

EXCHANGE RATE FLUCTUATION AND FINANCIAL PERFORMANCE OF LISTED MANUFACTURING COMPANIES IN NIGERIA

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Abstract

The havoc from continuous exchange rate fluctuation poses a sizeable threat to manufacturing companies especially those that utilize import-dependent inputs in their production processes and consequentially affect their output and performance. Hence, this study evaluates the exchange rate fluctuation and financial performance of listed manufacturing companies in Nigeria. The study adopted a secondary source of data while descriptive statistics and regression analysis were used to analyze the data. The regression analysis result revealed that at a 5% (0.05) level of significance, all four proxies of exchange rate fluctuations are statistically significant to the financial performance of listed manufacturing companies in Nigeria. This led to the failure to accept any of the hypotheses raised to guide this study, with the conclusion that exchange rate fluctuation significantly affects the financial performance of listed manufacturing companies in Nigeria. Therefore, it was recommended that listed manufacturing companies should consider adopting robust foreign exchange risk management strategies ranging from hedging techniques, diversification of markets, and maintaining a clear understanding of their foreign exchange exposures.

Keyword: Exchange rate, financial performance, Nigeria.

JEL Classification Code: F31, L25

1.0 Introduction

Manufacturing companies are vital to the economy because they use a variety of industrial processes to turn raw materials or components into final goods. These companies work in a variety of industries, such as electronics, textiles, food processing, pharmaceuticals, automotive, and manufacturing. Due to these high impacts, the performance of manufacturing firms is usually of utmost concern in promoting economic growth and development (Agubata & Odubuasi, 2018). This has necessitated the performance appraisal by companies at different intervals in terms of financial and non-financial measures and among the performance metrics, financial performance is primary as strong financial performance indicates that a company is generating healthy revenues, effectively managing expenses, and generating profits, which can contribute to growth, expansion, and shareholder value. Conversely, weak financial performance may indicate challenges in revenue generation, cost management, or profitability, which could require strategic adjustments and improvement efforts to enhance the company's financial position (Iwedi, 2021).

However, the functions of exchange rates are well-established in every economy, as changes in exchange rates impact not only the economic activity of a nation but also the overall performance of businesses (Williams, 2018). Foreign exchange rate fluctuation has been a major problem for

several countries either as an exporter of finished or semi-finished products or as an importer of raw materials ready for further processing (Osho & Ibifunmilola, 2022). This fundamental problem stems from the fact that the foreign exchange market is known to be volatile and uncertain as exchange rates fluctuate, making it challenging to forecast or fix product prices. As a result, importers and exporters of goods are typically at risk because they are inherently exposed to currency fluctuations (Charity, et al., 2019).

Because fluctuating exchange rates are crucial to Nigeria's international economic activities, the country has garnered significant attention and debate regarding these fluctuations over the years (Osho & Ibifunmilola, 2022). From the early post-independence period, when Nigeria maintained a pegged or fixed exchange rate with the British pound, to the oil boom of the 1970s, to the floating exchange rate in 1986 following the near-collapse of the economy between 1982 and 1985, Nigeria has experienced chronic exchange rate volatility that is informed by various policies of the federal government. All of these policies had a significant impact on manufacturing companies and the overall evolution of the economy (Agubata & Odubuasi, 2018). Despite numerous attempts by the government to maintain a stable currency rate, the controversy surrounding the degree of changes in the value of the naira has throughout time caused both internal and foreign shocks to the Nigerian economy (Ibekwe, 2021). Naira to unit dollar rates, for example as analysed by Egolum, Iliemena, and Goodluck (2020) varied from ₦8.0378 (1990) to ₦85.98 (1999), ₦151.51 in 2010 to ₦162.30 in 2011 to ₦156.15 in 2012, ₦158.05 in 2013, ₦175.85 in 2014, ₦232.40 in 2015, and ₦ 300.757 in 2016. Also, the official average exchange rate between one dollar and the naira changed further in 2017 as it was ₦ 390 in 2018; ₦359.50 in 2019, ₦388.9 in July 2020 and the naira has continued to depreciate by steeping down to 1,543.48 as at December 2024 (Google Finance, 2024).

