ABSTRACT
The study investigates the efficacy of exchange rate reform on the economy of Nigeria with annual time series data from 1986 to 2013. There are mixed and conflicting conclusions indicating that the effect of exchange rate reforms on economic growth has not yet been resolved. Thus, there is the need to further examine the efficacy of exchange rate on economic growth of Nigeria. The present study improves on the previous ones by restricting the data to the period stated. Based on the theoretical issues discussed and the literature surveyed the model is built around the augmented Solow growth model whose operational framework is the Lobb-Douglas production function. Econometric evidence reveals stationarity of the variables at their first differences while the Johansen co-integration approach also confirms the presences of one co-integrating relationship at one percent and five percent levels of significance. The study further showed that exchange rate reforms have shown to have very high explanatory influence on Nigerian economy, which indicates that exchange rate reform is a veritable tool for enhancing and sustaining good economic growth of Nigeria. Based on the findings and conclusions, the study recommend that effective exchange rate devoid of speculation should continue to form part of the exchange rate policies in Nigeria and also effective implementation carried out by the monetary authorities through the central bank of Nigeria to maintain balanced exchange rate policy to enhance and sustain economic growth of the country.

Keywords: Exchange Rate, Banking Sector Reforms, Economic Growth, Monetary Policy, Nigeria.

INTRODUCTION
The foreign charge market is a place where buyers come to buy and sellers come to sell foreign monies such as American dollars, Japanese Yen, British Pounds, German Marks etc. The main reason to buy foreign exchange is to be able to buy foreign goods and services. A second major reason why people buy foreign exchange is called portfolio investment which means lending money to someone in other country. Another major reason why people buy foreign exchange is called foreign direct investment. A foreign exchange transaction is an agreement between a buyer and a seller that a given amount of one current is to be delivered at a specified rate for some other currency. A foreign exchange rate is the price of a foreign currency. A foreign exchange quotation or quote is a statement of willingness to buy or sell at an announced rate.

The foreign exchange market consists of two tiers: the interbank or wholesale market, and the client or retail market. Participants include banks and non-bank foreign exchange dealers, individuals and forms conducting commercial and investment transactions, speculators and arbitragers central banks and treasuries and foreign exchange brokers. Transactions are effectuated either on a spot basis or on a forward or swap basis. A spot transaction is for an immediate value date while a forward transaction is for a value date somewhere in the future. A cross rate is an exchange rate between two currencies, calculated from their common relationship with a third currency. Interbank quotations are given as “bid and “ask”. A bid is the exchange rate in one currency at which a dealer will buy another currency. An ask is the exchange rate at which a dealer will sell the other currency. Dealers buy at the bid price and sell at the ask price, profiting from the spread between the bid and ask prices bid<ask. Bid and ask quotations are complicated by the fact that the bid for one currency is the ask for another currency. Organization of the foreign exchange market produces the following results.

- Reduces cost of trading
- Threatens traders oligopoly of information
- Provides liquidity

In summary, the foreign exchange market performs the following functions which are in fact the outcome of its working.
In the process of its working, the foreign exchange market transfers funds (foreign currency) from one country to another where they are needed in the settlement of payments.

It provides short-term credit to the importers and thereby, facilitates the smooth flow of goods and services from one country to another.

The spot and forward markets work in such a way that it helps often in stabilizing the foreign exchange rate.

Foreign exchange operations in Nigeria have been influenced by a number of factors such as the changing pattern of international trade, institutional changes in the economy and structural shifts in production. Before the establishment of the Central Bank of Nigeria (CBN) in 1958 and the enactment of the Exchange Control Act of 1962, foreign exchange was earned by the private sector and held in balances abroad by commercial banks which acted as agents for local exporters. With the view of stabilizing exchange rate for the naira, various techniques have been introduced by the Nigerian monetary authorities in the management of foreign exchange rate.

Nigeria has witnessed about fifteen distinct foreign exchange reform episodes from 1962 to date with mixed outcomes on the economy of the nation (Ani, Ugwunta & Okanya, 2013). It is the determination of the monetary authorities to contain persistent depreciation and fluctuations of the naira that informs the frequency with which exchange rate reforms are introduced (Okafor, 2011). Numerous variants of market determined exchange rates have been adopted since 1986 in a bid to stabilize the rate as well as ensure a single exchange Market (SFEM) was instituted, in 1987, the Unified Official Market was introduced, and in 1999, the inter-bank foreign Exchange Market (IFEM) was introduced. According to the CBN report, in a quest to enhance access to foreign exchange to small users and to enlarge the foreign exchange market in Nigeria, the monetary authorities licensed the Bureaux de Change in 1986.

