IMPACT OF PERSISTENT DEPRECIATION OF NAIRA CURRENCY ON THE GROWTH OF NIGERIAN ECONOMY (2019-2021)

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ABSTRACT

Persistent depreciation of naira currency policy is an important tool in macroeconomic management therefore, this paper examined the effects of persistent depreciation of naira currency on the economic growth of Nigeria with additions of 3 others objectives which also assessed the impact of persistent depreciation of naira currency on economic growth and development of Nigeria; the long-run relationship between persistent depreciation of naira currency and the direction of causality between Gross Domestic Products (GDP), persistent depreciation of naira currency, inflation depreciation of and interest depreciation and The research design adopted in this paper were ex-post facto design (the use of secondary data). Data used in this study were observational secondary time series data extracted from the Central Bank of Nigeria's (CBN's) statistical bulletin and annual reports that accounts for the 2019-2021 periods. The Augmented Dicker-Fuller (ADF) result indicated that interest rate (INTR) was stationary at levels while GDP, exchange rate (EXCH) and inflation rate(INFL) were found to be stationary at first difference at 5 per cent level of significance with tstatistic value of -5.000498, -6.682082 and -2.659911 with probability values of 0.0004, 0.0000 and 0.0032 respectively, while INTR was stationary at levels with tstatistic value of -3.205035 and probability value of 0.0002. The null hypothesis of the ARDL bound test is that there is no long run relationship (cointegration) among the variables. Given that the computed F-statistic (9.5284333) of the autoregressive distributed lag (ARDL) bounds test is greater than the upper critical value (3.2) at 5 per cent level of significance, the null hypothesis is rejected. This implies that there is a long run relationship between persistent depreciation of naira currency and economic growth. Sequel to the finding of this study, I specifically made the following policy recommendations to the maintenance of stable persistent depreciation of naira currency and in the case of import, tariffs can be placed to be a very high on imported goods thereby discouraging imports.

Keywords: Persistent, Depreciation, Naira, Currency, Growth, Economy.

Introduction

In macroeconomic management, persistent depreciation of naira currency policy is an important tool. This is derived from the fact that changes in the depreciation of naira currency persistent have significant implications for a country's balance of payments position and even its income distribution and growth. It aids international persistent of goods and services as well as achieving and maintaining international competitiveness and hence ensures viable balance of payment position. It serves as an anchor for domestic prices and contributes to internal balance in price stability (CBN, 2011).

Persistent depreciation of naira currency is the price of one country's currency expressed in terms of some other currency. It determines the relative prices of domestic and foreign goods, as well as the strength of external sector participation in the international trade. Persistent depreciation of naira currency regime and interest depreciation of naira currency remain important issues of discourse in the international finance as well as in developing nations, with more economies embracing trade liberalization as a requisite for economic growth (Obansa, Okoroafor, Aluko & Millicent, 2013). In Nigeria, persistent depreciation of naira currency has changed within the time frame from regulated to deregulated regimes. Ewa, (2011) agreed that the persistent depreciation of of the naira was relatively stable between 1973 and 1979 during the oil boom era and when agricultural products accounted for more than 70% of the nation's Gross Domestic Products (GDP). In 1986, when Federal government adopted Structural Adjustment Policy (SAP) the country moved from a peg regime to a flexible persistent depreciation of naira currency regime where persistent depreciation of naira currency is left completely to be determined by market forces but rather the prevailing system is the managed float whereby monetary authorities intervene periodically in the foreign persistent market in order to attain some depreciation of currency objectives (Mordi, 2016). This inconsistency in policies and lack of continuity in persistent depreciation of naira currency policies aggregated unstable nature of the naira depreciation of naira currency (Gbosi, 2015).

Benson and Victor (2012) and Aliyu (2011) noted that despite various efforts by the government to maintain a stable persistent depreciation of naira currency, the naira has depreciated throughout the 80's to date. Against this background, this research study intends to investigate the impact of persistent depreciation of naira currency on economic growth in Nigeria over a period of 28 years (1986 – 2013).

Foreign persistent is the means of payment for international transaction. It is made up of convertible currencies that are generally accepted for the settlement of international trade and other external obligation. Just like every other commodity, a market is established which works more like any other market having a supply curve, a demand curve and an equilibrium price and Quantity. There are also conditions which are held constant (ceteris paribus). When these conditions change, the curve shift and there is a change in the equilibrium price quantity. This market for currencies is known as the foreign persistent market. The foreign persistent market according to the central bank of Nigeria is the medium of interaction between the sellers and buyers of foreign persistent constitutes its demand. The supply of foreign persistent is derived from oil exports, non-oil export, expenditure of foreign tourist in Nigeria, capital repatriation by Nigerians resident abroad etc. The demand for foreign persistent on the other hand consists of payments for imports, financial commitments to international organizations, external debt service obligations etc.

In Nigeria, the persistent depreciation of naira currency policy has undergone substantial transformation from the immediate post-independence period when the country maintained a fixed parity with the British pound, through the oil boom of the 1970s, to the floating of the currency in (since) 1986, following the near collapse of the economy between 1982 and 1985 period (Akpan &Atan 2012). During the 1970s through the mid-1980s the Naira was pegged to order currencies mainly the Dollar, this persistent depreciation of naira currency policy

tended to encourage over valuation of the Naira as it swung between 0.71 and 0.89 to a dollar in 1970 through 1985 which encouraged imports of all kinds while discouraging non-oil exports. Nigerians' persistent depreciation of has been more volatile in the post structural adjustment programme (SAP) period due to its excessive exposure to external shocks. The effect of the recent global economic meltdown on Nigerian persistent was phenomenon as the Naira persistent depreciation of to the dollar rose astronomically from about N120/\$ to about N180/\$ (about 50% increase) between 2008 and 2009. This is attributed to the sharp drop in foreign earnings of Nigeria as a result of the persistent fall of crude oil price, which plunged from an all-time high of US\$ 147 per barrel in July 2007 to a low of US\$45 per barrel in December 2008. (CBN, 2018).

Before 1958, when the central bank was established and the enactment of the persistent control Act of 1962, foreign persistent was earned by the private sectors and held in balances abroad by commercial banks which acted as agents for local exporters. Another feature of this period was that agriculture exports contributed the bulk of foreign persistent receipts. The fact that the British pound sterling was at par with the Nigerian pound sterling with easy convertibility delayed the establishment of an active foreign persistent market. However, by 1958, when the central bank was established and subsequent centralization of foreign persistent authority. In banks, the need for a local foreign persistent market is paramount. Other factors that led to the evolution of the foreign persistent market in Nigeria include:

The option that is eventually chosen usually reflects a country's historical experience and the monetary authorities' perception of the efficacy of a particular line of action in achieving the set of macroeconomics objectives.