These exchange rate fluctuations have a significant impact on the performance of manufacturing companies in Nigeria. Regardless of the exchange rate regime floating, pegged, hybrid, or bilateral the volatility of these rates has a direct impact on the financial performances of numerous manufacturing companies (Osho & Efuntade, 2019). A significant issue also arises when the naira's continuous depreciation in relation to the currencies of other major trading partners suggests that more resources would be required to increase output, which would undoubtedly result in higher production or distribution costs for manufacturing companies than usual given the import-dependent nature of Nigeria's manufacturing sector (Ibekwe, 2021). Emphatically, the exchange rate fluctuations have posed some unique challenges to Nigerian manufacturers as they now experience increased production costs, supply chain disruption, limited access to forex, stiffness in export competitiveness among others (Ani, et al., 2024). Manufacturers often face difficulties in passing these increased costs to consumers due to market price sensitivities and find it challenging to secure consistent suppliers at predictable prices.

This havoc from continuous fluctuation in the exchange rate has therefore continued to be an issue of clamouring and a subject of interest to an average educated citizen, as well as a topic of concern among average uneducated Nigerian. Therefore, it is against this backdrop that this study was motivated to investigate exchange rate fluctuation and financial performance of listed manufacturing companies in Nigeria, with specific reference to floating exchange rate, pegged exchange rate, bilateral exchange rate or hybrid exchange rate as the proxies of exchange rate

fluctuation, while the return on capital employed (ROCE), return on assets (ROA), return on equity (ROE), net profit margin (NPM) serve as the proxies of financial performance. To achieve this objective, the following hypotheses were formulated:

H₀₁: Floating exchange rate has no significant effect on the financial performance of listed manufacturing companies in Nigeria.

H₀₂: Pegged exchange rate does not significantly affect the financial performance of listed manufacturing companies in Nigeria.

H₀₃: There is no significant relationship between the bilateral exchange rate and the financial performance of listed manufacturing companies in Nigeria.

H₀₄: Hybrid exchange rate does not significantly affect the financial performance of listed manufacturing companies in Nigeria.

2.0 Literature review

Exchange Rate Fluctuation

Exchange rate is defined as the value of one nation's currency stated in terms of another, and it impacts both the strength of the external sector's participation in international trade and the relative costs of domestic and foreign commodities (Williams, 2018). According to Okika, Francis, and Greg (2018), an exchange rate is the price at which one currency is exchanged for another. It is also known as the ratio at which a unit of money from one nation is expressed in terms of another. Exchange rate fluctuations can be measured using various methods, such as spot rates, forward rates, or exchange rate indexes, and can occur on a daily basis due to its volatility, resulting in significant changes in the relative value of currencies. These fluctuations can have both positive and negative impacts on various stakeholders, including individuals, businesses, and governments. Foreign exchange rate swings have a significant influence on industrial enterprises, hence effective hedging strategies are necessary. Therefore, before deciding how to handle it, industrial organizations need to carefully analyze these implications on their operations (Osho & Efuntade, 2019).

Floating Exchange Rate

A flexible (floating) exchange rate regime is one in which the interplay of supply and demand for foreign exchange determines the international value of a single currency at a given moment (Charity, et al., 2019). According to Dada and Oyeranti (2019), a floating exchange rate is a sort of exchange rate regime where the foreign exchange market determines the value of a nation's currency based on supply and demand for that currency in relation to other currencies. This occurs when a nation's currency depreciates to other currencies, allowing market forces to dictate exchange rates. This can result in economic instability, elevated risk, and the potential to lose money on foreign exchange investments. In a system where exchange rates are allowed to fluctuate freely, an excess supply of a currency will cause its value to decline in the foreign exchange market, which will cause the exchange rate to depreciate (Agubata & Odubuasi, 2018; Egolum, et al, 2020).

