EXCHANGE RATE, INFLATION, FOREIGN DIRECT INVESTMENT AND ECONOMIC GROWTH OF SELECTED WEST AFRICAN COUNTRIES

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Abstract

This study investigates the correlation between the exchange rate, inflation, foreign direct investment, and economic growth of Nigeria, Gambia, Ghana, and Senegal from 2000 to 2022. The analysis employs panel random effect methodology. The study utilised secondary data obtained from the World Bank website. The STATA programme was employed because to its capability to do thorough data analysis. The Levin, Lin, and Chu panel data unit root test revealed that none of the variables exhibited stationarity at the level. However, the gross domestic product (GDP) and official exchange rate displayed stationarity at the first difference. Only foreign direct investment (FDI) demonstrated nonstationarity at both stages. The cointegration test indicates that the variables exhibit cointegration. The panel random effect regression analysis reveals that foreign direct investment, exchange rate, and inflation rate have a negative impact on economic growth. The Random Effect regression model suggests that a 1-unit increase in the official exchange rate is associated with a 0.25-unit decline in gross domestic product (GDP). The study suggests that the governments of the chosen nations should contemplate adopting more consistent exchange rate policies and expanding the economic foundation. In order to ensure price stability, the Central banks in these nations may need to implement stricter monetary policies or inflation targeting as part of their policy coordination efforts. This can provide a more favourable climate for economic growth.

KEYWORDS: Economic Growth, Exchange Rates, Random Effects, Hausman test.
JEL Codes: **E00**

1.0 INTRODUCTION

Macroeconomic indicators like foreign direct investment, inflation, interest rates, and currency exchange rates are posing a threat to global economic performance, including developing economies. One important aspect of economic activity is the exchange rate, which represents the value of one currency relative to another. It establishes the exchange or conversion rate between currencies. Due to the significant role this plays in facilitating international trade, investment, and financial transactions, countries are more vulnerable to shocks brought on by changes in these metrics. In the external market, the foreign currency serves as the medium of exchange. The external price of the home currency is what Prakash and Sharma (2009) define as the exchange rate. As a result, domestic currency is used to calculate the foreign currency's purchasing power on the domestic market. One way to assess high or poor economic growth is to compute the gross domestic product (GDP) of the relevant nation. Rodrik (2008) provides evidence that a country's currency exchange rates have an impact on its GDP. According to Udoka and Roland (2012), one factor influencing economic growth is the interest rate. The statements made clear that interest rates and exchange rates have an impact on the expansion of the economy. Exchange rates are a crucial

component of international financial systems because they have a big impact on investment choices, international trade, inflation, and general economic stability. Through the behaviour of the currency exchange rate, the amount of foreign direct investment and inflation can have an impact on a nation's economic growth. In addition to entrepreneurs, investors and governments keep a careful eye on and assess changes in exchange rates in order to make well-informed decisions about their economic endeavours and strategies. Many nations that have purposefully or unintentionally fixed their exchange rates to match the currency of another nation and whose inflation rates exceed those of the foreign nation sometimes suffer from ongoing current account deficits and consequently devalue their currencies. This situation is common throughout nations, and West African nations are not an exception. This study paper's major goal is to determine whether the following explanatory variables—exchange rate, inflation rate, and foreign direct investment—have any bearing on the economic growth rate, or GDP.

In light of this, the study aims to explore the connection between changes in exchange rates and economic expansion in Senegal, Ghana, Nigeria, and the Gambia. Through an examination of exchange rate dynamics and their impact on major macroeconomic metrics like GDP growth, FDI, and inflation, the research seeks to pinpoint the mechanisms by which fluctuations in exchange rates affect these nations' economic performance. A summary of pertinent literature, methods, findings, and a conclusion make up the remainder of the paper's format, which also includes an introduction.

