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# EXCHANGE RATE UNIFICATION AND ACCOUNTING VALUE OF QUOTED MANUFACTURING FIRMS IN NIGERIA

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**ABSTRACT**
This study delves into how exchange rates unification impacts the accounting values of publicly traded manufacturing companies in Nigeria. With ongoing fluctuations in exchange rates and a recent move towards a unified system, there are growing worries about how this affects company valuations and financial stability in the manufacturing industry. To explore this, we used an ex post facto research design, analyzing a balanced panel of fifteen firms listed on the Nigerian Exchange from 2013 to 2022. We gathered secondary data from audited financial statements and the Central Bank of Nigeria's Statistical Bulletin. Using panel regression techniques, we looked at how the bilateral exchange rate (DBER), cross exchange rate (DCER), and trade-weighted exchange rate index (DTWI) influence market value (DMV), book value (DBV), unpaid interest (DUI), and enterprise value (DEV). The findings reveal that exchange rate indicators have a significant negative impact on both market and enterprise values. Specifically, DBER (−0.0115; $p < 0.05$), DCER (−47.6805; $p < 0.01$), and DTWI (−0.1652; $p < 0.01$) all contribute to a decrease in market value ($R^2 = 0.1293$), and similar negative trends are noted for enterprise value (−0.0109; −45.5340; −0.1642; $p < 0.05$). Interestingly, book value shows a slight positive correlation with DTWI (3.2445; $p < 0.05$), while unpaid interest appears to be mostly insignificant. In summary, the volatility of exchange rates tends to lower firm valuations. The study suggests implementing policies for exchange rate stability and enhancing foreign exchange risk management to improve the performance of manufacturing firms.

**Keywords**
Exchange Rate Unification; Manufacturing Firms; Firm Value; Bilateral Exchange Rate; Trade-Weighted Exchange Rate; Nigeria.

## INTRODUCTION

Industrial expansion is a key driver of economic growth, especially in developing countries like Nigeria, where the manufacturing sector is poised to be a crucial player in transforming the economy. A thriving manufacturing industry not only boosts job creation but also enhances productivity, diversifies exports, and increases the overall value of businesses. For low- and middle-income nations, industrial development serves as a vital engine for economic progress and a way to lessen vulnerability to external shocks and over-reliance on primary commodity exports.

In Nigeria, various governments have made industrialization a top priority, implementing different policy frameworks to bolster the manufacturing sector. These policies aim to encourage growth led by the private sector, enhance industrial efficiency, promote the use of local raw materials, support technological advancements, and increase non-oil exports. However, despite these efforts, the manufacturing sector still grapples with ongoing challenges such as low capacity utilization, high production costs, inadequate infrastructure, and limited access to foreign currency. These issues have stifled the sector's contribution to the gross domestic product and weakened the financial performance of individual firms.

One of the most significant macroeconomic factors affecting manufacturing in Nigeria is exchange rate policy. Fluctuations in exchange rates have a direct impact on the cost of imported materials, competitiveness in exports, investment choices, and the overall valuation of firms. Given that many Nigerian manufacturing companies depend heavily on imported capital goods and intermediate inputs, volatility and misalignment in exchange rates present serious risks to their operational efficiency and financial health. An unstable exchange rate environment can drive up production costs, squeeze profit margins, and negatively impact the accounting value of businesses.

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Over the years, Nigeria has operated multiple exchange rate regimes, ranging from fixed and pegged systems to various forms of managed and floating regimes. The recent exchange rate unification policy represents a major shift aimed at enhancing transparency, improving market efficiency, and eliminating distortions associated with multiple exchange rate windows. While the policy is intended to strengthen macroeconomic stability in the long run, its short- to medium-term implications for manufacturing firms remain a subject of intense debate. The sharp depreciation of the domestic currency following unification has raised concerns regarding rising production costs, increased debt servicing obligations, and declining firm value.

