

# The Determinants of Balance of Payments in Nigeria

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## Abstract

The Balance of Payments in Nigeria was studied using annual data from 1981 to 2019 in this article. The paper's major goal was to examine the long-term factors that influence Nigeria's Balance of Payments. The Autoregressive Distributed Lag Model (ARDL) was used in the investigation. Long-term results from the ARDL regression showed that the exchange rate coefficient was negative, whereas short-term results showed a positive value. Also, the coefficients of FDI, GDP growth, interest rates, and crude oil prices were positive and significant. There is a strong case can be made for governmental intervention to improve economic productivity, as evidenced by this study. To help the economy thrive, capital investments and expenditures should be made. The government should make incentives to prospective foreign investors in order to attract FDI inflows into the country. Government should also enhance safety and security and build a sense of belonging in the Niger Delta in order to promote peace and ease of doing business in the petroleum industry there.

**Keywords:** Balance of payments, Direct Foreign Investment, output growth, ARDL and exchange rate.

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## INTRODUCTION

In economics, there are four macroeconomic objectives. A healthy balance of payments is essential for Nigeria's macroeconomic policymakers because it directly influences the economy. To determine a country's BOP, a number of factors can be taken into consideration. However, a key factor is how much a country's individuals, businesses and government have transacted with other countries during a certain period of time (generally a year). The Balance of Payments (BoP) is used to describe international trade in goods and services and changes in national asset ownership (Bakaert and Holdrick, 2012). The Current Account is an important account in the BOP. The International Monetary Fund (IMF) has advised most governments to rename the Capital Account to the Financial Account.

Analysis of various economic strategies can be done using the current account, principally in terms of product commerce, but also indirectly through investments, income, debt service payments and private transfers. A country's BOP is important and critical in a variety of ways since governments have long since abandoned the autarky model. The BOP tracks international trade interactions between countries. With

the BOP, it is possible to determine a country's economic imbalances.

According to the balance of payments, a country's creditworthiness can also be determined. Money moves in and out of an economy, reflecting the riches and liabilities of that sector. Investors from other countries can use it to have a better understanding of the American market. Economic well-being and global interdependence can be assessed using the BOP.

It's critical to remember that global economic volatility affects the domestic economy. Controls on international trade and capital may have an impact on the BOP as well. The Global Financial Crisis (GFC) of 2007-2009 is an example of the relevance of a country's BOP in a country's ability to recover from a financial crisis. It's a fact that A weak BOP can lead to a financial crisis, which in turn can lead to a bank crisis.

Nigeria's Balance of Payments stance shows that this critical economic performance metric has not been beneficial for the country over the past many decades. Throughout the decade of the 1990s, little progress was made. As an example, the country's balance of payments was under pressure in the first half

of 1994. Over the same period in 1993, surpluses totaled \$13,615.9 million, while deficits reached \$42,623.3 million in that year. This discrepancy is made very evident by the enormous current account deficits, which much outstrip the capital account surplus. Nigeria had a negative balance of payments from 1996 to 1999. To others, capital account surpluses were responsible for helping the economy rebound after a long period of contraction (CBN, 2015).

Foreign investors had lost faith in Nigeria's economic prospects in 2000, when Nigeria launched an export-oriented agenda (Gbosi, 2012). The BOP improved dramatically over the next two years. BOP deficits emerged in 2008 as a result of the global financial crisis and plummeting oil prices on foreign markets. Except for 2015, the BOP has been in deficit every year since 2009. World Bank data predicts that both 2019 and 2020 will have negative values of -14,627,014,405 and -16,975,923,424 (World Bank, 2020).

Therefore, this study sought to identify the most important factors influencing the BOP in Nigeria and recommend policy choices for obtaining an optimum BOP. These five pillars form the basis of this investigation. Section 2 provides a theoretical framework and a discussion of important empirical data. It will be covered in detail in the third section of the paper. Section 4 contains the findings and discussion, while Section 5 contains the conclusion and recommendations.

## 2. LITERATURE REVIEW

An in-depth assessment of the empirical literature will be presented in this session. Some of the other theories will also be examined in further detail. We'll start with studies done outside of Africa and work our way inward from there. Not to be overlooked are Nigerian efforts. A succinct yet thorough review of important theories will be undertaken for the research's theoretical framework.