Pegged Exchange Rate

According to Charity et al. (2019), a fixed exchange rate system is a method by which a nation sets the value of its currency in relation to a single currency or another measure of worth, such as gold, special drawing rights (SDR), or a basket of other currencies. The phenomenon known as the pegged exchange rate, often referred to as the fixed exchange rate, happens when the value of one currency relative to another is fixed. All exchange transactions occur at an exchange rate set by the monetary authorities under the fixed exchange rates (Egolum, et al., 2020). A fixed exchange rate, in contrast to a floating one, is actively managed by the nation's central bank or government rather than being left to fluctuate at the whim of the market. In a system with a fixed exchange rate, the government or central bank purchases or sells its currency on the foreign exchange market to preserve the exchange rate. In order to stabilize the value of the currency, this intervention typically uses foreign reserves (Dada & Oyeranti, 2019; Emmanuel, Atieno & Kiganda, 2022).

Bilateral Exchange Rate

The term "bilateral exchange rate" describes the value of one currency in terms of another or the rate at which one currency can be exchanged for another (Charity, et al, 2019). The bilateral exchange rate is also defined by Keho (2021) as the current exchange rate between two currencies, indicating the relative worth of one currency in terms of another based on market conditions, without taking inflation differentials into account. According to Dada and Oyeranti (2019), a bilateral exchange rate is the value of a nation's currency relative to a basket of the currencies of its trading partners. It does this by giving each country a different weight depending on how important trade is with that nation. The effective bilateral exchange rate is used to assess a nation's overall competitiveness in international trade, whereas the bilateral exchange rate is determined by several factors including supply and demand for currencies, interest rates, inflation rates, economic indicators, and market sentiment.

Hybrid Exchange Rate

A hybrid exchange rate refers to a currency exchange regime that incorporates elements of both fixed and floating exchange rate systems. It combines the features of these two systems to create a flexible exchange rate mechanism that allows for some degree of stability while also allowing for market forces to influence the exchange rate (Egolum, et al, 2020). Emmanuel et al (2022) also defined a hybrid exchange rate as a currency valuation system that combines elements of both fixed and flexible exchange rates, whereby the value of a currency is allowed to fluctuate to some extent but is also subject to certain constraints or interventions by the government or central bank. This means that the exchange rate may be influenced by market forces such as supply and demand, but there may also be interventions to stabilize or manage the rate within a specific range.

Financial Performance

There are various ways to describe financial performance, and each one highlights a marginally different facet of the financial performance of a company (Haixia & Jianping, 2022). According to Egolum et al. (2020), financial performance is the capacity to use investment and operational choices and tactics to attain a company's financial stability. A company's ability to produce sustained profitability within a given time frame can also be used to analyze financial

performance (Osho & Efuntade, 2019). According to Kurawa and Shuaibu (2022), there are two primary categories for measuring a company's financial performance: market-based measurements and accounting-based measures. While the market-based measurements include Tobin's Q, various stock market and shareholder returns, and many other indicators, the accounting-based measures refer to indications like sales growth, return on equity, return on asset, return on capital used, and earnings per share, among others. Numerous academics have studied corporate financial performance using a variety of indicators (Kehinde and Ojonugwa, 2019; Osho and Efuntade, 2019; Egolum et al., 2020; Iwedi, 2021; Ibekwe, 2021; Osho and Ibifunmilola, 2022). The profitability accounting ratios, such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM), among others, were the most widely used indicators.

Theoretical Framework

The purchasing power parity theory serves as this study's theoretical framework. The theory asserts that, depending on each nation's currency, the value of identical commodities is comparable across nations. This implies that when purchasing power is comparable across nations, there will be an equilibrium between the currencies of those nations. The underlying presumptions of this theory are that there are no transaction costs, no trade barriers, and homogeneous commodities being sold. The validity of the Purchasing Power Parity (PPP) theory in the Nigeria context will be analyzed to determine if exchange rates truly converge towards price equalization over time, and whether persistent deviations from PPP may result from factors like trade barriers, transportation costs, and market frictions.