CBN (2013) notes that the changing pattern of international trade, the institutional changes in the economy and the structural shifts in production, are the chief factors that have influenced the development of the Nigerian foreign exchange market. Access to foreign exchange by the private sector before the establishment of the Central Bank of Nigeria (CBN) in 1958 and the consequent enactment of the Exchange Control Act of 1962 were made possible by commercial banks which maintained balances abroad and acted as agents for local exporters. In this era, agricultural exports contributed the bulk of foreign exchange receipts. The scenario was operational because of the convertibility ease accorded to the Nigerian pound by the British pound given that the Nigeria pound was tied to the British pound sterling at par. This process actually delayed the development of an active foreign exchange market in Nigeria but with the establishment of the central Bank of Nigeria (CBN) in 1958 and the subsequent centralization of foreign exchange authority in the CBN, the need to develop a local foreign exchange market was ignited.

Further reforms were introduced in the foreign exchange market in 1994 (CBN, 2013). CBN (2013) further notes that, the foreign exchange market reform of 1994 included the formal pegging of the naira exchange rate, the centralization of foreign exchange in the CBN, the reaffirmation of the illegality of the parallel market and the discontinuation of open counts and bills for collection as means of payment sources. Further reforms narrowed down to the liberalization of the Foreign Exchange Market in 1995 with the consequent introduction of an Autonomous Foreign Exchange Market (AFEM) for the sale of foreign exchange to end-users by the monetary authority through selected authorized dealers at market determined exchange rate. Additionally, Bureau de Change institutions were once more accorded the status of authorized buyers and sellers of foreign exchange. The foreign Exchange Market was further liberalized in October, 1999 with the introduction of an Inter-bank Foreign Exchange Market (IFEM) (CBN, 2013). Furthermore the retail Dutch Applied System was introduced. Under the system, end users made bids through authorized dealers who acted as intermediaries in the bidding process. Again in 2006, the wholesale DAS was introduced. This system recognized authorized dealers as principal and not agents. They were then expected to sell to their customers at a permitted margin (Anyafu, 1999).

OBJECTIVE OF THE STUDY

The main objective of the study is to investigate the efficacy of exchange rate reform on the Nigerian economy.

THEORETICAL FRAMEWORK

Monetary model assumes that charges in the money supply affects exchange rate directly or indirectly. It emphasizes the role of money supply between two currencies and also the forces of demand and supply affecting the quantity of money supply in the economy. It is centred on the quantity theory of money and its
impacts on the general supply of money. The quantity theory, according to fisher expresses a relationship between the quantity of money and the general price level.

Obaseki (1980) agrees with the above and further state that the rate of output growth was assumed to impinge on the evolution of actual velocity and ultimately on the rate of inflation moves up, there are changes in the exchange rate. The balance of payments theory emphasis that the balance of payments affect and determine the exchange rate of a currency under a freely floating exchange rate. It becomes clear that the demand and supply of foreign exchange determine the exchange rate of the currency. If the exchange rate appreciates as a reflection of a favourable balance of payments, exports will decrease, while imports will increase. This is because domestic prices will increase thus generating reduced exports and increased imports. Hence, it is important to note that it is the demand and supply of foreign exchange that determine the exchange rate. The major criticism of this theory is that the theory assumes that the balance of payments is independent of the exchange rate but the balance of payments is not independent of the exchange rate.

Also it rejects the role of price level influencing the balance of payments of a country and thus the exchange rates. However, exchange rates are greatly affected by the general price levels of each country. The purchasing power parity theory state that the equilibrium exchange rate between two convertible currencies is determined by the equality of their purchasing power. It means that every change in the price level, the exchange rate also changes. However, the major criticism of this theory is that the purchasing power parity theory assumes that balance of payments is in equilibrium in the base period selected for the determination of the equilibrium exchange rate. This assumption is wrong because in reality equilibrium of balance of payments position is difficult to attain.