FMOLS is one among the tools utilized by Sugema (2005) in his empirical analysis of Indonesia's BOP drivers. According to the research, an increase in exports would enhance trade balances and reduce imports. Increasing the elasticity of imports to the real exchange rate is necessary to improve the trade balance. There has been a recent financial crisis and political upheaval in Indonesia, which has hampered its export performance, according to the report.

The WAMZ countries' monetary policy and current account balances have been linked for 30 years, according to Adamu and Itsede (2010). The external accounts were investigated to see if there had been an influence on excess cash. Both intra- and inter-country effect estimations were performed using panel data estimation. The WAMZ countries' BOP approach has

been found to rely largely on money. The analysis indicated a substantial negative connection and link between domestic credit and net foreign assets. WAMZ countries' balance of payments were affected by the interest rate and GDP growth. According to a study, correcting financial programming as well as monetary policy targeting and fiscal discipline are essential in order to fix the imbalance in the balance of payments.

Pakistan's Balance of Payments was studied by Umer *et al.* (2010) using a monetary approach from 1980 to 2008. There is a substantial correlation between Pakistan's Gross Domestic Product (GDP) and interest rates, according to the experts, and this correlation is not merely financial. Output expansion correlated negatively with BOP, but positively with the BOP as measured by the BOP, according to the study. According to the findings, the BOP imbalance is primarily the result of the monetary strategy. In addition to monetary policy, there are a number of other policy options that can be used to remedy BOP imbalances.

There are two types of exports and imports in the Mexican economy: manufactured goods and other goods, as well as intermediate and final items. The BPCG model was revised by Bleckera and Ibarra (2012) to include these two types of exports and imports (2012). BOP equilibrium growth rate closely mirrors Mexico's GDP over time, according to the research. The model compensated for the fact that the BOP-equilibrium and real growth rates differ greatly from time to time (the pre- and post-liberalisation era). Growth rates prior to liberalism were not sustainable because of BOP limitations. It's possible that the actual GDP growth decline was attributable to other factors, since the BOP restriction was no longer in place after liberalization. Based on this, it was concluded that Mexico's GDP growth approached BOP equilibrium from 1960 to 1986, as well as even more so when these periods were taken out of consideration, including those from 1960 to 1977. This happened in 1975-1976, 1982-83, and 1985-86 in Mexico prior to its liberation from the United States. The findings confirmed this hypothesis exactly as predicted. Economic growth in Mexico decreased after liberalization, according to the findings, owing to concerns over the country's balance of payments.

Co-integration and error-correction approaches were used in Osoro's (2013) long-term examination of Kenya's BOP dynamics from 1963 to 2012. Except for a few brief periods, Kenya's current account has remained in deficit since its economic expansion began in the early 1960s. Additionally, Kenya's trade balance and currency volatility have an impact on its BOP. The study also showed that FDI and currency rates have a significant impact on the country's balance of payments. New products and services were developed as a result of FDI, which in turn contributed to a rise in exports. This study confirms the favorable impact of FDI on a

country's balance of payments as previously stated by Lehman (2002) and Brada and Tomsk (2003). (BOP).

Ghana's BOP imbalance is linked to excess money supply, according to Boateng and Ayentimi (2013). According to their findings, the imbalance in payments was caused by other factors, such as output growth. According to these data, GDP growth had a positive impact on net foreign assets, which supports the idea that GDP was a key predictor of the external balance.

With aggregate data from 1970 to 2010, Braima and Korsu (2013) investigated whether Sierra Leone's Balance of Payments is solely monetary. The key influences on the Balance of Payments were determined to be changes in domestic credit, exchange rates, and interest rates. Sierra Leone's balance of payments was negatively affected by domestic credit, interest rates, and prices, while the exchange rate was positively affected. However, there was a delay in the effect of the price increase. Domestic lending restrictions and currency depreciation were all necessary to enhance the country's current account balance. Sierra Leone's low and stable inflation made the medium-term BOP framework work well.