2.0 LITERATURE REVIEW

The influence of exchange rates on economic growth has been the subject of much analysis in recent times; however, the experience of emerging nations like the Gambia in this regard has received less attention. This section of the work will examine current studies in order to pinpoint any potential gaps. Alasha (2020) investigates the relationship between exchange rate swings and how they affect Nigeria's economic expansion. Using secondary annual data obtained from the National Bureau of Statistics and the Central Bank of Nigeria's statistical bulletin, Alasha analyses the data using the ordinary least squares method (OLS) and the classical least regression model. The study's conclusions highlight how crucial exchange rate swings have been in determining Nigeria's economic expansion. Additionally, the research indicates that a number of economic factors, such as trade (TB), inflation rates (INF), interest rates (INT), and exchange rates (EXR), may have a direct impact on Nigeria's economic expansion. Ofori et al. (2020) looked into how interest rates, inflation rates, and foreign direct investment affected GDP growth. Ten (10) Sub-Saharan African nations were the subject of their investigation, which ran from 1998 to 2018. They used the random-effect Generalised Least Square (GLS) regression technique in their paper to look into the relationship between the independent and dependent variables. According to their findings, the factors they used—interest rate and inflation—had a positive but non-significant impact on GDP, but foreign direct investment (FDI) had a significant positive effect on GDP. Another study by Matarr Njie and Momodou Badjie (2021) will look at how interest rates affected Gambia's economic growth from 1993 to 2017. To examine the links between the independent variables (Real Effective Exchange Rate and Real Interest Rate) and the dependent variable (Gross Domestic Product), in both the short- and long-term, utilise the Vector Error Correction Model (VECM). Post-estimation tests were performed to assess autocorrelation, including the Lagrange Multiplier test for residual autocorrelation and the Jarque Bera test for stability and normality of residual distribution. The empirical data shows that while there is a long-term relationship from real interest rates and real exchange rates to GDP, there is no short-term correlation between the expansion of the Gambian economy and interest rates.

The goal of Hasan's (2021) study was to determine the real effective exchange rate on foreign direct investment in Bangladesh by utilising time-series data from 1975 to 2020 and investigating the effects of two macroeconomic variables, such as inflation. According to the study's conclusions, there is an inverse relationship between FDI and economic growth, with FDI having a negative

effect on it. Research indicates that while the short-term impact of the inflation rate on foreign direct investment (FDI) is minimal, it has a noteworthy adverse effect over an extended period of time. In 2020, Wiredu et al. For a panel of four (4) West African countries, this study examines the empirical link of trade openness (OPEN) and foreign direct investment (FDI) on economic growth from 1998 to 2017. We used the static panel regression methodology to evaluate the relationship between our regressors—FDI, trade openness, investment, and inflation—and GDP (gross domestic product) growth. The statistical analysis's evidence is consistent with the literature, particularly for emerging nations, and indicates that total trade openness, investment, and inflation do positively and significantly affect economic growth. Even if FDI has a negative influence on economic growth, the addition of FDI did not change the conclusions based on static random effects. Using the non-linear autoregressive distributed lag (NARDL) paradigm, Mesagan et al.'s (2022) study examines the effects of exchange rate asymmetries on trade and output growth in eight of the largest African countries between 1970 and 2019. The empirical finding supports a long-term correlation between trade, output growth, and exchange rates. Additionally, although Angola experiences a decrease in both short-term trade and output, South Africa benefits from currency appreciation and depreciation. In the case of Egypt and Morocco, depreciation reduces both in the long run, while appreciation boosts trade and growth in the short term. With the exception of the negligible detrimental impact of currency depreciation on commerce, this is comparable in Kenya and Nigeria. Both appreciation and depreciation generally have negative long-term implications on the trade balance of most African countries, but depreciation mostly has beneficial short-term benefits.