The persistent depreciation of naira currency the naira was relatively stable between1973 and 1979 during the oil boom era (regulating required). This was also the situation prior to 1990 when agricultural products accounted for more than 70% of the nation's gross domestic products (Ewa, 2011). However, as a result of the development in the petroleum oil sector in 1970's, the share of agriculture in total exports declined significantly while that of oil increased. However, from 1981, the world oil market started to depreciate and with its economic crises emerged in Nigeria because of the country's dependence on oil sales for her export earnings. To underline the importance of oil export to Nigerian economy, the gross national product (GNP) fell from \$76 billion in 1930 to \$40 billion in 1996, a number of policy measures to revive and strengthen the economy. The real depreciation of naira currency of economic growth became negative as a result adaptation of structural adjustment program (SAP).

It appeared that Nigeria's persistent depreciation of naira currency fluctuation tends to affect valuation of the Naira. This in turn encouraged imports and discourages exports and over dependence on imported inputs. The overriding persistent depreciation of naira currency management was made concerned apparently with medium- and long-term balance of payment objectives.

This major problem which this study is designed to solve is whether the persistent depreciation of naira currency has any bearing on Nigerians economic growth. While some Economist dispute the ability of change in the real persistent depreciation of naira currency

to improve the trade balance of developing countries (Hinkle, 2019) because of elasticity of their low export, others believe that structural policies could however change the long-term trends in the terms of trade and the prospects for export led growth. Instabilities of the foreign persistent depreciation of naira currency is also a problem to the economy.

The general objective of this study is to examine the effects of persistent depreciation of naira currency on the economic growth of Nigeria. Whereas the specific objectives shall be as follows

- i. To assess the impact of persistent depreciation of naira currency on economic growth and development of Nigeria.
- ii. To examine the long-run relationship between persistent depreciation of naira currency and economic growth in Nigeria.
- iii. To evaluate the direction of causality between GDP, persistent depreciation of naira currency, inflation depreciation of and interest depreciation.

Literature Review

Persistent depreciation of naira currency is the ratio between a unit of one currency and the amount of another currency for which that unit can be exchanged at a particular time (Ngerebo- and Ibe, 2013). In other words, persistent depreciation of naira currency is the price of one currency vis-à-vis another and is the number of units of a currency required to buy another currency (Mordi, 2016). Persistent depreciation of naira currency of currency is the link between domestic and foreign prices of goods and services. Also, persistent depreciation of naira currency can either appreciate or depreciate. Appreciation in the persistent depreciation of naira currency occurs if less unit of domestic currency exchanges for a unit of foreign currency while depreciation in persistent depreciation of naira currency occurs if more unit of domestic currency exchanges for a unit of foreign currency.

Theoretical Framework

The Purchasing Power Parity Theory

The purchasing power parity (PPP) is one of the earliest and perhaps most popular theory of persistent depreciation of naira currency. This posits that the persistent depreciation of naira currency between two currencies would be equal to the relevant national price levels. It assumes the absence of trade barriers and transactions cost and existence of the purchasing power parity (PPP) (Obioma, 2000). In this version, the purchasing power parity (PPP) doctrine equates the equilibrium persistent depreciation of naira currency the ratio of domestic to foreign price level (Lyon, 1992).

$$\frac{E - Pd}{PE}$$

Where E is the nominal persistent depreciation of naira currency define in terms of domestic currency per unties of foreign currency. Pd is the foreign price, PE level with perfect efficiency and absence of trade barriers transaction cost and the purchasing power parity (PPP) doctrine will be tantamount to the applications of the law of one price it all the countries produced explicitly the same tradable goods. It is important to know that the PPP is a major component of the monetary approach the PPO between the two currencies are provided by (Gustaar Cassel 1998) is the amount of the determination of equilibrium persistent depreciation of . It is often applied as a proxy for the monetary model in persistent depreciation of naira currency analysis (CBN, 1998).

The relevant version of PPP doctrine relates the equilibrium persistent depreciation of naira currency to the product of the persistent depreciation of in a base period and the ratio of the countries price indices (Argh, 1994). By definition, the study has the relative purchasing power parity (PPP) which is given as;

$$E - \frac{Pd}{PE}RO$$

Where Ro is the actual persistent depreciation of naira currency at the base period (the number of units of domestic currency per unit of foreign currency). The purchasing power parity theory defines two equilibrium persistent depreciation of naira currency system.

To align international comparisons on the assumptions of some technological efficiency in all countries could be deceptive. Again, the choice of the base year for the relative purchasing power (PPP) is often arbitrary. Finally, PPP is often presented as if causality runs from price level to persistent depreciation of naira currency. Actual experiences are often more complicated when monetary/fiscal policies move, both causalities could be quite exogenous or bi-directional (Argy &Frenkele, 1998).

Conceptual Clarification

Concept of Persistent Depreciation of Naira

Conceptual clarification on persistent depreciation of naira currency implies the price of one currency in terms of another.

Persistent depreciation of naira currency is the price of one country's currency expressed in terms of some other currency. It determines the relative prices of domestic and foreign goods, as well as the strength of external sector participation in the international trade. Persistent depreciation of naira currency regime and interest depreciation of naira currency remain important issues of discourse in the international finance as well as in developing nations, with more economies embracing trade liberalization as a requisite for economic growth (Obansa, Okoroafor, Aluko & Millicent, 2013). In Nigeria, persistent depreciation of naira currency has changed within the time frame from regulated to deregulated regimes. Ewa, (2011) agreed that the persistent depreciation of the naira was relatively stable between 1973 and 1979 during the oil boom era and when agricultural products accounted for more than 70% of the nation's gross domestic products (GDP). In 1986 when Federal government adopted Structural Adjustment Policy (SAP) the country moved from a peg regime to a flexible persistent depreciation of naira currency regime where persistent depreciation of naira currency is left completely to be determined by market forces but rather the prevailing system is the managed float whereby monetary authorities intervene periodically in the foreign persistent market in order to attain some depreciation of objectives (Mordi, 2016). This inconsistency in policies and lack of continuity in persistent depreciation of naira currency policies aggregated unstable nature of the naira depreciation of naira currency naira currency (Gbosi, 2015).

The nominal persistent depreciation of naira currency is a monetary concept which measures the relative price of two moneys e.g. Naira in relation to dollar (N/S), while the real persistent depreciation of is a real concept that measures the relative price or value of different countries products.

A persistent depreciation of naira currency system can also be fixed or allowed to fluctuate. A fixed persistent depreciation of naira currency is a system in which a country's persistent depreciation of naira currency remains constant or stays within some small margin of fluctuation around a constant par value. On the other hand, the floating persistent depreciation of naira currency (which is our concern in this study) is a persistent depreciation of naira currency (which is our concern in this study) is a persistent depreciation of naira currency system with no government or central bank action to keep it stable (Black 2013). With floating depreciation of s external shocks especially foreign trade shocks are less disruptive and monetary policy is more effective in influencing aggregate demand (Pugel, 2017), hence economic growth is achieved. Economic growth is an increase in an economic variable normally persisting over successive periods. The variable concerned may be real or nominal. Growth in real economic variable such as Gross Domestic Product (GDP) for short periods or at low depreciation of naira currency may occur by simply having similar activities conducted on a large scale. Rapid or persistent growth is likely to involve positive changes in the nature of economic activity while persistent depreciation of naira currency fluctuation could encourage.