Before SAP introduced the BOP in 1986, Nigeria's BOP began to show indicators of instability during this period, Olisadebe (1993). Controls were tightened in the early 1980s as a result of the worldwide reduction in oil prices and the resulting decrease in foreign exchange receipts. However, a policy framework that relied too heavily on direct restrictions made it evident that the economy could not be managed. Cost-cutting measures, in his opinion, should be used in order to reduce domestic consumption and investment while simultaneously sustaining output. There is an effort to shift domestic demand away from imported items by the government's expenditure-switching program. Consequently, he could only swap to a certain degree depending on the elasticity of trade commodities supply and demand. However, cutting expenses has the unintended consequence of limiting output, investment, and job creation. If resources could quickly be shifted to the commodities trading industry, the loss would be minimized.

The Ordinary Least Square (OLS) estimation approach was used by Oladipupo, et al. (2011) to investigate the impact of the exchange rate on Nigeria's balance of payments. Several factors were revealed to be the key causes of balance of payments deficit in a study: currency fluctuations, poor management and misuse of domestic credit, fiscal recklessness, and a lack of appropriate controls over expenditures. Macroeconomic stability can be achieved by combining exchange rate interventions with monetary and fiscal policy in order to remove BOP imbalance.

Oloye (2012) used the granger causality approach to study Nigeria's fiscal deficit and current account balance from 1970 to 2010. According to the granger causality theory, there appears to be a one-way relationship between budget deficits and current account deficits. In order to promote non-oil exports and decrease imports and the overvaluation of the official naira exchange rates, export promotion and import substitution policies were proposed.

A partial adjustment approach was utilized in an examination of Nigeria's Balance of Payments by Ajayi (2014). Using the co-integration and error correction method, data from 1970 to 2010 was analyzed. A country's reduced openness to trade is associated with a rise in the budget deficit, a rise in the currency rate, and a decline in the policy rate. According to the study, stability in the balance of payments is required, and the economy's global engagement must be bolstered.

Between 1970 and 2010, Imoisi (2014) analyzed Nigeria's balance of payments using a multiple regression approach. Poor non-oil exports, stagnant agriculture, high costs for imported goods and services, inflationary pressure, an inefficient industrial sector and mishandling of the oil boom all contributed to a worsening of the country's Balance of Payments. It is advised that Nigeria's government enhance non-oil exports and broaden the country's productive base in order to close current account deficits and recover its BOP.

Currency devaluation has a negative influence on Nigeria's Balance of Payments when examined from the Marshall-Lerner perspective by Nwanosike, Ugochina, Ebenyi, and Ishiwu (2017). Foreign investment inflows, exchange rates, and other variables were taken into account in this study. The average decline in a country's balance of payments is 2.28138 percent when its currency is devalued. The Marshall-Lerner condition was not met in the short term, according to an analysis of Nigerian data.

The Autoregressive Distributed Lag Model was used by Efanga, Etim, and Jeremiah to analyze Nigeria's economic growth (2020). The Balance of Payments had a positive impact on Nigeria's GDP over the study period, according to the data. Reducing imports of goods and services that are manufactured or rendered in Nigeria was advised by the report to strengthen the Naira.

In economics, the BOP and adjustment programs can be seen in two different ways. That is to say, the Keynesian and Monetary schools of thought. When it comes to BOP adjustment, the Keynesian theory emphasizes the importance of being both adaptable and resilient. Elasticity shows that the exchange rate can be utilized to restore BOP

equilibrium in some cases. Trade volume is affected by currency depreciation, as is the BOP. This is because demand and supply for foreign currencies and foreign goods are elastic. There must be a greater than unity elasticity of supply/demand for imports and exports for a currency depreciation to be successful. Adsorption can be used to account for changes in spending, exports, and imports. By taking a broader view of the economy, this approach emphasizes the importance of output in relation to economic absorption capacity. In the absorption process, the gross domestic product (GDP) of the country is taken into consideration (GDP).

$$Y = C + I + G (X - M)$$

As long as domestic revenue surpasses the country's ability to absorb it, there is a healthy equilibrium. Increasing output or reducing spending can both help reduce the trade deficit. There would be an increase in exports as a result of a depreciation of the local currency, although the devaluation effect would vary depending on the economic position and structure of the country. Under Keynesianism, there was no inflow of capital into the Balance of Payments.