Hussaini et al. (2018) examined how the volatility of exchange rates affected the economic development of English-speaking West African nations. The World Bank Data Stream provided the macroeconomic data for this study, which were then examined using Stata. The data was collected between 1980 and 2017. With the exception of time-invariant variables, the panel data regression analysis revealed that, in West African English-speaking countries, the independent variable (real exchange rate) was shown to be statistically significant and adversely associated to the dependent variable (GDP). The current study makes an empirical contribution to our understanding of the connections between West African English-speaking countries' economic growth and exchange rate volatility. Remi and Matarr (2020) conducted a similar analysis to evaluate the impact of exchange rate fluctuation on foreign direct investment inflows into the Gambia between 1980 and 2014. We estimated the real exchange rate volatility of the Dalasi to the US dollar using the GARCH (1, 1) technique. Analysing the impact of exchange rate volatility on FDI also involved using the Vector Autoregressive VAR model. The study's findings imply, among other things, that fluctuations in currency rates hinder the flow of foreign direct investment into the Gambia. Furthermore, the Granger causality test data are bidirectional, indicating that foreign direct investment is a cause of exchange rate volatility and vice versa.

3.0 METHODOLOGY

This chapter describes the study's research methodology. The study approach includes the data description and analysis, estimating method, model formulation, and several model testing. The secondary data that form the basis of this investigation. The World Bank statistics Publication provided the secondary statistics on GDP growth rate, exchange rate, foreign direct investment, and inflation. We gathered the necessary data from 2000 to 2022. In this research, we examined the effect of exchange rates on the economic growth of chosen countries using panel data from four distinct countries: Senegal, Ghana, Nigeria, and the Gambia. The panel data spans twenty-three years, from 2000 to 2022. The GDP, or gross domestic product, is the dependent variable.

3.1 Econometrics Estimation Techniques

The study implemented the following different econometrics techniques for its estimation.

3.1.1 Unit Root Analysis

In order to find integration on each variable, the model of the variables of the chosen nations is checked using panel unit root tests. With the ADF equation, Levin, Lin, and Chu's (2002) trial gets underway. $\alpha 0 = n - 1$, which deals with the standard procedure of the panel unit root existence and permits different lag integration orders in the panel's cross-section. According to Saif Muhammad, Saeed, and Waqar (2021) the alternative hypothesis (H1) implies a stationarity series, while the null hypothesis (H0) indicates non-stationarity.

3.2 Panel Econometrics Estimation Techniques

3.2.1 Fixed Effect Model

When the explanatory variables and the unobserved factors are connected, the fixed effect model is applied. The dependency between the explanatory variables and the unseen component allows for the elimination of this unobserved factor.

3.2.2 Random Effect Model

The random effect model is used when the unobserved factors are not related to the explanatory variables**.**

3.3 Model Specification

In other to determine the impact of exchange rate on economic growth of selected countries the study specifies the underlying functional and the econometric model

Functionally, GDP = f (OER, IN, FDI) …….. 1

The econometric model to be estimated is thus:

$$\boldsymbol{GDPit = \beta 0 + \beta 1 OERit + \beta 2 INit + \beta 3 FDIit + \alpha i + \mu it} \quad \ldots\ldots 2$$

Were,

GDP= Gross Domestic Product of country(i) at time(t).

OER=Official exchange rate of country(i) at time(t).

IN=Inflation Rate of country(i) at time(t).

FDI= Foreign direct investment of country(i) at time(t).

3.4 Variable description

The dependent, or endogenous, variable and the independent, or exogenous, variable will be the two types of variables used. The dependent variable in this equation is the gross domestic product, or GDP.

The independent variables are foreign direct investment (FDI), inflation (IN), and the official exchange rate (OER). $\beta 0$ represents the intercept, $\beta 1$, $\beta 2$, and $\beta 3$ denote the slop parameters, and μi signifies the error term. The error term has a normal distribution with a zero mean and a constant variance.