Existing empirical studies on exchange rate dynamics in Nigeria have largely focused on economic growth, trade performance, and manufacturing output, with relatively limited attention given to firm-level valuation outcomes. In particular, the impact of exchange rate unification on accounting-based measures of firm value—such as market value, book value, unpaid interest, and enterprise value—remains underexplored. This study seeks to address this gap by examining the relationship between exchange rate unification and the accounting value of quoted manufacturing firms in Nigeria, using bilateral exchange rate, cross exchange rate, and trade-weighted exchange rate index as key explanatory variables.

By providing empirical evidence on how exchange rate unification influences firm value, this study contributes to the growing literature on exchange rate policy and corporate finance in emerging economies. The findings are expected to offer valuable insights for policymakers, investors, and corporate managers on the implications of exchange rate reforms for the manufacturing sector and the broader Nigerian economy.

## LITERATURE REVIEW

### Conceptual Framework

An exchange rate refers to the price at which one currency is exchanged for another and serves as a fundamental mechanism for international trade, capital flows, and cross-border investment decisions. It reflects the relative value of domestic and foreign currencies and directly influences import costs, export competitiveness, foreign investment inflows, and corporate valuation (Jhngan, 2015).

In developing economies such as Nigeria, exchange rate movements are particularly critical due to the heavy dependence of manufacturing firms on imported capital goods, intermediate inputs, and external financing. Consequently, exchange rate volatility or misalignment can significantly affect production costs, profitability, debt-servicing capacity, and overall firm value.

Exchange rate regimes range from fixed and pegged systems to managed and freely floating arrangements. Nigeria has operated under various exchange rate regimes since independence, including fixed exchange rates, crawling pegs, the Dutch Auction System (DAS), and different forms of managed floating systems. The recent exchange rate unification policy represents a strategic shift towards a market-determined exchange rate system, aimed at eliminating distortions associated with multiple exchange rate windows and enhancing transparency and efficiency in the foreign exchange market.

Exchange rate unification entails the convergence of official and parallel market rates into a single, market-driven rate. While this policy is expected to improve allocative efficiency and boost investor confidence in the long run, it may generate short-run adjustment costs, particularly for manufacturing firms with significant foreign currency liabilities and import-dependent production structures.

### Theoretical Framework

The monetary model of exchange rate, developed by Dornbusch (1976), Frankel (1976), and Mussa (1976), explains exchange rate movements as a function of money supply, income levels, and interest rate differentials between countries. The model exists in two main variants: the flexible-price model and the sticky-price model.

The flexible-price monetary model assumes that goods prices adjust instantaneously and that purchasing power parity (PPP) holds continuously, implying a stable real exchange rate in the long run. In contrast, the sticky-price model assumes short-run price rigidities, allowing for exchange rate overshooting and temporary deviations from PPP. This framework is particularly relevant for emerging economies, where financial markets tend to adjust more rapidly than goods markets, resulting in exchange rate volatility that can significantly influence firm-level financial performance.

### Purchasing Power Parity (PPP) Theory

The purchasing power parity theory posits that exchange rates adjust to equalise the prices of identical baskets of goods across countries. Although PPP may hold in the long run, empirical evidence suggests persistent short-run

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deviations due to transaction costs, market imperfections, and capital flow dynamics. For manufacturing firms, such deviations can affect international competitiveness, production costs, and profitability, especially in import-dependent economies.

**Uncovered Interest Rate Parity (UIP) Theory**

The uncovered interest rate parity theory states that the differential between domestic and foreign interest rates equals the expected change in exchange rates. Deviations from UIP imply the presence of risk premiums, expectations of future exchange rate movements, and macroeconomic instability. For firms with foreign currency exposure, interest rate differentials and exchange rate expectations jointly influence financing costs, investment decisions, and firm valuation.

**Empirical Review**

Empirical studies on exchange rate dynamics and manufacturing sector performance have produced mixed results, reflecting differences in methodologies, data coverage, and country-specific structural characteristics.