The nominal persistent depreciation of (NER) is a monetary concept which measures the relative price of two countries' moneys or currencies, e.g., naira in relation to the U.S. dollar.

But the real persistent depreciation of (RER), as the name implies, is a real concept that measures the relative price of two goods-tradable goods (exports and imports) in relation to non-tradable goods (goods and services produced and consumed locally) (Obadan, 2006). Also, the nominal persistent depreciation of naira currency is the number of unit of domestic currency that must be given up to get a unit of foreign currency. In other word, nominal persistent depreciation of naira currency is the price of domestic currency in term of foreign currency. It is denoted as (E). The real persistent depreciation of naira currency is the relative price of foreign goods in term of domestic goods. In other word, it is the persistent depreciation of naira currency adjusted for price. It is denoted as; e = Ep*/p. Where E= nominal persistent depreciation of naira currency in Nigeria, p* = foreign price and p = domestic price. More complex measurements of persistent depreciation of s go beyond bilateral comparisons to include multilateral comparisons and a good example in this direction is real effective persistent depreciation of naira currency in Nigeria. The real effective persistent depreciation of is a weighted average of the bilateral real persistent depreciation of s taking into consideration the trade share of its partners in the country's total trade. There is also the need to look at the issue of currency convertibility. Convertibility of a currency simply means the currency can easily be converted to other currencies without government imposing any restrictions.

The persistent depreciation of naira currency is the depreciation of naira currency at which a country's currency trades with the currency of other countries. Literature seems to suggest that keeping the real persistent depreciation of naira currency at competitive levels and avoiding excessive volatility are important for growth though the statistical evidence is not overwhelming. But this fact, in and of itself, conveys an important message. A stable and competitive real persistent depreciation of naira currency should be thought of as a facilitating condition for economic growth (Onwumere, 2019). Keeping it at competitive levels and avoiding excessive volatility facilitate efforts to capitalize on economic growth enhancing fundamentals: human capital, savings and investment, and the institutional capacity to

assimilate and gene depreciation of naira currency organizational and technological knowledge. Therefore, adopting works of Aguirrea and Calderon (2016) and Herve, Shen and Amed (2010), the annualized real persistent depreciation of naira currency will be adopted as a measure of persistent depreciation of the naira.

Concept of Economic Growth

Economic growth on the other hand is the increase in the value of the goods and services produced by an economy. It is conventionally measured as the percentage depreciation of naira currency increase in real gross domestic product, or GDP Jones, (2012). Growth is usually calculated in real terms, i.e., inflation-adjusted terms, in order to net out the effect of inflation on the price of the goods and services produced. In economics "economic growth" or "economic growth theory" typically refers to growth of potential output, i.e., production at "full employment," which is caused by growth in aggregate demand or observed output Erbee and Hagemann, (2012).

The Concept of Persistent Depreciation of Volatility

Mundell (1968) has brilliantly set out the implications of financial flows and financial markets integration. He demons' depreciation of d that, with increasing capital mobility, monetary policy is constrained and sometimes inefficient under fixed persistent depreciation of s. The stock of money, which is endogenous, adjusts to the economy. This implies an increased sensitivity of the economy and growth to disturbances.

Empirical Literature

Persistent depreciation of naira currency is the price of one country's currency in relation to another country. It is the required number of units of a currency that can buy another number of units of another currency.

Okechukwu and James (2017), investigate the effect of naira currency of persistent depreciation of s on Nigeria's balance of payment the methodology employed in this study was the ordinary regression model in line with the works of Ofurum and Torbira (2011). The design of the research is the ex-post facto, the motive being to determine the cause-effect relationship between the independent and dependent variables with a view to establishing a causal link between them. The secondary data used in the analysis include data on import depreciation of naira currency, export depreciation of naira currency and the GDP. The methodology's justification is premised on known volatility test models proving that persistent depreciation of volatility impacts on macro-economic variables such as those performed by Ofurum and Torbira. The two-stage least square was used to test the hypothesis. According to the Gauss-Markov theorem the least squares estimators are assumed unbiased in linear estimation and possessing minimum variance. The relationship between a dependent variable and two or more regressors (independent variables) is examined by the model. It is considered appropriate for research such as this where the impact of persistent depreciation of naira currency on macro-economic variables is studied.

Okorontah and Odoemena (2016) investigated the effects of persistent depreciation of naira currency fluctuation on economic growth of Nigeria. Using annual data for the period 1986-2012, the study employed the ordinary least square (OLS) technique, the Johansson co-integration test and the error correction mechanism (ECM) to examine the relationship

between persistent depreciation of naira currency and economic growth. The result suggests that there is no strong relationship between persistent depreciation of naira currency and economic growth in Nigeria. It is therefore suggested that Nigeria improve its competitive capacity in the international market through export diversification.

Nnanna and Alireza (2015) ascertain the relationship between real persistent depreciation of naira currency and economic growth applying those variables that adjudged to make up equilibrium persistent depreciation of thereby defining how interrelated are RER, GDP, EXP, IMP, FER and FDI. The major aim was to define how persistent depreciation of naira currency fluctuation stimulates economic development in Nigeria from 2004 to 2014. Analysing the data using VAR technique, based on the prevailing situation in Nigerian economy within these period, one can envisage that RER fluctuation was significantly controlled by its positive relation with real import as well as its negative relation to real GDP and foreign direct investment. Similarly, GDP are positively controlled by depreciating persistent depreciation of naira currency increasing previous GDP, FER and FDI. Nigerian economic growth within these period was characterized by sustainable growth enhanced by sustainable increase in these factors.

Owolabi and Adegbite (2013) Examine the Effect of Persistent Depreciation of naira currency Volatility on Nigeria Economy (1991-2010) The statistical test evaluated on 27 years' time series data proved the significant impact of foreign persistent depreciation of naira currency on Nigeria economy. And this persistent depreciation of naira currency has continuously fluctuating, immerging, the country's foreign persistent depreciation of volatility that favour Nigeria between 1981 and 1991 rises from N0.64 to N9.75) encouraged the nation's exportation. This continue, in 1992, the persistent depreciation of rose to N17 to a US Dollar and in 1995 it increased to N21.89 but from 2003 to 2008 it reduces from N135.41 to N117.78 while later rises again to N147.20 and N150.3 in 200 and 2010 respectively t a US Dollar. At this period exportation was totally discouraged and gradually importation was later encouraged to meet the vast population.

Aliyu (2011) asserted that appreciation of persistent depreciation of naira currency results in increased imports and reduced export while depreciation would expand export and discourage import. Also, depreciation of persistent depreciation of naira currency tends to cause a shift from foreign goods to domestic goods. Hence, it leads to diversion of income from importing countries to countries exporting through a shift in terms of trade, and this tends to have impact on the exporting and importing countries' economic growth.