Variable Name	Description
GDP	The entire value added by all resident producers in the economy, including any product taxes and minus any subsidies that are not included in product values, is represented by the gross domestic product, or GDP. It does not take into account deductions for natural resource depletion or asset depreciation.
EXCHANGE RATE	The exchange rate is a yearly average based on monthly averages that indicates the value of the local currency in relation to the U.S. dollar and is set by national authorities or in the legally authorised exchange market.
INFLATION (IN)	It calculates the percentage change in costs for a specific basket of goods and services over a given year for the average customer. This basket may stay the same or alter on a regular basis (e.g., yearly). It is a reflection of the general rise in consumer prices.
FOREIGN DIRECT INVESTMENT	The net inflows of capital intended to obtain a long-term management stake (10 percent or more of voting shares) in a business that operates in a different economy than the investor's are known as foreign direct investments. It is the total of the balance of payments' equity capital, earnings reinvested, other long-term capital, and short-term capital. This data, which is divided by GDP, displays net inflows (new investment inflows less disinvestment) from foreign investors into the reporting economy.

4. RESULTS

4.1 Trend Analysis of Countries' Exchange Rates

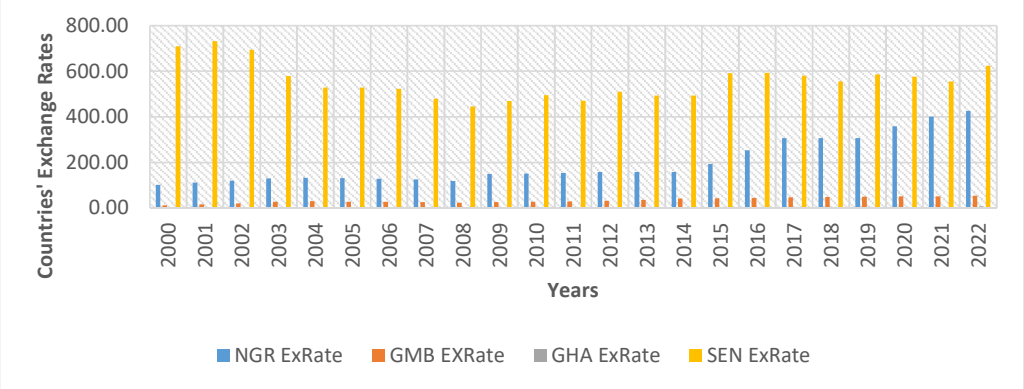


Fig.4.1 Comparison of countries' exchange rate.
Source: Author's Computation, 2024 using Excel 2013.

Figure 4. 1 showed patterns in exchange rates for the study's chosen countries. The graph showed that, for the corresponding study years, Senegal had the highest level of exchange rate. Its exchange rate reached its highest point in 2001, when it was worth 732.4 USD, and its lowest point was 446.0 USD in 2008. Between 2000 and 2022, Senegal's official exchange rate decreased by 12.17%. From 2008 to 2022, there was a noticeable fluctuation in Senegal's exchange rates. Nigeria is the country with the second highest exchange rate, after Senegal. When compared to Senegal, Nigeria's exchange rate was comparatively low, particularly during the study's initial years (2000– 2015). From 101.7 USD in 2000 to 425.89 USD naira to a dollar at the peak of the official rate of exchange, the Nigerian naira has grown impulsively, representing a 424.89% increase in the official rate of exchange from Nigeria to the US dollar. Senegal's rate continues to be the highest, according to the data, despite Nigeria's official rate of exchange increase being erratic. In comparison to Senegal and

Nigeria, the US dollar exchange rate for the Gambia was comparatively low. The data spanning from 2000 to 2022 provided proof for this. The official rate of the Gambia dalasi to the US dollar was 12.79 in 2000 and reached a high of 54.9 in 2022, representing a 329.9% growth in the official rate of the Gambia to the US dollar. The Ghanaian currency rate's favourable low volatility from 2000 to 2022 during the study period was noteworthy. Inferentially, Ghana's economy shown remarkable resilience with respect to the macroeconomic exchange rate index, which measures the strength of the national currency relative to those of Senegal, Nigeria, and the Gambia. These results demonstrated how the exchange rate affects economic growth and are consistent with other research showing that exchange rate undervaluation has a significant impact on economic growth (Seraj & Coskuner, 2021; Deng et al., 2023).