Several studies document that exchange rate volatility adversely affects manufacturing output, employment, and investment by increasing uncertainty and raising import costs (Barkoulas et al., 2002; Servén, 2003; Arize et al., 2000). Ogun (2006) and Aghion et al. (2009) further show that exchange rate misalignment and volatility negatively influence non-oil exports and economic growth, particularly in economies with underdeveloped financial systems.

Opaluwa, Umeh and Ameh (2012) examined the impact of exchange rate fluctuations on the Nigerian manufacturing sector over the period 1986–2005 using regression analysis. The study found that exchange rate instability adversely affected manufacturing output due to the sector's heavy dependence on imported raw materials and capital goods. Exchange rate volatility increased production costs and reduced firm performance. Their findings support the argument that exchange rate depreciation and uncertainty negatively influence manufacturing value, which aligns with the present study's evidence of declining firm market and enterprise values under exchange rate shocks.

Aghion et al. (2009) investigated the relationship between exchange rate volatility and economic growth across countries. Using panel techniques, they reported that exchange rate volatility exerts a negative effect on firm investment and economic performance, particularly in economies with underdeveloped financial markets. The study concludes that macroeconomic instability reduces firms' capacity to plan and invest effectively. This finding corroborates the current study's results showing that exchange rate fluctuations significantly reduce market and enterprise values of manufacturing firms.

Lawal (2016) employed the Autoregressive Distributed Lag (ARDL) model to assess the impact of exchange rate fluctuations on manufacturing sector output in Nigeria between 1986 and 2014. The study established both short-run and long-run relationships between exchange rate movements and manufacturing performance. Although the effect was statistically weak, exchange rate changes influenced output and cost structures. This partially supports the present findings that accounting measures such as book value respond more weakly to exchange rate changes compared with market-based measures.

Using firm-level panel data, Nucci and Pozzolo (2014) examined how exchange rate movements affect firms' operational decisions. The study revealed that exchange rate depreciation significantly affects firm outcomes through both revenue and cost channels, influencing labor inputs, production costs, and profitability. Firms with greater foreign exposure were more sensitive to exchange rate risk. This firm-level evidence aligns closely with the current study's panel regression approach and supports the finding that exchange rate dynamics materially influence firm value indicators.

Baggs et al. (2009) investigated the effect of exchange rate movements on firm performance in Canada using ordinary least squares regression. The results showed that exchange rate appreciation had a negative and statistically significant effect on firm survival and performance. Firms were less likely to sustain operations when exposed to unfavorable currency movements. Their findings reinforce the present study's conclusion that exchange rate shocks negatively affect firm valuation metrics such as market value and enterprise value.

**Research Gap**

Despite the extensive literature on exchange rate volatility, manufacturing output, and economic growth, limited empirical attention has been given to the impact of exchange rate unification on firm-level accounting value, particularly in Nigeria. Most existing Nigerian studies focus on macroeconomic indicators such as output,

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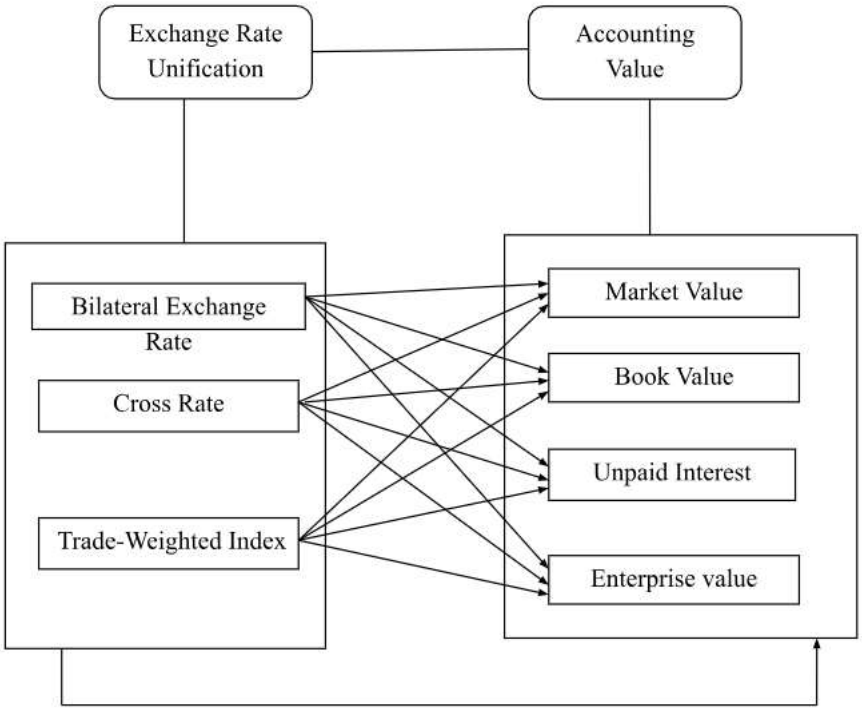
employment, and exports, with little emphasis on firm-level measures such as market value, book value, unpaid interest, and enterprise value.