This study adopts the purchasing power parity theory as the theoretical framework because it provides a relevant and widely recognized framework for understanding the relationship between exchange rate fluctuations and the prices of goods and services in different countries. PPP theory asserts that in the long run, exchange rates should adjust to equalize the purchasing power of different currencies, implying that a country's currency should appreciate or depreciate in line with the differences in price levels between that country and others

By employing the PPP theory as the theoretical foundation, the study aims to contribute to the existing body of knowledge on the impact of exchange rate fluctuations on the financial performance of listed manufacturing companies in Nigeria, potentially informing relevant stakeholders and guiding policy formulation in the economic and business sectors.

Empirical Review

Hossin and Mandol (2020) investigated how Bangladeshi financial institutions' financial performance was impacted by fluctuations in exchange rates. The study discovered a slight negative correlation between changes in exchange rates and financial performance. Throughout the study period, the study found that annual inflation rates had increased; yet, there was a positive correlation between inflation and asset returns, which had a favourable effect on performance. The impact of exchange rate fluctuations on the financial performance of listed conglomerates in Nigeria was investigated by Egolum et al. (2020). The results showed that while exchange rate variations had a small but favourable impact on ROA, they had a considerable negative impact on ROCE and ROE. This study concludes that the financial

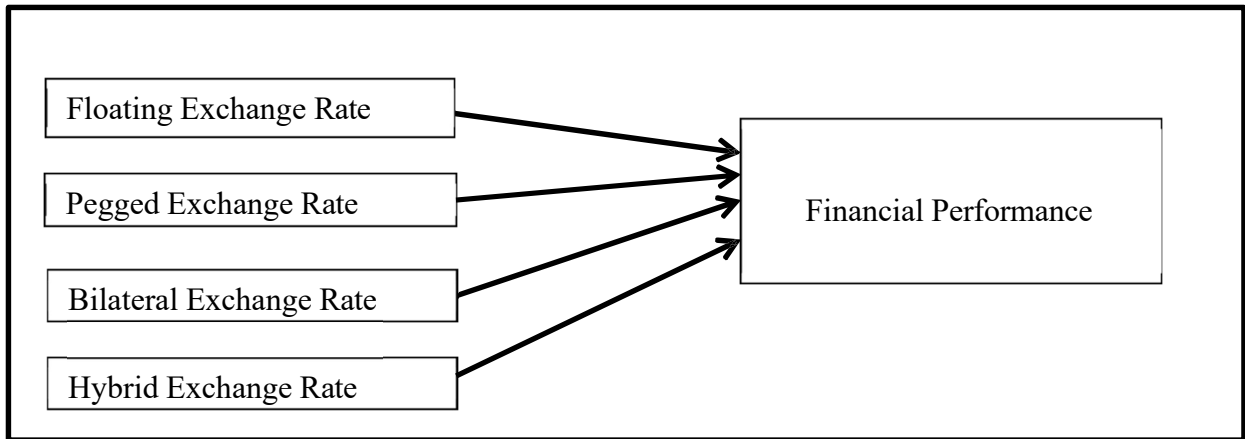
performance of listed conglomerates is significantly impacted negatively by fluctuations in foreign exchange rates.

Using the Ordinary Least Square (OLS) regression method, Obumneke, Sulaimon, and Na-Allah (2020) investigated the effect of currency rates on the performance of the Nigerian manufacturing sector between 1986 and 2014. Additionally, it was discovered—in keeping with their empirical literature—that exchange rates had a major impact on the utilization of manufacturing capacity. Iwedi (2021) investigated how the foreign exchange crisis affected Nigeria's manufacturing sector's performance for 35 years, from 1985 to 2019. While foreign direct investment has a favourable and large impact on Nigeria's manufacturing sector GDP, trade openness has a positive and significant impact on the performance of the manufacturing sector. Ibekwe (2021) examined how Nigerian deposit money banks performed in relation to exchange rates. According to the report, exchange rates have a negative impact on Nigerian deposit money banks' performance and haven't improved the country's investment rate during the study period.