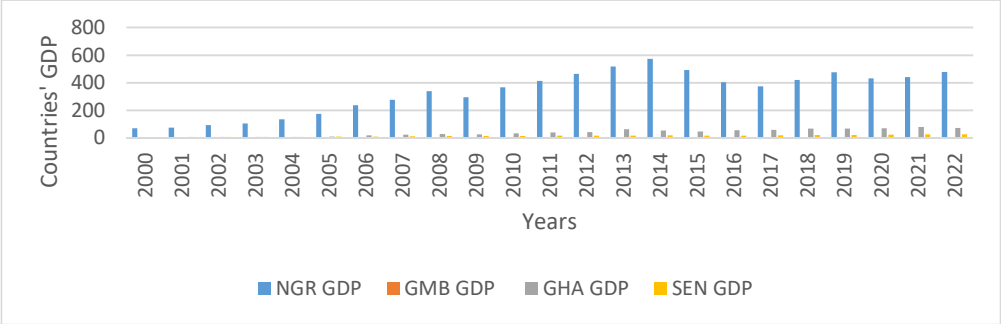


Fig 4.2 Comparison of GDP of the selected countries.
Source: Author's Computation, 2024 using Excel 2013.

Figure 4.2 shows the GDP of the chosen nations at constant prices. The trend analysis showed that Nigeria's gross domestic product was valued at 69.44 billion USD at the start of the study period (2000), reached a peak of 574.18 billion USD in 2014, and then fell to roughly 477.39 billion USD in 2022. This suggested that there was a 16.86% decline in growth in Nigeria's gross domestic output at constant prices between 2014 and 2022. Despite the significant gap between the two nations, Ghana was found to do worse in terms of GDP than Nigeria. Over the reviewed periods, Ghana's GDP increased by 4.98 billion USD in 2000, 62.82 billion USD in 2014, and 72.84 billion USD in 2022. This illustrated that Ghana's gross domestic output grew at a pace of 1362.65% between 2014 and 2022. The GDPs of Senegal and The Gambia were 2.27 and 27.68 billion USD in 2022 and 0.78 billion USD and 6.01 billion USD in 2000, respectively, indicating poor performance. Even though Nigeria's GDP fell precipitously recently, it nevertheless showed resiliency when compared to the economies of Senegal, Ghana, and the Gambia.

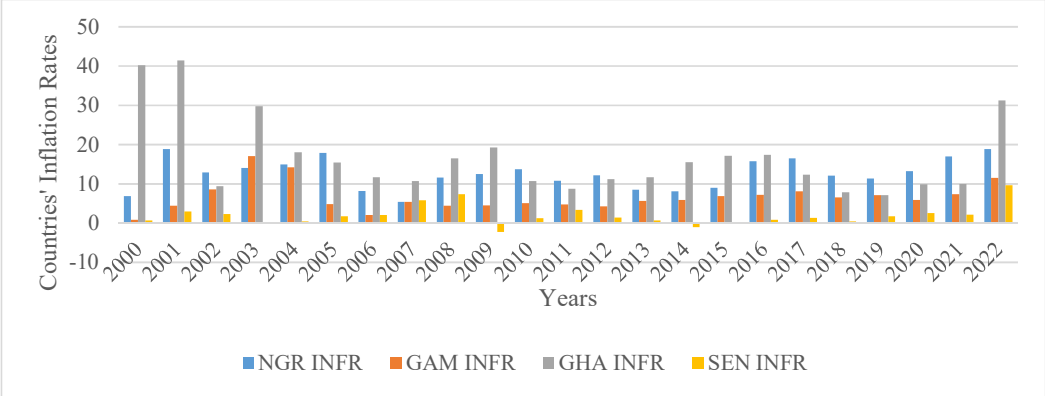


Figure 4.3 Comparison of countries' inflation rate
Source: Author's Computation, 2024 using Excel 2013.