In the same vein, Hossain (2002) agreed that persistent depreciation of naira currency helps to connect the price systems of two different countries by making it possible for international trade and also effects on the volume of imports and exports, as well as country's balance of payments position. Rogoffs and Reinhartl (2004) also opined that developing countries are relatively better off in the choice of flexible persistent depreciation of naira currency regimes. Previous research on the impact of persistent depreciation of naira currency on economic growth has reached contrasting results. For instance, Empirical evidence showed that real persistent depreciation of naira currency variations can affect growth outcomes. Edwards and Levy Yeyati (2003) found evidence that countries with more flexible persistent depreciation of naira currency methods and the currency grow faster. Faster economic growth is significantly associated with real

persistent depreciation of naira currency depreciation (Hausmann, Pritchett, & Rodrik 2005). Rodrik (2009) argued that real undervaluation promotes economic growth, increases the profitability of the tradable sector, and leads to an expansion of the share of tradable in domestic value added. He claims that the tradable sector in developing countries can be too small because it suffers more than the non-tradable sector from institutional weaknesses and market failures. A real persistent depreciation of naira currency undervaluation works as a second-best policy to compensate for the negative effects of these distortions by enhancing the sector's profitability. Higher profitability promotes investment in the tradable sector, which then expands, and promotes economic growth.

Asher (2012) examined the impact of persistent depreciation of naira currency fluctuation on the Nigeria economic growth for the period of 1980 - 2010. The result showed that real persistent depreciation of naira currency has a positive effect on the economic growth. In a similar study, Akpan (2008) investigated foreign persistent market and economic growth in an emerging petroleum-based economy from 1970-2003 in Nigeria. He found that positive relationship exists between persistent depreciation of naira currency and economic growth. Obansa, Okoroafor, Aluko and Millicent (2013) also examined the relationship between persistent depreciation of naira currency and economic growth in Nigeria between 1970 -2010. The result indicated that persistent depreciation of naira currency has a strong impact on economic growth. They concluded that persistent depreciation of naira currency liberalization was good to Nigerian economy as it promotes economic growth. Azeez, Kolapo and Ajayi (2012) also investigated the effect of persistent depreciation of naira currency volatility on macroeconomic performance in Nigeria from 1986 - 2010. They discovered that persistent depreciation of naira currency is positive related to Gross Domestic Product. Adebiyi and Dauda (2009) using error correction model argued on the contrary that trade liberalization promoted growth in the Nigerian industrial sector and stabilized the persistent depreciation of market between 1970 and 2006. To them, there was a positive and significant relationship between index of industrial production and real export. A one per cent rise in real export increases the index of industrial production by 12.2 per cent. By implication, it means that the policy of deregulation impacted positively on export through persistent depreciation of naira currency depreciation.

The Research Gap

The impact of unstable persistent depreciation of naira currency and devaluation on the economy has been a matter of concern to many scholars, researchers and business entrepreneurs. Another major problem is the issue of appropriate definitions of the concept of equilibrium. This portion of this project reviews the studies of different people on aspects of persistent depreciation of naira currency devaluation and lack of appropriate definitions of the concept of the concept of equilibrium in the measurement and analysis of the real persistent depreciation of naira.

Egon (2013), examined the effects of persistent depreciation of naira currency on price level persistent balance of payment and economic interactions. Egon (2013) rightly pointed out how these economic variables are affected by variations on persistent depreciation of naira currency of the currency.

Aluko (2018) in his own view on the appreciation and depreciation of the naira since 1970 with regards to its effects on balance of payments and external reserve of the Nigeria, concluded depreciation of the naira which Aluko (2018) said was overvalued was necessary for the implementation of SAP. The author did not, however consider the developing nature of the Nigerian economy and as a developing country or economy, Nigeria mainly producers of primary product and imports machinery and some major raw materials for its industries. He did not consider the attendant high cost of imports which would in turn, lead to high inflation depreciation of naira currency. Kanyo (1988) in his work on inflation blames competitive price linking on free floating persistent market. This, Kanyo (2018) is necessary due to the developing nature of the Nigerian economy.

Methodology

This shows the procedures that were adopted by the researcher in carrying out the study. The procedures were organized under the following sub-headings: design of the study, area of the study, population for the study, sample and sampling technique, instrument for data collection, validation of the instrument, reliability of the instrument, method of data collection and method of data analysis.

The major method of analysis employed in this paper was the regression analysis. However, since time series variables were applied, it was essential to examine their properties so as not to end up with a spurious regression, which is modeling the relationship among stationary series. Therefore, all variables were examined through their time plots, unit root tests and co integration analysis.

The research design adopted in this paper was ex-post facto design (the use of secondary data).Data used in this paper was observational secondary time series data extracted from the Central Bank of Nigeria's (CBN's) statistical bulletin and annual reports that accounts for the 2019-2021 periods.

As a matter of Consistency with research conducted in this area of finance in Nigeria where most data utilized were obtained from the Central Bank of Nigeria Statistical Bulletin for the relevant periods the nature and sources of data for this type of research were be secondary data.

The paper aimed at examining the relationship between the volume of activities in the deposit money banks inform of the banking sector reforms (measured by their loans and advances) and the overall economic performance of some selected real sectors as independent (explanatory) variables for same period measured by Gross Domestic Product (GDP) as the dependent (explained) variable.

Dependent Variables: Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is the total value of goods and services produced in a country over a specified period. It equals the total income of everyone in the economy, and the total expenditure on the economy's output of goods and services (Mankiw, 1994). GDP is a gauge of economic of economic performance because it measures something people care about their incomes. Similarly, an economy with a large output of goods and services can better satisfy the demands of households, firms and the government. In line with the works of Ofurum and

Torbira, (2011), Farkas-Fekete and Judit (2015), Yougbare (2016), this research will adopt the gross domestic product growth depreciation of naira currency as proxy for the productivity of the Nigerian economy.

Independent Variable: Persistent Depreciation of Naira Currency

The persistent depreciation of naira currency is the reducing of naira at which a country's currency trades with the currency of other countries. Literature seems to suggest that keeping the real persistent depreciation ofnaira currency at competitive levels and avoiding excessive volatility are important for growth though the statistical evidence is not overwhelming. But this fact, in and of itself, conveys an important message. A stable and competitive real persistent depreciation of naira currency should be thought of as a facilitating condition for economic growth (Onwumere, 2009). Keeping it at competitive levels and avoiding excessive volatility facilitate efforts to capitalize on economic growth enhancing fundamentals: human capital, savings and investment, and the institutional capacity to assimilate and depreciation of naira currency organizational and technological knowledge. Therefore, adopting works of Aguirrea and Calderon (2006) and Herve, Shen and Amed (2010), the annualized real persistent depreciation of naira currency will be adopted as a measure of persistent depreciation of naira currency will be adopted as a measure of persistent depreciation of naira currency.

Model Specification

The ordinary regression model in line with the works of Bakare (2011), Accam (1997) and Akpan (2009) was adopted in the work but it is vital to specify the model for a clearer grasp of the subject. In examining the impact of persistent depreciation ofnaira currency on the balance of payment, where the study will utilize the model as shown in Ofurum and Tobira (2011) and Onoh J.O (2016).