Using a novel method called the non-parametric causality approach, Syed, Nida, Muhammad, and Shahbaz (2021) investigated the non-linear dynamics of the relationship between the price of gold and the exchange rate in the G7 countries. The null hypotheses are rejected by the non-parametric causality-in-quantiles finding, suggesting that in four of the six nations, exchange rate return has a considerable impact on gold prices, particularly at the low tails. Following Brexit, Jianao, Jiongcheng, and Jialu (2021) looked into the connection between bank performance or profitability and exchange rates. The outcome showed that, during the Brexit era, bank performance and exchange rates had a substantial and positive link. Keho (2021) used annual data from 1975 to 2017 to evaluate the nonlinear relationship between changes in the real exchange rate and the trade balance in Cote d'Ivoire. The effects of changes in the real exchange rate are unbalanced in both time horizons, according to the regression analysis's results. More precisely, real depreciation improves the trade balance whereas real appreciation of the currency rate deteriorates it. In addition, the impact of a significant depreciation is greater than that of a significant appreciation.

The impact of interest rates on the financial performance of Kenyan-listed manufacturing companies was determined by Emmanuel, Atieno, and Kiganda (2022). A 1% increase in inflation and economic growth raised performance by 2.764% and 0.358%, respectively, but a 1% increase in the exchange rate decreased performance by 1.532%. These results indicate that the exchange rate has a negative impact on performance, with coefficients of 0.358, 2.764, and -1.532, respectively. The relationship between South Africa's stock market and exchange rate from 1980 to 2020 was studied by Kudakwashe and Oliver (2022). The findings showed that there is a negative correlation between exchange rate movement and the stock market and that there is also a negative correlation between interest rates and CPI-measured inflation. The impact of interest rates, transaction rates, and currency rates on the return on assets of multinational corporations operating in Nigeria was studied by Osho and Ibifunmilola (2022). The results showed that, whereas the translation rate suggested an insignificant negative association, the interest rate had an insignificant positive link with the performance of the multinational corporations in Nigeria.

Conceptual Framework



Source: Author’s Conceptualization, (2023).

3.0 Methodology

The study adopts an ex-post facto research design as the data sourced for this study was secondary (audited annual reports), which would not accommodate any form of interference or manipulation from the researchers. The population of the study covers all the forty-three (43) listed manufacturing companies in Nigeria as at 31st December, 2024 and since the population is small, census sampling was adopted to use all the population as sample size.

The data for this study comes from multiple sources of secondary data. The main data comes from the Nigeria Exchange Group (NGX) website, which has all the audited annual reports of the listed companies in Nigeria. Annual reports for the five years (2018 - 2024). Furthermore, the data relating to the official rate at which a naira was exchanged for any of the three major foreign currencies in the world (the United States dollar (USD), the Great Britain Pounds (GBP), and the Euro (EUR) from 2018 – 2024 financial year, was sourced from CBN annual statistical bulletin on the official website of the Central Bank of Nigeria (CBN).

Model specification

This study takes into consideration the model from the study of Egolum et al (2020), which investigated the effect of exchange rate fluctuation on the financial performance of quoted conglomerates in Nigeria. Adapting the model of Egolum et al. (2020) is a well-justified decision, as the study has already investigated the impact of exchange rate fluctuations on the financial performance of quoted conglomerates in Nigeria, providing a solid foundation and relevant insights into the subject matter. The original model of Egolum et al (2020) was:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon_i$$

$$ROA = \beta_0 + \beta_1 \text{ExchR} + \beta_2 \text{IntR} + \beta_3 \text{InfR} + E$$

Where:

Y = Financial performance

β_0 = regression constant

$\beta_1, \beta_2,$ and β_3 = regression parameter

X1, X2, X3 = the independent variables

ROA = Return on Assets

ExchR = Exchange rate

IntR = Interest rate

InfR = Inflation rate

However, this study adapts the above model to incorporate the variables used in this study as shown below, whereby the independent variable (foreign exchange rate fluctuation) is proxy with the floating exchange rate, pegged exchange rate, bilateral exchange rate, and hybrid exchange rate, while the dependent variable (financial performance) is proxy with the return on asset (ROA) of the sampled listed manufacturing companies in Nigeria understudy.

$$ROA = \beta_0 + \beta_1FEXCH + \beta_2PEXCH + \beta_3BEXCH + \beta_4HEXCH + \beta_5SIZE + \epsilon$$