Ani, Ugwunta and Okanya (2013) contend that financial sector is hugely affected by activities in the foreign exchange market primarily because of the central role of banks in financial intermediation. They furthermore affirm that the peculiarity of the Nigerian economy makes exchange rate management critical to the overall wellbeing of the economy. In particular, Nigeria’s mono-economy with its very high dependence on commodity export and high penchant for imported goods exposes the economy to the vagaries of the international foreign exchange market. The supply of foreign exchange in Nigeria comes in diverse ways including oil exports, non-oil exports, capital receipts including draw-down on loans, expenditure of foreign tourists in Nigeria, repatriation of capital by Nigerians resident abroad, and other invisible receipts by the private sector. The demand for foreign exchange on the other hand covers payments for imports, external debt service obligations and financial commitments to international organizations. This scenario tasks the dexterity and financial adroitness of the nations’ financial managers to achieve efficiency in foreign exchange management and further the frontiers of the nation’s economy. For this reason, foreign exchange market reforms have always enjoyed a prominent place in the overall reform template of the financial sector in Nigeria.

**EMPIRICAL STUDIES**

Omojimite and Akpokodje (2010) investigated the impact of exchange rate reforms on Nigeria’s trade performance during the period 1986-2007. The study observed a small positive effect of exchange rate reforms on non-oil exports through the depreciation of the value of the country’s currency. It further revealed that the structure of imports which is pro-consumer goods remained unchanged even after the adoption of exchange rate reforms. Exchange rate reforms were found not to constrain imports as anticipated; rather, they stimulated imports, albeit insignificantly. A major policy lesson is that exchange rate reforms were not sufficient to diversify the economy and change the structure of imports. Major incentives in form of conductive environment for domestic production, especially effective infrastructure that could lead to significant improvement in competitiveness were required.

Bakare (2011) also explored the consequences of foreign exchange rate reforms on the performances of private domestic investment in Nigeria. The study discovered private domestic investment on floating exchange rate system to be the ratio of Nigerian currency in terms of the US dollar, and nominal public investment as a percentage of nominal GDP. Infrastructure (proxied by power supply) and saving rate. The ordinary least square multiple regression analytical method had been used for the data analysis and some statistical tools employed to test the statistical significance of the variables. The analysis started with the test of stationarity and co-integration of Nigeria’s time series data. The empirical study found that the data were stationary and co-integrated. The multiple regression results shows a significant but negative relationship between floating foreign exchange rate and private domestic investment in Nigeria. These results showed robustness to a number of econometric specifications. The findings and conclusion supported the need for the government to dump the floating exchange regime and adopt purchasing power parity which has been
considered by researchers to be more appropriate in determining realistic exchange rate for naira and contributing positively to macroeconomic performances in Nigeria.

In the investigation carried out by Akpan and Atan (2011), they considered the efficacy of exchange rate movements on real output growth in Nigeria. Based on quarterly series for the period 1986 to 2010, the research examined the possible direct and indirect relationship between exchange rates and GDP growth. The relationship was derived in two ways using a simultaneous equation model within a fully specified (but small) macroeconomic model. A Generalized Method of Moments (GMM) technique was explored. The estimation results suggested that, there is no evidence of a strong direct relationship between changes in exchange rate and output growth. Rather, Nigeria’s economic growth was directly affected by monetary variables. These factors tended to sustain a pattern of real exchange rate, which was unfavourable for growth. The conclusion is that improvements in exchange rate management were necessary but not adequate in reviving the Nigerian economy.

Ani, Ugwunta and Okanya (2013) also evaluated the overall effect of foreign exchange reforms on the financial depth of the Nigerian economy over a twenty–nine year period. Having certified that the time series are free of unit root, OLS regression were supplied to data in other to determine the overall effect of foreign exchange reforms on the financial depth of the economy. Findings revealed that ratio of FDI to GDP, ratio of market capitalization of listed equities to GDP and real interest rate had positive relationship with financial deepening while exchange rate had a negative relationship with financial deepening. Furthermore, among the determinants of financial depth, only the ratio of GDP to real interest rates showed a significant relationship with foreign exchange. Overall, the evidence from the non-spurious regression results suggested that foreign exchange reforms in Nigeria have not had the desired positive effect on the depth of the Nigerian financial sector. The study hence recommend strong diversification of the Nigerian economy away from the mono-economy and its peculiarities into other non-oil sectors so as to enhance commodity exports and reap the benefits of stable exchange rate.