Persistent depreciation of naira currency naira currency do not have positive and significant impact on economic growth in Nigeria

| GDP Where; | = | $b_0+b_1EXR+b_2Int+b_3INF+b_4DOP + \mu$ (i) |
|------------------------|---|---|
| | | |
| RGDP | = | Real Gross Domestic Product |
| EXR | = | Persistent depreciation of |
| b_0 | = | Autonomous of the regression function |
| b 1- b 3 | = | Coefficient of the independent variables |
| Int | = | Interest depreciation of |
| INF | = | Inflation Depreciation of |
| μ | = | Error term |

Model Assumptions

A model according to Yomere and Aghonifoh (1999) is a simplified view of reality designed to enable the researcher describe the essence and inter-relationship within the system or phenomenon it depicts. The underlying assumptions for the modified Ofurum and Tobira (2011) model to be used in this study are:

i.It is a linear function of a random variable

ii. It is unbiased. Thus its average or expected value are equivalent to its true value iii. It has minimum variance, i.e, it is an efficient estimator, given an unbiased estimator with the least variance (See Onwumere, 2009).

RER = f(Int, Infl)......(ii)

GDP = Growth depreciation of naira currency (GDP)

Where RER is the persistent depreciation of naira currency, Intr Interest depreciation of naira currencyInfl Inflation depreciation of, to trade openness which are independent variables causing variations on the dependent variations.

Gross Domestic Product (GDP)

 B_0 is the intercept parameter, B_1 , B_2 , B_3 , B_4 , are coefficient of the variables, μi is the stochastic disturbances or error term.

The parameter B₀, i.e. intercept signifies that even without the impact of other variables output growth (YG) will still be growing since it is not equal to 0.

The parameter B_1 , B_2 , B_3 , B_4 , which are coefficient of the variables denote the degree of change of the dependent variables (YG) as a result of a unit change of other independent variables the error term (μ i) which is used to capture the impact of other variables that are not included in the mode.

A Priori Expectations

The test is aimed at determining whether the signs and sizes of the results are in line with what economic theory postulates. Thus, economic theory tells us that the coefficients are positively related to the dependent variable, if an increase in any of the explanatory variables leads to a decrease in the dependent variable.

Therefore, the variable under consideration and their parameter exhibition of a priori signs have been summarized in the table below.

This table will be guarded by these criteria

When $\beta > 0 =$ conform.

| Variables | Expected signs | Estimate | Remark |
|-----------|----------------|----------|-------------|
| EXR | + | β>0 | Conform |
| INT | + | β < 0 | Not Conform |
| INF | + | β>0 | Conform |

When $\beta < 0$ = not conform.

From the above table, it is observed that the signs of EXR and INF parameters actually conform to the economic theories, while the reverse is the case for INT.

A positive relationship which exists between EXR, INF and GDP indicates that an increase in either EXR and/or INF will result in a positive change in the Gross Domestic Product. This

conforms to the priori criteria because an increased or high EXR and INF over the years will increase GDP in the economy.

Procedure of estimation Unit Root Test

The study utilizes the Dicker-Fuller (DF) and Augmented Dicker-Fuller (ADF) regressions to perform the unit root tests for the variables: Persistent depreciation ofnaira currency (EXR),, interest depreciation of as proxy by prime lending depreciation of (IR), ratio of domestic investment to GDP (DIV), ratio of domestic credit on private sector to GDP (DC), government spending on education (GSE) and gross domestic product (GDP).

If an ADF value is greater than Mackinnon critical value at choosing levels of significance, say 5%, then we reject the null hypothesis of non-stationary and conclude that the data is stationary. In other word, if the series is I (1), it is deemed to have a unit root or it follows a random walk process. This situation does not arise if its first difference is I (0). It is termed stationary. Naturally, the ADF test is performed by testing o = 0 against the one-sided alternative, o > 0.

Estimation Method

The Stationarity and order of Co- Integration Error Correction Mechanism CECM (-1) of the series will determine the estimation technique to be employed. When all the series are stationary at level (I (0)), Augmented Dickey-Fuller (ADF) test or approach will be used. After achieving stationarity, co-integration test will be performed to determine whether there exist a long-run relationship amongst the variables and to establish the degree to which variable respond to the same average over a particular period of time. It is therefore an econometric concept that simulate the existence of a long-run equilibrium among variables. If the unit root test show that the variable are stationary at levels, then there will be no need to proceed with the co-integration test and if the variable are non-stationary at levels but stationary at first differences then Johausen (1991) approach or Engle and Gramgar (1987). Approach will be adopted. However some variable are stationary at levels while others are at first difference then ARDL will be used.

The research shall use some relevant statistical and econometric tests like the regression estimates (to ascertain the numerical values of the parameters in the model), the standard error test, the Student F-test, the Durbin-Wastontest, i.e. the D test, and the F-test, as well as the correlation coefficient, the R squared and the adjusted R-squared. Conversely, the stationarity test is not of the same order, that is some variables are 1(0), while others are 1(1), then the Autoregressive distributed lag model shall be used in estimating the model since it can accommodate variations in order of integration without having a spurious result.

Granger Causality

The Granger (1969) enable us to see how much of the current RGDP can be explained by past values of POV and then to see whether adding lagged values of explanatory variable can improve the explicability of the model. We state that RGDP Granger cause x (explanatory variable) if x helps in the prediction of RGDP. The study shall run a bivariate regressions of the form

$$y_{t} = \sum_{i=1}^{k} \alpha_{t} x_{t-i} + \sum_{i=1}^{k} \beta_{t} y_{t-i} + \varepsilon_{t}$$
$$x_{t} = \sum_{i=1}^{k} \gamma_{t} x_{t-i} + \sum_{i=1}^{k} \rho_{t} y_{t-i} + \mu_{t}$$

Where μ_t and tare two white noise series and k is maximum number of lags

Diagnostic Check of the Model

The estimated models are subjected to some post-diagnostic checking. This is to ensure that the residuals from the estimation satisfy the basic assumptions of the regression estimation techniques.

Test for Normality

The random variable is assumed to have a normal distribution. That is, U is assumed to be normally distributed around zero mean and constant variables. The assumption of normality is necessary for conducting the statistical test of significance of the parameter estimates and for constructing confidence intervals. If the normality assumption is violated, the estimates will still be unbiased and best but their statistical reliability by the classical tests of significance such as t, F, Z tests cannot be assessed; because the tests are based on normal probability distributions. Even though the central limit theorem allows for distributions that are not normal, the sample size in practice is not usually as large as required by the theorem. The test uses the following:

JB = n[S2/6+ (K-3)2/24].The null hypothesis to be tested is:

Ho: the residuals are normally distributed

If the computed p value of JB statistic is sufficiently low (which will happen if the value of statistic is very different from zero), one can reject the hypothesis that the residuals are normally distributed. But if the p value is reasonably high (which will happen if the value of the statistic is close to zero), we do not reject the normality assumption.

Ramsey RESET

The general test for specification errors which may arise from omitted variables, incorrect functional forms and correlation between explanatory variables and error term was conducted which is the Ramsey's Regression Specification Error Test (RESET). The Ramsey's RESET tests the null hypothesis that: there is no specification error.