Where:

ROA = Return on Assets

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = Regression coefficients

FEXCH = Floating Exchange Rate

PEXCH = Pegged Exchange Rate

BEXCH = Bilateral Exchange Rate

HEXCH = Hybrid Exchange Rate

SIZE = Firm Size

ϵ = Error term

For this study, the independent variable (foreign exchange rate fluctuation) was a proxied with the floating exchange rate, pegged exchange rate, bilateral exchange rate, and hybrid exchange rate, while the dependent variable (financial performance) is a proxy with the return on asset (ROA) of the sampled listed manufacturing companies in Nigeria. These measurement parameters are defined in the table below; in similarity with the different authors that have adopted these parameters in their study.

Variable Measurement

Variable	Type	Measurement	Source
Financial	Dependent	ROA = Profit after Tax	Egolum et al,

Performance		(PAT)/ Total Assets X 100	2020; Stella and Augustine (2018); Osho and Efuntade (2019)
Floating Exchange Rate	Independent	Measured with the mean exchange rates of the United States dollar (USD) to the Naira for the periods under study.	Egolum et al, 2020; Stella and Augustine (2018)
Pegged Exchange Rate	Independent	Measured with the mean exchange rates of Great Britain Pounds (GBP) to the Naira for the periods under study.	Egolum et al, 2020; Stella and Augustine (2018)
Bilateral Exchange Rate	Independent	Measured with the mean exchange rates of the Euro (EUR) to the Naira for the periods under study.	Egolum et al, 2020; Stella and Augustine (2018)
Hybrid Exchange Rate	Independent	Measured with the mean or average of the sum of both the pegged and floating exchange rate in the periods under study.	Egolum et al, 2020;

Authors Compilation, 2025

RESULTS AND DISCUSSIONS

Correlation Analysis Result

Table 2

Correlation Matrix							
			FEXC H	PEXC H	BEXC H	HEXC H	ROA
SIZ E	FEXC H	Correlation	1.000	.511	-.818	-.512	-.211
		Significance (2-tailed)	.	.072	.000	.001	.077
		Df	0	560	560	560	560
	PEXC	Correlation	.511	1.000	-.112	.145	-.110

	H	Significance (2-tailed)	.072	.	.405	.321	.212
		Df	560	0	560	560	560
	BEXCH	Correlation	-.818	-.112	1.000	.238	.417
		Significance (2-tailed)	.000	.405	.	.000	.003
		Df	560	560	0	560	560
	HEXCH	Correlation	-.512	.145	.238	1.000	.225
		Significance (2-tailed)	.001	.321	.000	.	.021
		Df	560	560	560	0	560
	ROA	Correlation	-.211	-.110	.417	.225	1.000
		Significance (2-tailed)	.077	.212	.003	.021	.
		Df	560	560	560	560	0

Source: Authors Computation (2025)

The results in Table 2 show that the correlation between ROA and both the floating exchange rate (FEXCH) and the pegged exchange rate (PEXCH) is negative. This suggests that as the exchange rates fluctuate, financial performance tends to decrease, although the correlations are weak. However, upon conducting the statistical significance test (p-values), it is observed that these correlations are not statistically significant ($p > 0.05$). Consequently, the researchers do not find sufficient evidence to support hypotheses H01 and H02, indicating that neither the floating nor pegged exchange rates significantly impact the financial performance of listed manufacturing companies in Nigeria. On the other hand, the correlation coefficients reveal a positive relationship between financial performance (ROA) and both the bilateral exchange rate (BEXCH) and the hybrid exchange rate (HEXCH). This indicates that as the bilateral and hybrid exchange rates fluctuate, financial performance tends to increase, although the correlations are again weak. Importantly, these correlations are statistically significant ($p < 0.05$), suggesting that there is a significant relationship between bilateral and hybrid exchange rates and financial performance. As a result, the researchers find evidence to support hypotheses H03 and H04, indicating that the bilateral and hybrid exchange rates do have a significant effect on the financial performance of listed manufacturing companies in Nigeria. However, it is crucial to remember that correlation does not imply causation, and further investigations, such as regression analysis, are required to establish any causal relationships between the variables under examination.