Furthermore, exchange rate unification is a relatively recent policy development in Nigeria, and empirical studies examining its implications for manufacturing firms remain scarce. This study therefore fills an important gap by analysing the effect of exchange rate unification on the accounting value of quoted manufacturing firms in Nigeria using firm-level panel data and multiple exchange rate indicators.

**Operational Framework – The following is the operational framework of the study:**




Source: Researcher's desk 2025

**Hypotheses – Bases for the Study**

The hypotheses that were tested with regard to this work are stated in null form as

$H_{01}$: Exchange rate unification has no significant effect on the market value of manufacturing firms in Nigeria.

$H_{02}$: Exchange rate unification has no significant effect on the book value of manufacturing firms in Nigeria.

$H_{03}$: Exchange rate unification has no significant effect on unpaid interest obligations of manufacturing firms in Nigeria.

$H_{04}$: Exchange rate unification has no significant effect on the enterprise value of manufacturing firms in Nigeria.

## MATERIALS AND METHODS

This study adopts an ex post facto research design within a panel data framework, combining cross-sectional and time-series dimensions. The design is appropriate given the use of historical data and the absence of direct manipulation of the study variables. The panel approach enhances the reliability of the estimates by capturing both firm-level and temporal variations in exchange rate dynamics and accounting values.

The population comprises all manufacturing firms listed on the Nigerian Exchange (NGX) as at 31 December 2022. The study covers the period 2013–2022, which encompasses different exchange rate regimes in Nigeria prior to the recent exchange rate unification policy. A purposive sampling technique was employed due to data limitations across listed firms. Accordingly, firms with consistent and complete financial records were selected from the food and beverages, cement, pharmaceuticals, household goods, and consumer goods subsectors.

The study relies exclusively on secondary data. Firm-level financial data were obtained from audited annual reports, including statements of financial position, statements of comprehensive income, and accompanying notes.

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Exchange rate data were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin. All data were cross-validated to ensure consistency and reliability.

Given the limited post-unification data available following the introduction of the exchange rate unification policy in 2023, a direct post-policy impact analysis was not feasible. Consequently, the study adopts an indirect analytical approach by examining exchange rate movements under the pre-unification multiple and managed floating exchange rate regimes as a proxy for assessing the potential implications of exchange rate unification.

Empirical analysis was conducted using EViews version 13. The techniques employed include descriptive statistics, correlation and covariance analysis, panel unit root tests, panel regression analysis, variance inflation factor (VIF) tests for multicollinearity, and the Hausman specification test to determine the appropriate panel estimation model.

**Model Specification**

This study examines the effect of selected exchange rate indicators, namely the bilateral exchange rate (BER), cross exchange rate (CER), and trade-weighted index (TWI), on the accounting values of listed manufacturing firms. Firm accounting value is proxied by market value (MV), book value (BV), unpaid interest (UI), and enterprise value (EV).