Ettah, Akpan and Etim (2011) focused on the impacts of price and exchange rate fluctuations on Agricultural exports (cocoa) in Nigeria. Data were applied to an export supply function for cocoa specified and estimated using the Ordinary Least Squares Regression model. The results showed that exchange rate fluctuations and agricultural credits positively affected cocoa exports in Nigeria and that relative prices of cocoa are insignificantly related to quantity of export. Their result therefore, implies a positive significant effect of exchange rate volatility on cocoa exports in Nigeria. They recommended that agricultural credit schemes should be restructured in a way that should meet the needs of farmers; and such credit facilities should be made available and accessible to cocoa farmers in order to boost their production capacity while there should be a free market determination of exchange rate of export of cocoa in Nigeria.

**METHODOLOGY**

**Exchange Rate Reform and Economic Growth Model:**

The model for the effect of exchange rate on economic growth is an adaption from Omojimite and Akpokodje (2010), Bakare (2011), Akpan and Atan (2011) and Ani, Ugwunta and Okanya (2013). The core variables of exchange rate and control variables are selected from these previous studies and incorporated in this study thereby making the present model more representatives of exchange rate reforms in Nigeria. The function is shown as:

\[
\text{LnGDP} = f(\text{EXR}, \text{OPEN}, \text{FDI})
\]

Where

\[
\text{GDP} = \text{Gross Domestic Product is the dependent variable and is the proxy for economic growth}
\]

\[
\text{EXR} = \text{Exchange rate representing exchange rate reform}
\]

\[
\text{OPEN} = \text{Trade openness measured by total trade (export plus import) divided by Gross Domestic Product (GDP)}
\]

\[
\text{FDI} = \text{Foreign Direct Investment}
\]

The model form of the relationship can be written thus:

\[
\text{GDP} = \text{Bo} + B_1 \text{EXR} + B_2 \text{OPEN} + B_3 \text{FDI} + \mu
\]

Where:

- \text{Bo} = \text{The constant}
- \text{B}_1 = \text{The coefficient of the relationship between exchange rate (EXR) and economic growth (GDP)}
- \text{B}_2 = \text{The coefficient of the relationship between trade openness (OPEN) and economic growth (GDP)}
$$\beta_3 = \text{The coefficient of the relationship between Foreign Direct Investment (FDI) and economic growth (GDP).}$$

$$\mu = \text{the error term}$$

The appriori expectation is rising exchange rate of Naira to US dollar (that is depreciation) will negatively affect economic growth while appreciation will lead to economic growth.

**RESULTS AND INTERPRETATION**

Table 1: Statistical properties of the variables of exchange rate reform

<table>
<thead>
<tr>
<th>Variables</th>
<th>LNGDP</th>
<th>FOREX</th>
<th>OPEN</th>
<th>FDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>8.415714</td>
<td>76.72643</td>
<td>56.23050</td>
<td>3.673329</td>
</tr>
<tr>
<td>Median</td>
<td>8.630000</td>
<td>97.40000</td>
<td>58.93880</td>
<td>3.304350</td>
</tr>
<tr>
<td>Maximum</td>
<td>11.29000</td>
<td>157.5000</td>
<td>81.81280</td>
<td>8.279500</td>
</tr>
<tr>
<td>Minimum</td>
<td>4.900000</td>
<td>2.020000</td>
<td>23.71680</td>
<td>0.956000</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>1.874925</td>
<td>61.23152</td>
<td>13.84173</td>
<td>1.687122</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.259744</td>
<td>-0.010913</td>
<td>-0.428789</td>
<td>1.205079</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>2.035545</td>
<td>1.213700</td>
<td>2.805581</td>
<td>4.356841</td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>1.400048</td>
<td>3.723234</td>
<td>0.902111</td>
<td>8.924863</td>
</tr>
<tr>
<td>Probability</td>
<td>0.496573</td>
<td>0.155421</td>
<td>0.636956</td>
<td>0.011534</td>
</tr>
<tr>
<td>Observations</td>
<td>28</td>
<td>28</td>
<td>28</td>
<td>28</td>
</tr>
</tbody>
</table>

The characteristics of the time serial data used in the analysis are presented in Table 2. The table provides clues about the mean, median, standard deviation, Skewness as well as the Jarque-Bera statistics of each variables. From the Jarque-Bera statistics, the normality of the variables is explained.