If you prefer to think of the BOP using money supply terms, you can do so. The BOP must be viewed in relation to the country's financial circumstances in order to be fully understood. When the BOP is out of balance, monetary policy instruments can be employed to correct it. Because of the Approach's premise of money market disequilibrium, the BOP is out of whack. It is often believed that the current account balances are not taken into account at all in this manner. Monetary theory can be used to assess one's BOP in terms of both the supply and demand for financial assets (Chacholiades, 1990). First time it looked at financial assets as part of the country's overall balance of payments. It is possible to alleviate BOP concerns using currency depreciation in this approach. While Keynesian and monetarist approaches focus primarily on current account balances, the latter focuses on capital and financial accounts. BOP imbalances can be remedied by shifting spending or boosting output capacity in accordance with the theories of the monetarists.

When it comes to dealing with economic concerns, Keynesian economics doesn't cover nearly as much ground. Thus, our theory is predicated on an economic analysis of the BOP, as opposed to an economic analysis of it.

### 3. METHOD OF STUDY

#### 3.1 The Data

Annual time series data from 1970 to 2021 was used in the study. The information was gathered from a variety of sources, including the Statistical Bulletin of the Central Bank of Nigeria, 2020, and a World Bank indicator.

#### 3.2 Model Specification

Accordingly, we adopt the model proposed by (Sanni, Yakub, Andu and Sani, 2017) but use a different estimating technique to investigate the factors influencing Nigeria's Balance of Payments. Balance of payments estimates are based on GDP growth, exchange rates, interest rates, crude oil prices, remittances from employees abroad, and foreign direct investment.

$$BOP = f(RGDP, EXR, INTR, COP, WRM, FDI) \dots \dots \dots (3.1)$$

$$BOP = \alpha_0 + \alpha_1 RGDP + \alpha_2 EXR + \alpha_3 INTR + \alpha_4 COP + \alpha_5 MRM + \alpha_6 FDI + \sum_t \quad (3.2)$$

Where

BOP = Balance of payments

RGDP = Growth rate of GDP

EXHR = Exchange rate

INTR = Interest rate

COP = Crude oil price

FDI = Foreign direct investments.

$\alpha_0 + \alpha_6$  = Parameters to be estimated.

#### ESTIMATION TECHNIQUE

The Pesaran (Pesaran, 1997) ARDL model was employed in this study (Pesaran *et al.*, 2001). In contrast to other well-known co integration models, Pesaran and Pesaran *et al.* bound's test does not require the time series to be integrated at first order, as is the case with the two-step test technique proposed by (Engle and Granger, 1987) to the problem of uncertainty.

To put it another way, Pesaran & Pesaran *et al.* 's series features are superior to those of more often used techniques. Time series stationarity leads to skewed and nonsensical regression parameters because of the short sample size and non-stationary variables. In a statement (Kremers *et al.*, 1992). The ARDL model can be used to establish cointegration between the dependent and independent variables, allowing us to discern between a variable's short- and long-term effects. Over the short and long run, these strategies can be used to calculate independent variable parameters that are more accurate.

To test the hypothesis of the absence of a co integration relationship between the dependent variable and the variables interpreted in equation, we calculate the F statistic through the (Wald test) for the null hypothesis:  $b_1 = b_2 = 0$ .

Versus the alternative hypothesis of a co integration relationship between the levels of the model variables, where the alternative hypothesis provides:  $b_1 \neq b_2 \neq 0$ .

If the calculated F statistic value is greater than the top limit of the critical value, we reject the null hypothesis (i.e. there is a co integration relationship

between the two variables), and here we use (ARDL) method to estimate the Error Correction Model (ECM). If the calculated F statistic value is less than the minimum, the null hypothesis is accepted.