Tests for Model Stability

The stability tests of Cumulative Sum (CUSUM) of recursive residual reported by Brown, Durbin and Evans (1975) were conducted. The test was conducted to diagnose the stability of the dependent variable. The CUSUM test shall be used to test the hypotheses that: The dependent variables: maternal and child mortality are stable. The decision rule is that if the plots of the charts lie within the critical bounds at 5% level of significance it means the dependent variable is stable or there is no issue of recursive residuals, otherwise it is not stable.

1. Autocorrelation: The classical linear regression model assumes that autocorrelation does not exist among the disturbance terms. In order to find out where the error terms are correlated in the regression, we will use the Brush-Godfrey serial correlation test.

Brush-Godfrey test is test for detecting autocorrelation. It allows for autoregressive (AR) and moving average (MA) error structure. It was jointly developed by Breusch and Godfrey (Gujarati, 2004).

- 2. Normality Test: This test will be conducted to find out if the error terms are normally distributed with zero mean and constant variance i.e. if μ N (0, 52). This is one of the assumptions of the classical linear regression model. The Jargue Bera test will be used to test for the normality in the time series variables used. This test will be conducted by augmenting the equation by adding legged values of the dependent variables.
- **3.** Heteroscedasticity Test: Heteroscedasticity occurs when the variance of the error term additional of the chosen values of the explanatory variables is not constant. In order to capture heteroscedasticity and specification bias, the cross-product terms will be introduced among auxiliary regressions.

Method of Data Analysis

The economic criteria test was conducted to enable the study examine the magnitude and size of the parameter estimate. This evaluation is guided by economic theory to ascertain if the parameter estimate conforms to expectation.

The variable for real interest depreciation of naira currency represents the user cost of capital. There exist variables for political risks are expected to exhibit a positive impact on free flow of export. This is informed by the fact that trade will move freely into areas of the economy with stable political system. Countries with high trade potentials will attract inflow of capital into the country. So there exist a positive relationship between inflationary depreciation of naira currency and economic growth. Real persistent depreciation of naira currency is expected to be positive because depreciation of the currency which is increase in persistent depreciation of naira currency boost export and this brings about economic growth.

Augmented Dickey-Fuller (ADF) test or approach will be used. After achieving stationarity, co-integration test will be performed to determine whether there exist a long-run relationship amongst the variables and to establish the degree to which variable respond to the same average over a particular period of time. It is therefore an econometric concept that simulate the existence of a long-run equilibrium among variables.

If the unit root test show that the variable are stationary at levels, then there will be no need to proceed with the co-integration test and if the variable are non-stationary at levels but stationary at first differences then Johausen (1991) approach or Engle and Gramgar (1987). Approach will be adopted. However some variable are stationary at levels while others are at first difference then ARDL will be used.

Presentation and Discussion of Findings

This section focused on the presentation of data for the analysis of the effects of persistent depreciation of fluctuation on economic growth in Nigeria. Economic growth was proxied by LRGDP.

Presentation and Analysis of data according to research statement

Pre-Diagnostic Analysis

Unit root test for Stationarity

In order to achieve a meaningful regression with time series data, it is necessary to test the existence of unit roots in the variables. The variables used in the analysis need to be stationary and/or should be co-integdepreciation of d in order to infer meaningful relationship from the regression. The unit root test provides the order of integration at which the variables can be stationary. The tests were performed on all series (GDP, EXCH, INTR and INFL using the Augmented Dickey-Fuller Unit root test. The results of the Augmented Dickey fuller (ADF) unit root tests are presented in table 4.1 below

| Variable | ADF | t- P-value | 5% critical | Order of | Conclusion |
|----------|------------|------------|-------------|-------------|------------|
| | statistics | | value | integration | |
| GDP | -5.000498 | 0.0004 | -3.699871 | I(1) | Stationary |
| EXCH | -6.682082 | 0.0000 | -3.689194 | I(1) | Stationary |
| INTR | -3.205036 | 0.0002 | -2.574244 | I(0) | Stationary |
| INFL | -2.659911 | 0.0032 | -2.008064 | I(1) | Stationary |

Table 4.1: Unit root tests for LRGDP, LEDU, LHELT and LINFRA

Source: Author's computation from Eviews 10, (2023).

Based on the ADF unit root test result presented in table 2, only one of the variables (INTR) was stationary at levels, the rest were found to be stationary at first difference I(1) at 5 per cent level. The ADF result indicated that INTR was stationary at levels while GDP, EXCH and INFL were found to be stationary at first difference at 5 per cent level of significance with t-statistic value of -5.000498,-6.682082 and -2.659911 with probability values of 0.0004, 0.0000 and 0.0032 respectively, while INTR was stationary at levels with t-statistic value of -3.205035 and probability value of 0.0002.

A unit root result of this nature, where some variables are stationary at different levels (level, first difference, and second difference) warrants the use of autoregressive distributed lag (ARDL) model in estimating the equation (Pesaran and Shin, 1999). Thus, the Auto-regressive distributed lag estimation result was presented in table 4.2.

Cointegrtion Test

Having ascertained the unit root properties of series and that the variables were not stationary, it is therefore imperative to use Co-Integration analysis to estimate the long run relationship between the variables. To analyze this long-run relationship or convergence among the variables used in the model, the Johansen Co-Integration was employed. The Co-Integration test (ARDL Bound cointegration test) for a long run relationship can be carried out to accept or reject the null hypothesis (H₀) by comparing the value of the F-statistics with the lower I(0) and upper I(1) bounds. The Co-Integration test result was presented in table 4.2.

| ARDL Bound test | | | | |
|-----------------|----------------|--------------|--------------|--|
| F-statistic | Critical value | | | |
| | Significance | Lower bounds | Upper bounds | |
| | | I(0) | I(1) | |
| 9.5284333 | 5% | 2.37 | 3.2 | |
| | 10% | 2,79 | 3.67 | |

| Table 4.2: | Result of | the ARDL | Cointegration | test |
|------------|-----------|----------|---------------|------|
| | | | () | |

Note: lag length on each variable is selected using the Akaike information criteria (AIC) and Schwarz criterion (SC), maximum lag was set to 5. Critical values are genedepreciation of d under the model with unrestricted intercept and no trend.

The null hypothesis of the ARDL bound test is that there is no long run relationship (cointegration) among the variables. Given that the computed F-statistic (9.5284333) of the ARDL bounds test is greater than the upper critical value (3.2) at 5 per cent level of significance, the null hypothesis is rejected. This implies that there is cointegration among economic growth as the dependent variable and persistent depreciation of fluctuation. Hence, we can further estimate the ARDL result on the impact of the independent variables on the dependent variable.

| Table 4.3: test for autocorrelation, heteroskedasticity, and functional form | | | | |
|--|---------------------|-------------|--|--|
| Tests | F-statistics | Probability | | |
| Breusch-Godfrey Serial | | | | |
| Correlation LM Test | 0.860932 | 0.4386 | | |
| Breusch-Pagan-Godfrey | | | | |
| Heteroskedasticity Test | 1.008753 | 0.4460 | | |
| Ransey RESET Test | 0.128100 | 0.7242 | | |
| Normality Test | 5.175709 | 0.075181 | | |

Post Diagnostic Test

Source: *Author's computation from Eviews* 10,(2023).