Figure 4. 3 presents the inflation rate for the chosen nations. The graph showed that among the chosen countries, the inflation rate showed a high degree of volatility. Ghana's inflation rate, however, was discovered to be more erratic and peaked in 2001 at 41.51%, which was roughly higher than the rates of 18.87%, 4.49%, and 2.97% recorded by Nigeria, the Gambia, and Ghana over the same period. 2011 saw a sharp decline in Ghana's inflation rate to 8.72%, while Senegal and the Gambia maintained relatively low rates of 3.40% and 4.79%, respectively. Nigeria had an inflation rate of 10.82% during the same period, which was greater than that of Ghana, the Gambia, and Senegal. The pattern showed that between 2021 and 2022, inflation in the four countries—Nigeria, Ghana, Senegal, and the Gambia—went up from 16.95% to 18.84%, 7.37% to 11.51%, 9.97% to 31.25%, and 2.18% to 9.69%, respectively. This showed that the countries' inflation outlooks indicated a sudden increase in prices, but Ghana's economy showed a greater degree of price variance, with a positive difference of 21.28%, or a 213.44% increase in inflation from 2021 to 2022. Senegal's inflation rate differential was 7.51%, or 344.49% more than the national average. The positive change in Gambia's inflation from 2021 to 2022 was 4.14%, signifying a 56.17% increase in inflation during that time. The inflationary rate in Nigeria increased by 11.15% from 2021 and 2022, with a difference in inflation of 1.89% between the two years. According to this analysis, Nigeria had the lowest price difference between 2021 and 2022, while Ghana had the largest due to changes in inflation. But when the percentage of price change from 2021 to 2022 was calculated, Senegal came in top (344.49%), followed by Ghana (213.44%), the Gambia (56.17%), and Nigeria (11.15%). This emphasised even more the macroeconomic performance prospects for the chosen West African nations.

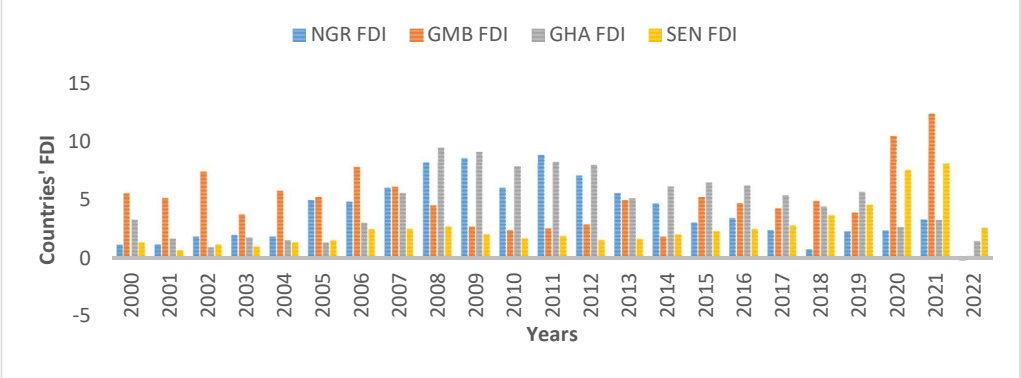


Figure 4.4. Countries' Foreign Direct Investment (FDI)
Source: Author's Computation, 2024 using Excel 2013.