Regression Analysis

Model Summary

Table 3

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.792 ^a	.722	.735	.12617
a. Predictors: (Constant), FEXCH, PEXCHH, BEXCH and HEXCH				

Source: Authors Computation (2025)

Table 3, the Model Summary, informs us about the goodness of fit of the regression model. The R-square value of 0.722 indicates that approximately 72.2% of the variation in financial performance (ROA) can be explained by the combination of the independent variables (FEXCH, PEXCH, BEXCH, and HEXCH). This indicates a relatively strong fit of the model, suggesting that the selected variables collectively contribute to explaining the changes in ROA. However, the remaining 27.8% of the variation in financial performance (ROA) is not covered in the model used in this study. This implies that the remaining variations can be attributable to other determinants of exchange rate fluctuation not used in this study.

Anova

Table 4

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.986	4	2.603	10.847	.000 ^b
	Residual	31.707	297	.318		
	Total	39.693	301			
a. Dependent Variable: ROA						
b. Predictors: (Constant), FEXCH, PEXCHH, BEXCH and HEXCH						

Source: Authors Computation (2025)

The ANOVA table (Table 4) further validates the significance of the regression model. The F-statistic of 10.847 with a corresponding p-value of 0.000 indicates that the overall relationship between the independent variables and the dependent variable (ROA) is statistically significant at the 0.05 level. In other words, the combination of exchange rates (FEXCH, PEXCH, BEXCH, and HEXCH) significantly influences the financial performance of listed manufacturing companies in Nigeria.

Regression Result

Table 5

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.294	.088		3.343	.000
	FEXCH	.112	.069	.168	1.617	.031
	PEXCH	.074	.028	.279	2.667	.001
	BEXCH	.262	.072	.392	3.638	.000
	HEXCH	.034	.010	.372	3.578	.000
a. Dependent Variable: ROA						

Source: Authors Computation (2025)

From Table 5, the Coefficients table, we can interpret the impact of each independent variable on financial performance (ROA). The constant coefficient (3.343) represents the expected value of ROA when all exchange rates are zero. In summary, the regression analysis demonstrates that all the proxies of exchange rates used in this study have statistically significant positive effects on the financial performance of listed manufacturing companies in Nigeria. However, as with any analysis, it is crucial to remember that other factors might also contribute to the observed relationships. Further explanation and interpretation of each of the formulated hypotheses as shown below in the next section of this chapter, are therefore necessary to deepen our understanding of the complexities involved in the relationship between exchange rates and financial performance in the Nigerian manufacturing sector.

Discussion of Findings

Finding out how the floating exchange rate affected the financial performance of Nigerian-listed manufacturing companies was the first hypothesis of this study. The results showed a strong and favourable correlation between financial performance and floating exchange rates and the regression result also showed that it is statistically significant. This implies that these enterprises' financial performance and the manufacturing sector's competitiveness are significantly impacted by fluctuations in the exchange rate under a floating regime because the exchange rates have an impact on import and export costs, which in turn affect profitability and overall financial performance. This result is consistent with a study by Stella and Augustine (2018) and Williams (2018) but contradicts Charity et al. (2019), which found that Bureau de Change and floating exchange rates had no appreciable positive impact on the performance of Nigerian manufacturing companies.

The second hypothesis sought to ascertain the degree to which Nigerian listed manufacturing

companies' financial performance is impacted by the pegged exchange rate. The findings indicated a statistical significance and strong correlation between financial performance and a pegged exchange rate. As the value of the local currency is fixed to a foreign currency or a basket of currencies under a pegged exchange rate regime, the stability or volatility of the pegged rate might affect the financial performance of manufacturing companies. The third hypothesis looked at the connection between the financial performance of Nigerian-listed manufacturing enterprises and the bilateral exchange rate. A substantial correlation between the bilateral exchange rate and financial performance was found and the regression result shows that it is significant as the relative worth of one currency against a certain foreign currency is reflected in bilateral exchange rates. The results show that changes in bilateral exchange rates have the potential effect on the cost of raw materials, international transactions, and the competitiveness of listed manufacturing businesses in foreign markets, all of which can have effects on their financial performance. These findings are consistent with studies by Charity et al. (2019), Jong and Szette (2018), and Osho and Efuntade (2019) but contradict Okika et al. (2018) and Egolun et al. (2020), which discovered the negative effect of exchange rate fluctuation on financial performance.