The variable considered here are Natural log of Gross Domestic Product (LNGDP), (LnCAP), Natural Log of Foreign Exchange Rate (FOREX), Trade Openness (OPEN), Foreign Direct Investment (FDI), specifically, the outcomes of each of the variables have mean, median as well as values for their maximum and minimum that suggest well behaved variable. The mean values employed are not too different from their respective median values. The mean values employed are not too different from their respective median values. This is an indication of absence of excessive outliers and stability of the variables employed, which are essential for the analyses carried out in this study. The value of the standard deviation of each of the variables is a further proof of the fact that the distribution of the variables is approaching normally distribution. In addition, the Skewness, Kurtoses and standard deviation statistics show that the variances of the variables are not unnecessarily large. Only FOREX, OPEN, FDI are positively skewed, this implies a relatively fat-right tail, Other variables have relatively fat-left tails.

The probability values of the Jarque-Bera Statistics as presented in the tables show that LNGDP, FOREX, and OPEN are normally distributed. All the employed variables have 28 data point observations.

Table 2: The Unit Root Test Results for the selected variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Level: 1(0)</th>
<th>First Differences:1(1)</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ADF</td>
<td>PP</td>
<td>ADF</td>
</tr>
<tr>
<td>LnGDP</td>
<td>-1.3196</td>
<td>-1.7415</td>
<td>-4.1140*</td>
</tr>
<tr>
<td>FOREX</td>
<td>-0.5664</td>
<td>-0.5136</td>
<td>-4.813250**</td>
</tr>
<tr>
<td>OPEN</td>
<td>-2.1630</td>
<td>-3.3872**</td>
<td>-3.8522*</td>
</tr>
<tr>
<td>FDI</td>
<td>-3.4344**</td>
<td>-</td>
<td>-4.8193*</td>
</tr>
<tr>
<td>Critical1%</td>
<td>-3.7076</td>
<td>-3.6959</td>
<td>-3.7204</td>
</tr>
<tr>
<td>Values5%</td>
<td>-2.9798</td>
<td>-2.9750</td>
<td>-2.9850</td>
</tr>
<tr>
<td>10%</td>
<td>-2.6290</td>
<td>-2.6265</td>
<td>-2.76318</td>
</tr>
</tbody>
</table>

Significance of coefficients are reported using p-value. *denotes significant at 1%, ** denotes significant at 5%; *** denote significant at 10%.

The variables employed in the analysis are tested for stationarity using two unit root tests, namely, Augmented Dickey-fuller test and Phillips-Peron test, to determine whether they are stationary or non-stationary series. The two tests, to determine whether they are stationary or non-stationary series. The two tests are employed to reinforce one another, to ensure their robustness and boos confidence in their reliability. The tested null hypothesis for both unit root tests is the presence of a unit root. The results on Table 2 above, shows that at level, all of the variable have unit root. This implies that none of the variables is stationary at level. At first difference, all the variables including LnGDP, FOREX, OPEN, FDI, have unit root. This
implies that the first different of the variables has no unit root and the null hypothesis is rejected at 5% level of significance, indicating that the variable are integrated at the same order, that is 1(1).

**Table three: Test of co-integration among the variables of Exchange Rate Reform Model**

**Test:** Assumption: Linear deterministic trend in the data

**Series:** LNGDP FOREX OPEN FDI

**Lags interval:** 1 to 1

<table>
<thead>
<tr>
<th>Eigenvalue</th>
<th>Ratio</th>
<th>Critical Value</th>
<th>Critical Value</th>
<th>No. of CE(s)</th>
<th>Hypothesized</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.6264776</td>
<td>49.71241</td>
<td>47.21</td>
<td>54.46</td>
<td>None*</td>
<td></td>
</tr>
<tr>
<td>0.401305</td>
<td>19.10824</td>
<td>29.68</td>
<td>35.65</td>
<td>At most 1</td>
<td></td>
</tr>
<tr>
<td>0.189789</td>
<td>5.770175</td>
<td>15.41</td>
<td>20.04</td>
<td>At most 2</td>
<td></td>
</tr>
<tr>
<td>0.011403</td>
<td>0.298187</td>
<td>3.76</td>
<td>6.65</td>
<td>At most 3</td>
<td></td>
</tr>
</tbody>
</table>

*(***) denotes rejection of the hypothesis at 5%(1%) significance level L.R. test indicates 1 co-integration equation(s) at 5% significance level.