Normality Test

Testing at the 5% level of significance, the Jarque-Bera of 5.18 is greater than 0.07. This implies that the residuals are normally distributed, which is a desirable result. The result of the stability test is presented in appendices.

Breusch-Godfrey Serial Correlation Test

From table 4.3, it can be observed that the probability value of Breusch-Godfrey Serial Correlation LM Test was greater than 0.05. The decision rule stated that if the p-value is greater than 0.05 then the null hypothesis of no serial correlation will not be rejected. Since the p-value was greater than 0.05, we concluded that there was no serial correlation.

Heteroscedasticity Test

The model was evaluated for heteroscedasticity. The decision rule stated that if the p-value is greater than 0.05 then the null hypothesis of no heteroscedasticity will not be rejected. Since the p-value is greater than 0.05, we concluded that there was no heteroscedasticity.

Test for Functional Form

The RAMSEY reset result in table showed that the functional form of the model was correctly specified. This was because the p-value of the RAMSE reset result was greater than 0.05 which lead to our acceptance of the null hypothesis.

Test for Stability

For stability, it is important that the residuals and the cumulative sum of the squares remain within the 5% critical bound (represented by two straight lines). The residuals in the CUCUM test remained within the two lines from 1993 to 2019, which parameters are adjudged to be stable within the years indicated by the graph (Appendices).

Causality between Human Capital Development and Economic Growth in Nigeria

In other to test the causal relationship persistent depreciation of naira currency fluctuation and economic growth in Nigeria, the granger causality test was conducted. The decision rule is, if P-value is less than 0.05 the null hypothesis stands rejected and the alternate accepted. Otherwise accept the null hypothesis and reject the alternate hypothesis. The result of the granger test is thus provided in table 4.4.

Table 4.4: Grander causality test

| Null Hypothesis: | | Obs | F-StatisticProb. |
|---|------------------------|-----------|----------------------|
| Persistent depreciation of GDP_Growth_Depreciation of | does not Granger Ca | use 28 | 0.42516 0.0087 |
| GDP Growth Depreciation of Depreciation of | does not Granger Cause | Persister | nt 0.30629 0.7391 |

Source: Author's computation from Eviews 10,(2023).

Table 4.4 above shows the result of the granger causality test. This is to determine the causal relationship between persistent depreciation ofnaira currency fluctuation (EXCH) and GDP growth depreciation of . The result showed that, there is a unidirectional causal relationship between persistent depreciation of naira currency fluctuation and GDP growth depreciation of at 5% level of significance.

Effects of Persistent Depreciation of naira currency - Fluctuation on Economic Growth in Nigeria

In this section, Autoregressive Distributed Lag (ARDL) was carried out and result obtained showed the relationship and impact of persistent depreciation of naira currency fluctuation on economic growth in Nigeria. Table 4.5 gives the regression result obtained for the sample period used

| Regressor | Coefficient | Std error | T-Ratio | P-value |
|-----------------------|-------------|-----------|--------------------|----------|
| | | | | |
| Dependent | | | | |
| variable GDP(- | | | | |
| 1) | 0.018031 | 0.175553 | 0.102710 | 0.9192 |
| EXCH | -0.038443 | 0.035047 | -1.096897 | 0.2857 |
| INTR | -0.567945 | 0.527554 | -1.076562 | 0.2945 |
| INTR(-2) | -0.987184 | 0.908763 | -1.086295 | 0.2903 |
| INFL | -0.060736 | 0.049194 | -1.234612 | 0.2313 |
| Constant | 17.89539 | 13.79396 | 1.297335 | 0.2093 |
| R ² | 0.689505 | | F-statistic | 6.344742 |
| | DW = | | Prob(F- | 0.000517 |
| | 1.545766 | | statistic) | |

Table 4.5: Autoregresive Distributed Lag (ARDL)

Source: Author's computation from Eviews 10, (2023).

GDP = 17.89539 + 0.038443EXCH - 0.567945LINTR - 0.060736INFL

From the result, persistent depreciation of naira currency (EXCH) had an insignificant and negative impact on economic growth in the period under study. A percentage increase in EXCH had resulted in 3.8 percentage decrease in economic growth depreciation of naira currency(GDP). A close look at the result as shown by the P-value shows that persistent depreciation of naira currency was statistically insignificant.

Interest depreciation of naira currency (INTR) exhibited an insignificant negative impact on economic growth since a percentage increase in interest depreciation of naira currency in the period under study resulted in 56.79 percentage decrease in economic growth. Interestingly, inflation depreciation of was insignificant and negative in terms of impact on economic growth, which implies that a percentage increase in the depreciation of naira currency inflation (INFL) had brought about 6 percentage decrease in economic growth.

The R^2 which is the coefficient of determination reveals the percentage of variation in the dependent variable that was accounted for by the variations in the explanatory variables. It measures the explanatory powers of the model, usually between zero and one. A close inspection of table 5 would indicate the specified model has a fairly high coefficient of determination. This could be seen from R² of 0.68 which reports that the variables could explain about 68% of the growth depreciation of the economy (GDP), while 32% is not accounted for in the model but by other variables outside the model. The fitness of every regression result is based on its R-squared and the adjusted R-squared shows that asymptotically, the variables can explain approximately 0.58% of the total variation in economic growth. The implication of this is that the model has an appropriate goodness of fit. In other words, the explanatory variables jointly considered are significantly important in explaining variation in the dependent variable; economic growth in the period under study in Nigeria. In terms of policy direction, the result shows that a 58% change in economic growth was caused by changes in the independent variables in the course of time. That is, change in EXCH, INTR and INFL caused changes in GDP. This implies a strong explanatory power of the explanatory variables on the dependent variable in the period under study.

The result revealed a negative and significant relationship between the previous year GDP growth depreciation of naira currency and the current year with a coefficient of 1.118031 and p-value of 0.0192 and a negative and insignificant relationship between the INTR of last two years and last year with a coefficient of -0.987184 and p-value of 0.2903.

Test of Hypotheses Test of Hypothesis One

The hypothesis one is restated as follows:

 H_{01} : Persistent depreciation of naira currency does not significantly impact economic growth and development in Nigeria.

From the ARDL result in table 4.5, the p-value of persistent depreciation of naira currency is 0.2857. The decision rule is that, if the p-value is less than the level of significance, the null hypothesis will be rejected while the alternate hypothesis is accepted. But if p-value is greater than 0.05, accept the null hypothesis and reject the alternate. Given that the p-values is greater than the significant level of 0.05, the null hypothesis is accepted concluding that persistent depreciation of naira currency has no significant impact on economic growth of Nigeria.

Test of hypothesis Two

The hypothesis two is restated as follows:

 H_{01} : There is no long run relationship between persistent depreciation of naira currency and economic growth in Nigeria.