The fourth hypothesis sought to evaluate the impact of the hybrid exchange rate on the financial performance of Nigerian-listed industrial enterprises. The results showed a strong correlation between financial performance and the hybrid exchange rate. Both fixed and variable exchange rate systems are combined in a hybrid exchange rate regime. The findings imply that the complexity and unpredictability of hybrid exchange rate arrangements may have an impact on the financial performance of listed industrial enterprises. These businesses may face benefits or difficulties as a result of changes in the hybrid exchange rate, which could have an impact on their overall financial performance and profitability. This result is consistent with research by Iwedi (2021), which indicated that the hybrid exchange rate had a noteworthy and beneficial impact on Nigeria's manufacturing sector GDP, suggesting possible advantages for the financial performance of manufacturing firms. The results of research goal four, however, conflict with Emmanuel et al.'s (2022) study, which demonstrated that the hybrid exchange rate had a detrimental effect on the financial performance of Kenyan-listed industrial enterprises.

The results of this study are in line with the purchasing power parity (PPP) theory's theoretical framework, demonstrating the noteworthy correlations between exchange rate changes and the financial performance of Nigeria's listed manufacturing enterprises. According to the PPP theory, changes in exchange rates can affect the costs of products and services in various nations. It suggests that exchange rates should gradually adjust to equalize the buying power of various currencies. Within the framework of this research, changes in exchange rates may have an effect on the export and import expenses, global competitiveness, and overall profitability of manufacturing enterprises that are listed. Exchange rates are important to Nigeria's manufacturing industry, as seen by the strong correlations found between observed variations in exchange rates and financial performance.

CONCLUSION

This study evaluates the exchange rate fluctuation and financial performance of listed manufacturing companies in Nigeria. The findings from the analysis conducted revealed that

all four proxies of exchange rate fluctuations are statistically significant to the financial performance of listed manufacturing companies in Nigeria. This led to the failure to accept any of the hypotheses raised to guide this study. This study specifically concludes that exchange rate fluctuations impact on financial performance of listed manufacturing companies in Nigeria.

The significant impact of both floating and pegged exchange rates on the financial performance of listed manufacturing companies underscores the need for a dynamic exchange rate policy framework that balances stability with flexibility. Policymakers should consider adopting a managed floating exchange rate regime, which combines gradual adjustments in response to market conditions with interventions to prevent excessive volatility. Furthermore, to assist manufacturing companies in effectively managing currency risk under these regimes, policymakers should provide comprehensive support through advisory services, access to hedging instruments, and targeted training programs, encouraging businesses to diversify their revenue sources and enhance their resilience in the face of exchange rate fluctuations.

The significant relationship between bilateral and hybrid exchange rates and the financial performance of listed manufacturing companies highlights the importance of fostering strong trade partnerships and implementing balanced exchange rate policies. Policymakers should prioritize the establishment and maintenance of favorable bilateral trade relationships, negotiate fair trade agreements, and reduce trade barriers to create a stable bilateral exchange rate environment. Additionally, the CBN should carefully design and manage hybrid exchange rate systems that provide stability while allowing for necessary adjustments, ensuring transparent communication and effective implementation. By doing so, governments can support manufacturing companies in navigating currency dynamics, enhancing predictability, and fostering a conducive environment for sustainable financial performance.

Policy Implications and Suggestions for further studies

The policy implications of this study are that its recommendations will assist in the exchange rate policy design, forex allocation and accessibility, import substitution, hedging and risk management, export promotion strategies among others. However, the scope of this study is limited to the manufacturing sectors only but the effect of the exchange rate fluctuations is felt beyond the manufacturing sector. Further studies can investigate the effect of exchange rate fluctuations in sectors such as oil and gas, financial sectors among others.

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