By setting the target equation (3.2) in the form of the Autoregressive Distributed Log Model (ARDL), we get the following equation.

$$\Delta BOP = \alpha_0 + \alpha_1 BOP_{t-1} + \alpha_2 RGDP_{t-1} + \alpha_3 EXHR_{t-1} + \alpha_4 INT_{t-1} + \alpha_5 COP_{t-1} + \alpha_6 WRM_{t-1} + \alpha_7 FDI_{t-1} + \sum_{i=1}^k \beta_1 \Delta BOP + \sum_{i=1}^k \alpha_1 \Delta RGDP_{t-1} + \sum_{i=1}^k \delta_1 \Delta EXHR_{t-1} + \sum_{i=1}^k \gamma_1 \Delta INTR_{t-1}$$

$$BOP = \sum_{i=1}^k \lambda_1 \Delta COP_{t-1} + \sum_{i=1}^k \theta_1 \Delta FDI + \psi ECM_{t-1} + E_t$$

Where  $\Delta$ : first difference operator:  $\alpha_0, \alpha_1, \alpha_2, \alpha_3, \alpha_4, \alpha_5, \alpha_6$  are long term dynamics of the models;  $\beta_1, \delta_1, \gamma_1, \lambda_1, \theta_1$  and  $\psi_1$  are short term effects;  $U_t$ : error term (Gaussian white noise with zero mean).

#### 4. RESULT PRESENTATION, ANALYSIS AND DISCUSSION

The analysis of the model was commenced with the test of stationarity using both the Augmented Dickey-Fuller (ADF) and the Philips-Perron (PP) unit root tests. The essence of the preliminary test was to determine the suitability of the adopted technique of analysis. The summary of the tests conducted is presented in Table 4.1

**Table-4.1: Summary of Unit Root Tests**

Variables	ADF	PP	Order of Integration
BOP	0.44 6.85*	0.42 6.55*	I(1)
GDPG	2.47 10.45*	3.01 13.14*	I(1)
EXHR	0.45 4.72*	0.63 4.52*	I(1)
FDI	3.33***	3.23***	I(0)
INTR	2.34 5.74*	2.25 7.16*	I(1)
COP	1.9 5.48*	2.01 5.44*	I(1)

Source: Researcher’s computation using Eviews 10

Note: (a) Critical values of both ADF and PP at 1% and 10% are approximately 4.21 and 3.21 respectively. (b) \* and \*\*\* indicates significance at 1% and 10% respectively. (c) All values were reported in absolute terms

Table 4.1 demonstrates that following the initial difference I(1), the balance of payments (BOP), GDP growth (GDPG), exchange rate (EXHR), interest rate (INTR), and crude oil price (COP) maintained constant, while FDI remained stagnant at level I(0), according to the data. At level and at starting difference, the autoregressive Distributed Lag (ARDL) appears to be a good choice. Initially, a generic ARDL model was

estimated, and coefficient diagnostics, residual diagnostics, and stability tests were carried out from it employing the cointegrating bounds of the model. The limits test with the accompanying long-term estimate and the error correction form of the model were derived from the coefficient diagnostic checks. Table 4.2 summarizes the findings of the limitations test.

**Table-4.2: Summary of ARDL Bounds test for Long run Equilibrium Relationship**

F=statistic	1% Critical Value		5% Critical Value	
	Lower Bound {I(0)}	Upper Bound {I(1)}	Lower Bound {I(0)}	Upper Bound {I(1)}
7.84	3.06	4.15	2.39	3.38

Source: Researcher’s computation using Eviews 10

Table 4.1 shows that there is a long-term equilibrium relationship between the model's variables. This is due to the fact that the F-statistic has a value

bigger than the upper bound at a 1% significance level. The associated long-term estimate of these limits tests is shown in the following table.