The null hypothesis of the ARDL bound test is that there is no long run relationship (cointegration) among the variables. Given that the computed F-statistic (9.5284333) of the ARDL bounds test is greater than the upper critical value (3.2) at 5 per cent level of significance, the null hypothesis is rejected. This implies that there is a long run relationship between persistent depreciation of naira currency and economic growth.

Test of hypothesis Three

- H_{01} : Government expenditure on infrastructure has no significant impact on economic growth in Nigeria.
- H_{02} : Government expenditure on infrastructure has a significant impact on economic growth in Nigeria.

Naira currency On the other hand, there was no directional causality between depreciation of inflation GDP growth depreciation of, interest depreciation of and persistent depreciation of and between depreciation of inflation and interest depreciation of. The decision rule is that if the p-value is less than the level of significance of 0.05, the null hypothesis will be rejected while the alternate hypothesis is accepted. But if the p-value is greater than 0.05, accept the null hypothesis and reject the alternate. Given that the p-values of the former are less than the significant level of 0.05 and the p-values of the later are greater than 0.05, hence the conclusion as stated above.

Discussion of Findings

Thus, there is an existence of autocorrelation that is, the result of the estimated multiple regression is not free from disturbance or stochastic error term.

The multiple regression of GDP and independent variables (Persistent depreciation of naira currency Interest Depreciation of INTR (-2) and Inflation Depreciation of, are estimated as; R = 0.2857, 0.2945, 0.2903, and 0.2313 respectively. This result of the R² indicates very strong, positive, degrees of relationship between the GDP and the persistent depreciation of naira currency, import, export and Consumer Price Index. While the corresponding coefficient of determination R²: 0.689, 0.931, 0.953 and 0.954 indicate that:

The independent variable, persistent depreciation of naira currency is able to explain the GDP (dependent variable) up to 64%; the import depreciation of (independent variable), is able to explain the GDP (dependent variable) up to 93%; the export depreciation of (independent variable), is able to explain the GDP (dependent variable) up to 95% and the Consumer Price Index (independent variable), is able to explain the GDP (dependent variable) up to 95%. While 36%, 7%, 5%, 5% of the variability in GDP is accounted for by factors (disturbance errors) which cannot be explained depreciation of, naira currency import, export and Consumer Price Index respectively.

This means that, government recurrent expenditure in Nigeria is more reflective in the growth of the economy than capital expenditure.

According to Svensosn (2010) and Ball (1998; 2010), much of the literature on monetary policy in open economies has been based on the premise that the internal and external balance of an economy is instantaneously affected by movement in persistent depreciation of naira currency is one of naira currency (2018) opine that persistent depreciation of naira currency is one of the most important policy variables, which determines the trade flows, capital flows and foreign direct investment, inflation, international reserve and remittance of an economy, it was against this background that one of the objectives of this study was to examine the impact of persistent depreciation of naira currency on balance of payment position in Nigeria. The result of this study reveals that persistent depreciation of naira currency has positive and non-significant impact on Nigeria's balance of payment confirms the study of Nusdepreciation of (2018). However, Akhtar and Hilton (1984), Kumar and Dhawan (1991) show that there is negative effect of persistent depreciation of uncertainty on volume of trade and Rogoff (1998) described that volatility of persistent depreciation of become problematic for both the exporters and importers because of uncertainty involved in the prices of persistent depreciation of.

The negative impact of persistent depreciation of naira currency according to Rangrajan (1986) is due to non-smoothening functioning of trade and world economy which is associated or impaired by persistent depreciation of uncertainty, because in order to be compensated for unanticipated changes in persistent depreciation of, traders and bankers demand risk premium which leads to increase in prices of internationally traded goods. The general view often associated again in the negative impact reveal that an increase in risk level shifts risk adverse individuals to those transactions which are less risky. Thus, it can be said that fluctuating persistent depreciation of naira currencyshould negatively affect the level of trade because of increase of risk in international transactions (see, De Grauwe, 1988) because the risk adverse individuals increase exports to avoid the chance of drastic decrease in their revenue because they are more worried about the adverse possible outcome.

Table 4.5 further showed that government expenditure in terms of percentage allocation to technology (LINFRA) had a negative insignificant impact on economic growth as a percentage increase in allocation to infrastructure would reduce economic growth by 77.4495 percent. This result does not comply with a priori expectation. This is probably because of misappropriation of fund allocated for development of infrastructure, diversion of funds disbursed for technological imports by individuals and government officials, unfriendly environment for technology to thrive as a result of insecurity (Fulani herdsmen, Boko Haram and other inter communal crises), and other factors that made government spending on technology not to translate to a significant growth of the economy.

The coefficient of the constant or intercept is 698.9976 which shows that if the explanatory variables were held constant, they will be a 698.9976 increase in economic growth.

R² test

The study also found that the coefficient of determination (R^2) showed the percentage of variations in the dependent variable that can be explained by the independent variables. The R^2 of 0.997304 or 99.73% showed that, LRGDP can be explained by changes in the explanatory variables used in the model while the remaining part is explained by factors outside the model. This shows the goodness of fit of the model.

F-test

Also, the overall model was statistically significant at 5% level of significance based on the empirical values of F-statistic and the probability of the F-statistic (1257.627 and 0.00, respectively). We therefore, conclude that, government investment on infrastructure and health negatively impacted insignificantly on economic growth in Nigeria while investment on education insignificantly impacts positively on economic growth.

Conclusion

Having seen that persistent depreciation of naira currency fluctuation have an impact on the economy, then there is need to maintain a stable persistent depreciation of naira currency. Hence with stable persistent depreciation of naira currency it will help to curtail inflation, maintain a favourable balance of trade, boost export of domestic commodities and above all, maintains steady growth of the economy.

Recommendations

Sequel to the finding of this study, the writer specifically made the following policy recommendations to the maintenance of stable persistent depreciation of naira currency.

To control persistent depreciation of naira currency from fluctuating, these policies have to be adopted:

- i. The government should create incentive such as loans subsidy etc to small scale industries, thereby encouraging them to process domestic goods into processed goods that will help boost our export. The government should encourage the export promotion in order to maintain a surplus balance of trade.
- ii. An effective policy should be made based on the fiscal and monetary policies which should be aimed at achieving a realistic persistent depreciation of naira currency for naira.

- iii. An appropriate environment and infrastructural facilities should be provided so that foreign investors will be attracted to invest in Nigeria. This will provide job, increase income and level of the standard of living of the people.
- iv. Strict foreign persistent control policies be adopted in order to help in determination of appropriate persistent depreciation of naira currency value. This will go a long way to strengthen the naira.
- v. In the case of import, tariffs can be placed to be a very high on imported goods thereby discouraging imports.
- vi. Persistent depreciation of naira currency liberalization is also critical in facilitating trade in any economy, we therefore advise the policy makers to ensure that persistent to ensure that persistent depreciation of should determine by the forces of demand and supply.
- vii. Interest depreciation of naira currency should be at a minimum, in order for the purchasing power of an average Nigeria to increase.
- viii. Finally, the government should influence the foreign persistent depreciation of naira currency by positive economic reforms that will reduce the adverse effect of unstable foreign persistent depreciation of naira on the Nigerian economy with respect to trade flow.

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