Figure 4.4 presents the yearly foreign direct investment (FDI) in the chosen nations between 2000 and 2022. Records show that the Gambia received 5.55 billion USD in 2000 and 6.10 billion USD in 2007, respectively, as one of the top recipients of foreign direct investment from 2000 to 2007. Foreign direct investment in the Gambia decreased to 2.72 billion USD in 2009 and dropped to 2.91 billion USD in 2012 before increasing again in 2013 to reach 4.96 billion USD. The Gambia's foreign direct investment (FDI) showed erratic behaviour from 2014 to 2019. It peaked in 2021 with a positive forecast of 12.35 billion USD and fell as low as 0.2 billion USD in 2022. Ghana's foreign direct investment (FDI) increased from 3.04 billion USD in 2006 to 9.46 billion USD in 2008, when it peaked. Ghana's foreign direct investment (FDI) has been falling since 2009, with a low FDI of 1.47 billion USD in 2022. Between 2008 and 2015, Nigeria's economy performed strongly because foreign direct investment (FDI) exceeded that of Senegal, the Gambia, and Ghana combined. Findings revealed that, in comparison to Ghana and Senegal, Nigeria's foreign direct investment performance from 2017 to 2022 was dismal, with a negative value of -018 billion USD in 2022. The results of this study support previous research' findings regarding the importance of foreign direct investment in fostering economic growth (Wang, et al., 2022; Ayenew, 2022).

Table 4.1 Descriptive statistics

Variable	Observations	Mean	Std. Dev.	Min.	Max.
GDP	92	97.579	158.237	.487	574.184
OER	92	198.287	230.033	.54	732.4
FDI	92	4.063	2.619	-.187	12.354
INF	92	9.482	7.955	-2.248	41.51

Source: Author's Computation, 2024 using STATA 16

Table 4.1 provided an overview of the descriptive statistics employed in this investigation, including the variables, total observations, mean, standard deviations (Std. Dev.), minimum and maximum values for each variable. GDP has an average value of 97.579 with a standard deviation of 158.2, according to the results. The official exchange rate (OER) has a mean value of 198.29 and a standard deviation of 230.03, with minimum and highest values of 0.540 and 732.4, respectively, according to the results. The lowest average value for foreign direct investment (FDI) is 4.06, while the lowest standard deviation is roughly 2.62. -0.187 and 12.35, respectively, were its lowest and greatest values, illustrating its range. With a low and maximum of -2.25 and 41.51, respectively, the mean value of inflation was roughly 9.48, with a standard deviation of 7.96. The extensive fluctuations in the descriptive statistics demonstrated a non-stationary pattern, indicating a long-term equilibrium between the series.

Table 4.2. Unit Root Test (Using Levin, Lin, and Chu (LLC)

Variables	P-VALUE	
	Level	1st Difference
GDP	0.2106	0.0001
OER	0.2147	0.0015
INF	0.0627	0.0005
FDI	0.1771	0.8099

Source: Author's Computation, 2024 using STATA 16.

4.3 Unit Root Test

Utilising the Levin-Lin-Chu unit root test, Table 4.2 displays the results of the stationarity test. It was clear from the data that none of the variables were stationary at the level. In contrast, foreign direct investment (FDI) became non-stationary after the first difference, but the inflation rate (INFR), GDP, and official exchange rate (OER) remained stable. The study proceeded to conduct a co-integration test in order to ascertain the long-term equilibrium linkages among the variables based on the non-stationarity of the variables at the level, with the exception of taking the first difference of the variables to obtain stationarity.

Table 4.3. Kao Panel Co-integration test`

	Statistic	P-Value
Modified Dickey-Fuller t	-7.2476	0.0000
Dickey-Fuller t	-5.1974	0.0000
Augmented Dickey-Fuller t	-4.4425	0.0000
Unadjusted modified Dickey-Fuller t	-8.0561	0.0000
Unadjusted Dickey-Fuller t	-5.2942	0.0000

Source: Author's Computation, 2024 using STATA 16.

4.4 Co-Integration Test

The p-value (0.00) of the Kao panel statistics indicates that there are long-run equilibrium relationships among the variables, which is supported by the results of the Kao panel co-integration test, which was used to test for co-integration. This gives the research enough proof to reject the null hypothesis, which holds that there is no co-integration relationship between the variables. All panels in the data are co-integrated, according to the five test statistics listed in table 4.3. Under the supposition that the unit-specific (country) effects for all units (countries) are distributed around a common mean value in accordance with some unknown probability distribution, the unobservable unit-specific effects are captured using the random effect generalised least regression, as shown in table 4.4.