**Table-4.3: Long run Estimation Dependent Variable: BOP**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDPG	1.440615	0.391002	3.684418	0.0042
EXHR	-0.197692	0.072336	-2.732950	0.0211
FDI	14.91789	7.446973	2.003216	0.0730
INTR	2.579735	1.165850	2.212750	0.0513
COP	0.266350	0.083142	3.203533	0.0094
C	-14.98356	7.361654	-2.035352	0.0692

Source: Researcher's computation using Eviews 10

To put it another way, the multiplier effect on GDP is roughly 1.44, which has a positive influence on the Balance of Payments as indicated in Table 4.3. According to this study, a previous study by the same author found the same thing (Boateng and Ayentimi, 2013). One percent change in currency values has an approximately 0.2 multiplier on the dependent variable, despite the fact that the exchange rate negatively impacts the dependent variable. For every dollar of

FDI, the BOP gains 14.92 times its original investment. According to previous research, this validates a previously discovered fact (Osoro, 2013). In the opinion of Osoro (2013). Both the interest rate and crude oil prices have a multiplier impact of roughly 2.58, whereas each has a positive but non-statistically significant influence on the dependent variable. Second coefficient diagnostics checks yielded Table 4.5, which displays the model's dynamic error-correction form.

**Table-4.4: ARDL Error Correction Regression Dependent Variable: BOP**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(BOP(-1))	-0.217994	0.111501	-1.955094	0.0791
D(BOP(-2))	-0.547944	0.097545	-5.617360	0.0002
D(BOP(-3))	-0.497548	0.092218	-5.395327	0.0003
D(GDPG)	0.712668	0.163377	4.362098	0.0014
D(EXHR)	0.083090	0.037372	2.223321	0.0504
D(EXHR(-1))	0.160142	0.041701	3.840230	0.0033
D(EXHR(-2))	0.029129	0.039414	0.739055	0.4769
D(EXHR(-3))	-0.093467	0.038776	-2.410457	0.0367
D(FDI)	1.415308	0.594664	2.380013	0.0386
D(FDI(-1))	8.378833	0.982651	8.526765	0.0000
D(FDI(-2))	6.593995	1.087240	6.064891	0.0001
D(FDI(-3))	1.987705	0.683869	2.906560	0.0157
D(INTR)	0.232398	0.264642	0.878158	0.4005
D(INTR(-1))	-2.497490	0.328616	-7.600035	0.0000
D(INTR(-2))	-2.191311	0.299234	-7.323077	0.0000
D(INTR(-3))	-1.893630	0.369224	-5.128669	0.0004
D(COP)	0.558354	0.053834	10.37169	0.0000
D(COP(-1))	0.293941	0.064009	4.592188	0.0010
D(COP(-2))	0.451105	0.059077	7.635907	0.0000
CointEq(-1)*	-0.726171	0.077488	-9.371351	0.0000

$R^2 = 0.95$ . DW = 2.04

Source: Researcher's computation using Eviews 10

First, second, and third lag adjustments of 0.22, 0.55, and 0.5 each have a negative influence on the BOP's current value. Each 1 percent increase in GDP has a corresponding 0.71 percent impact on the balance of payments (BOP). When the present value of the exchange rate changes by one unit, the dependent variable suffers a multiple effect of about 0.08, whereas the rate's first period lag has a considerable positive effect. While the BOP is positively associated with the second and third lags, the second lag is negatively associated with the BOP. An increase in foreign direct investment's current values of 1.42 to 8.38 to 6.59 and 1.59 can have an immediate and beneficial influence on the BOP's dependent variable. While interest rates have

a positive impact on the independent variable, they have the exact opposite effect. In terms of today's interest rates, this isn't a huge concern. After that, a unit movement in the value of each period amounts to 0, 23, 2, 5, 2, 19, and 1, 89 negative points, respectively. The BOP will be affected by variations in crude oil prices throughout the first and second periods of time by magnitudes of 0.56, 0.29, and 0.45, respectively. Is the adjustment proceeding well if 'CointEq(-1\*)' appears to be negative and substantial? According to an error correction coefficient of  $-0.72$ , 72% of the prior variances will be corrected. This is a good thing to see. An  $R^2$  (correlation coefficient) of 0.95 indicates that changes in the dependent variable can be attributed to

changes in the other variables. There is no serial association if the Durbin Watson statistic is smaller than 2.