The Exchange Rate Reform and Economic Growth model, which is specified to examine the effect of exchange rate reform on the economic growth of Nigeria, is tested for the null hypothesis of no co-integration assuming linear deterministic trend. The results of the co-integration test for exchange rate reform variables and economic growth are presented on Table 4.6 above.

Comprised in the model are LnGDP, FOREX, OPEN AND FDI. The result on Table three indicates that there is one co-integrating equation, since the likelihood ratio value of 49.7141> critical value of 47.21 at 5%. Fit becomes necessary to reject the null hypothesis no co-integration and conclude that there is the existence of long-run relationship among the variables of exchange rate reform and economic growth.

**Table four: Multivariate OLS Regression of the Exchange Rate Reform and Growth Model**

**Dependent Variable:** LNGDP

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOREX</td>
<td>0.027980</td>
<td>0.002306</td>
<td>12.13319</td>
<td>0.0000</td>
</tr>
<tr>
<td>Open</td>
<td>0.012057</td>
<td>0.010202</td>
<td>2.18137</td>
<td>0.0488</td>
</tr>
<tr>
<td>FDI</td>
<td>0.152266</td>
<td>0.083479</td>
<td>1.824004</td>
<td>0.0806</td>
</tr>
<tr>
<td>C</td>
<td>5.031627</td>
<td>0.665038</td>
<td>7.565921</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

Adjusted R-Squared 0.848410

F – statistic 51.37048*

Durbin-Watson stat 1.824069

Note: *denotes significant at 1%, ** denotes significant 5%; *** denote significant at 10%

The results of regression equation for exchange Rate Reform Growth Model are presented in Table 4.11. The results tested the null hypothesis four that “Exchange rate reforms have no significant positive effect on economic growth the Nigeria”. The coefficients of the regression are foreign Exchange Rate (FOREX) = 0.027980, Trade Openness (OPEN) = 0.012057 and Foreign Direct Investment (FDI) = 0.152266. The results indicate that FOREX, OPEN and FDI have positive effect on economic growth. This indicates that a unit increase in FOREX, OPEN and FDI brings about 2.8%, 1.2% and 15.2% increase in economic growth respectively. This largely implies that liquidity reform variables have positive effect on economic growth in Nigeria.

The significance of the coefficients of the regression is tested with t-statistics. The results indicate that FOREX (t.12.13319 < 0.05) has insignificant effect. The results indicate that FOREX and OPEN have significant positive effect on economic growth while FDI has insignificant positive effect on economic growth. As all the variables are positive and majority are significant, it implies that exchange rate reforms have significant positive effect on economic growth in Nigeria.

The value of F-statistics (51.37048) with probability less that 5% (p.<0.05): Since the probability of F. value is less than 5% level, we reject the null hypothesis that exchange rate reforms have no significant effect on economic growth of Nigeria. However, as the coefficients of the variables are positive, we further reject the
null hypothesis and thus conclude that exchange rate reforms have significant positive effect on economic growth of Nigeria. The result of Adj R² is 0.848410 which indicates that about 84.8% of changes rate reforms. The result of the Durbin-Waston Statistic (1.824069) which is approximately equal to 2 indicates absence of autocorrelation in the model. Based on the result of the t-statistics, F-statistics and Adj R², we conclude that, bank exchange rate reforms have significant positive effect and explain 84.8% of the changes in economic growth in Nigeria.

CONCLUSIONS AND RECOMMENDATIONS
Exchange rate reforms have significant positive effect that explains 84.8% of economic growth in Nigeria. The result suggests that exchange rate policies in Nigeria determine about 84.4% of changes in economic growth hence serve as veritable policy tools in Nigeria. The results are consistent with the position of Ettah, Akpan and Etim (2011) that there is positive significant effect of exchange rate volatility on cocoa exports in Nigeria. Omojimite and Akpokodje (2010) further explain that exchange rate reforms are found not to constrain imports as anticipated; rather, they stimulate imports, albeit insignificantly. Exchange rate reforms have impacted positively on the country’s foreign trade transactions, balance of payment position and the foreign reserves which have considerably improved the economic growth of Nigeria. Based on the findings, the study recommends that effective exchange rate devoid of speculation should continue to form part of the exchange rate policies in Nigeria and also, their showed be effective implementation carried out by the monetary authorities through the Central Bank of Nigeria to maintain balanced exchange rate policy in Nigeria.
REFERENCES