CBN) foreign exchange policy and its role in promoting economic growth in Nigeria. The findings highlight that while the CBN's forex interventions, particularly the introduction of the Investors' and Exporters' (I&E) window, initially succeeded in attracting substantial foreign investment and fostering a more transparent forex market, the overall effectiveness of these policies has been mixed. Moreover, the analysis revealed that despite averaging a GDP growth of 1.8% between 2015 and 2020, the benefits of the forex policies were unevenly distributed across different sectors. While the agricultural sector demonstrated resilience with an average growth rate of 3.2%, the manufacturing sector faced volatility, reflecting a contraction of 1.5% during periods of significant exchange rate fluctuations. This disparity underscores the complexity of Nigeria's economic landscape, where external shocks and structural constraints have limited the effectiveness of forex policies in driving sustainable growth.

Ultimately, the findings suggest that for the CBN's forex policies to effectively promote economic growth, there is a need for more cohesive strategies that incorporate measures to enhance sectoral stability, foster export diversification, and address market distortions. Strengthening the alignment between monetary policy, fiscal initiatives, and sectoral development goals will be crucial in navigating the challenges posed by fluctuating exchange rates and external economic pressures. A more integrated approach can pave the way for a resilient economy capable of achieving sustained growth in the future.

Recommendations

Based on the findings, the study recommends thus;

i. The Central Bank of Nigeria (CBN) should implement targeted support measures for critical sectors, particularly manufacturing and agriculture, to mitigate the impacts of exchange rate volatility. This could include tailored forex allocations, incentives for local production, and programs aimed at promoting non-oil exports, thereby reducing reliance on oil revenues and fostering economic diversification.

ii. The CBN should enhance coordination between its monetary policy and fiscal initiatives to create a coherent framework that supports sustainable economic growth. This involves regular assessments of forex policy impacts on various sectors and ensuring that interventions are responsive to changing economic conditions, global market trends, and external shocks. Consistency in policy implementation will be vital for building investor confidence and achieving long-term economic stability.

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