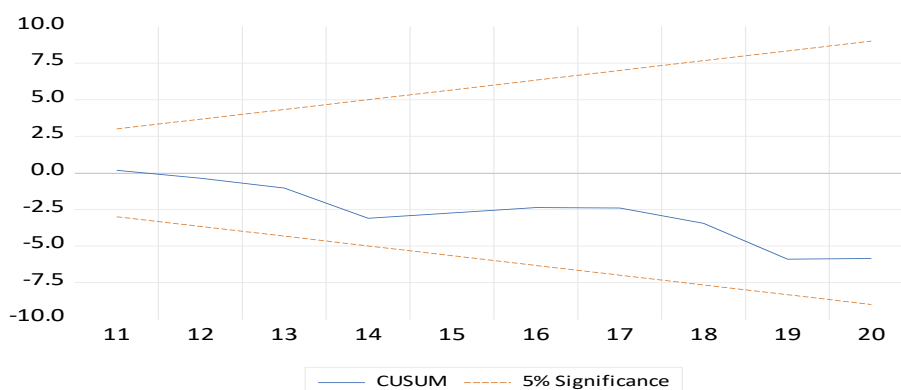
Residual diagnostic checks were carried out and the outcomes indicate that the residuals; are

normally distributed as the corresponding *p-value* is greater than the 5% (0.05) level of significance, are not auto correlated, and are homoskedastic (see Table 7). The stability of the model was confirmed by the CUSUM and CUSUM of Squares. (See Figure 4.1a and Figure 4.1b).

**Table-4.5: Summary of Residual Diagnostics**

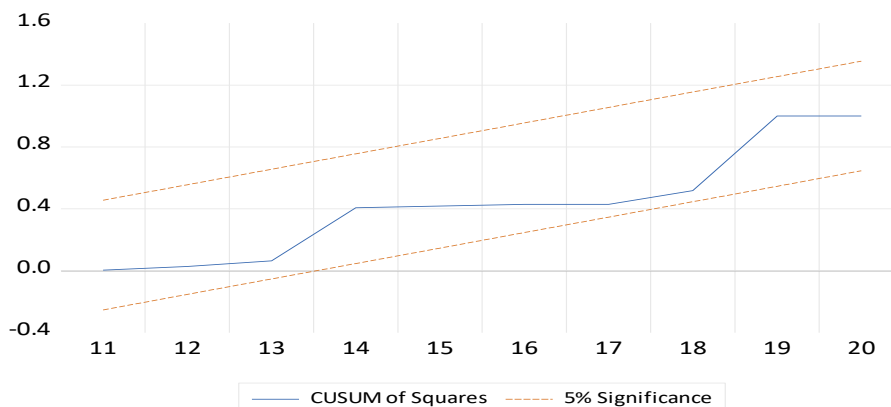
Test	Test Statistic	Probability
Normality: (Jarque-Bera Statistic)	1.27	0.53
Serial Correlation: (F-statistic)	0.96	0.42
Breusch-Godfrey Serial Correlation LM Test		
Heteroskedasticity: (F-statistic)	0.47	0.94
Breusch-Pagan-Godfrey		

Source: Researchers' computation using Eviews 10



**Fig-4.1a: CUSUM Stability Test**

Source: Researchers' computation using Eviews 10



**Fig-4.1b: CUSUM of Squares Stability Test**

Source: Researchers' computation using Eviews 10

**5. CONCLUSION AND RECOMMENDATIONS**

An important economic indicator is Nigeria's Balance of Payments, according to the authors of this study. Economic growth, foreign direct investment (FDI), interest rates, and crude oil prices all had a positive effect on the country's balance of payments. Over the course of the research, exchange rates were found to have a negative impact on the country's overall balance of payments. The first and second delays in the current exchange rate coefficient had a major impact on the short-term model's Balance of Payments. We may

safely say that Nigeria has an operational budget that is both fiscally and politically balanced.

Arising from the analysis and discussion, the following recommendations are made:

1. The government's role is to encourage economic growth by making the economy more productive. A thriving economy necessitates substantial outlays on capital and subsequent returns on those investments.
2. FDI should be fostered by the government by providing incentives to foreign investors.

3. Nurturing a sense of community and belonging among the people of the Niger Delta is the only way to bring about stability and open oil trading in the region. If the price of oil rises, OPEC must meet its quotas to ensure that the global market benefits.
4. Under a healthy monetary policy framework, the interest rate and the currency exchange rate should be regulated.

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