4.5 Regression Analysis

Table 4.4. Random-effects GLS regression

DGDP	**Coef.**	**St. Err.**	**z**	**P>|z|**	**[95% Conf. Interval**
DOER	-.2546031	.1037284	-2.45	0.014	-.457907 -.0512992
DFDI	-.371948	1.176774	-0.32	0.752	-2.678383 1.934487
DINF	-.4753875	.4269641	-1.11	0.266	-1.312222 .3614468
Constant	6.593255	2.556388	2.58	0.010	1.582827 11.60368
sigma_u sigma_e rho	0 22.019843 0 (fraction of variance due to u_i)				
	R-squared				
Within	Between		Overall		
0.1610(16%)	0.8809(88%)		0.0864(8%)		
	Wald chi^2 7.95 P-value (0.047)				

Source: Author's Computation, 2024 using STATA 16.

The outcome of the Random Effect Regression indicates that the official exchange rate, inflation rate, and foreign direct investment (FDI) all have a negative impact on economic growth. According to the Random Effect regression, the gross domestic product (GDP) decreases by 0.25 units for every unit increase in the official exchange rate. According to the total R-square, variations in the independent variables accounted for 88.09% of the variation in economic growth. This suggests that the model failed to account for around 11.91% of the variation in economic growth, suggesting that additional variables beyond the scope of this study's model also contribute to the volatility.

4.6 Hausman Test

The Hausman test was used to determine which model to use between the Random Effect and the Fixed Effect model. The result of the test shows a P-value less than 0.05. Based on the Hausman test result, the Fixed Effect was employed.

Table 4.5 Fixed and Random effects

Coefficients	**(b) Fixed effect**	**(B) Random effect**	**(b-B) Difference**	**sqrt (diag (V_b-V_B)) S.E.**
DOER	-0.3666879	-0.2546031	0.1120848	0.0269133
DFDI	-0.5664626	-0.371948	0.1945145	0.4377124
DINF	-0.4622962	-0.4753875	-0.0130913	0.1586164

Source: Author's Computation, 2024 using STATA 16.

5.0 CONCLUSION

Using panel fixed effect analysis, this study examines the long-term equilibrium linkages between important macroeconomic variables, including the currency rate, inflation, foreign direct investment (FDI), and economic development in the Gambia, Ghana, Senegal, and Nigeria from 2000 to 2022. None of the variables were steady at the level, according to panel unit root tests performed prior to estimate. While FDI remained nonstationary at both levels, GDP and official exchange rates were stationary at the first divergence. The findings of the Panel Fixed Effect regression show that inflation, currency rates, and foreign direct investment have a negative impact on economic growth. According to Random Effect regression, GDP declines by 0.25 units for every unit increase in the official exchange rate, 0.37 units for every unit increase in FDI, and 0.47 units for every unit increase in the inflation rate. Nigeria's economy is the most resilient in terms of GDP growth among the West African nations under study, according to trend research, but inflation rates don't do a good job of drawing in foreign direct investment. Senegal and Ghana show less resilience to inflation, and FDI is generally modest in all three nations. As a result, the study finds that the main variable of interest, exchange rates, significantly hinders economic growth in the chosen nations.

5.1 RECOMMENDATION

The study recommends that the governments of the selected countries should consider the following recommendations:

- Implement more stable exchange rate policies.
- Diversify the economic base to reduce reliance on specific sectors.
- Continuously monitor economic indicators to anticipate and address potential challenges.
- Enhance policy coordination among government agencies and stakeholders.
- Improve overall competitiveness through investments in infrastructure, technology, and human capital.
- Mitigate negative effects of exchange rate depreciation by making exports more competitive and attracting more FDI.
- Consider tighter monetary policies or inflation targeting to ensure price stability.
- Foster a conducive environment for economic growth through proactive central bank measures.

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