**Functional Form**

The functional relationships between exchange rate indicators and the respective accounting value measures are specified as follows:

$$MV_{it} = f(BER_t, CER_t, TWI_t) \quad (1)$$
$$BV_{it} = f(BER_t, CER_t, TWI_t) \quad (2)$$
$$UI_{it} = f(BER_t, CER_t, TWI_t) \quad (3)$$
$$EV_{it} = f(BER_t, CER_t, TWI_t) \quad (4)$$

where firm iis observed at time t.

**Econometric Model**

The functional relationships are transformed into estimable panel econometric models as follows:

$$MV_{it} = \beta_0 + \beta_1 BER_t + \beta_2 CER_t + \beta_3 TWI_t + u_{it} \quad (5)$$
$$BV_{it} = \beta_0 + \beta_1 BER_t + \beta_2 CER_t + \beta_3 TWI_t + u_{it} \quad (6)$$
$$UI_{it} = \beta_0 + \beta_1 BER_t + \beta_2 CER_t + \beta_3 TWI_t + u_{it} \quad (7)$$
$$EV_{it} = \beta_0 + \beta_1 BER_t + \beta_2 CER_t + \beta_3 TWI_t + u_{it} \quad (8)$$

Definition of Variables

- $MV_{it}$= Market value of firm iat time t
- $BV_{it}$= Book value of firm iat time t
- $UI_{it}$= Unpaid interest of firm iat time t
- $EV_{it}$= Enterprise value of firm iat time t
- $\beta_0$= Intercept term
- $\beta_1, \beta_2, \beta_3$= Coefficients of the exchange rate indicators
- $BER_t$= Bilateral exchange rate
- $CER_t$= Cross exchange rate
- $TWI_t$= Trade-weighted index
- $u_{it}$= Stochastic error term

Trade-Weighted Index (TWI) Construction

The trade-weighted index (TWI) is computed as:

$$TWI_t = 100 \times \prod_{i=1}^{n} \left(\frac{\varepsilon_{it}}{\varepsilon_{i0}}\right)^{w_{it}}$$

where:

- $\varepsilon_{it}$= Number of foreign currency units per domestic currency at time t
- $\varepsilon_{i0}$= Number of foreign currency units in the base period
- $w_{it}$= Trade weight assigned to country i, based on its share in international trade
- $\prod$= Product operator across trading partner currencies
- n= Number of currencies included in the index

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This formulation ensures that exchange rate movements are weighted according to the relative importance of trading partners, thereby providing a comprehensive measure of external competitiveness.

## RESULTS AND DISCUSSION

This section presents and discusses the empirical findings on the effect of exchange rate indicators on the accounting and market value measures of manufacturing firms in Nigeria. The analysis is based on panel regression estimates for four firm value proxies: market value (DMV), book value (DBV), unpaid interest obligations (DUI), and enterprise value (DEV). The explanatory variables include bilateral exchange rate (DBER), cross exchange rate (DCER), and trade-weighted exchange rate index (DTWI). The results are interpreted in relation to prior empirical evidence to establish consistency, divergence, and contribution to literature.

| Table 4.16: Fixed Effect Test of regression analysis Model I, II,III & IV |
|---|
| Dependent Variable: DMV |
| Method: Panel Least Squares |
| Date: 02/24/24 Time: 19:17 |
| Sample (adjusted): 2014 2022 |
| Periods included: 9 |
| Cross-sections included: 15 |
| Total panel (balanced) observations: 135 |

| **Variables** | **Model I (DMV)** | **Model II (DBV)** | **Model III (DUI)** | **Model IV (DEV)** |
|---|---|---|---|---|
| C | -0.4194** | 31.7204*** | -0.2541 | -0.4880** |
| | -0.1903 | -10.1614 | -0.2022 | -0.1888 |
| DBER | -0.0115** | -0.0465 | -0.0066 | -0.0109** |
| | -0.0048 | -0.1503 | -0.005 | -0.0047 |
| DCER | -47.6805*** | 618.4904 | -9.9814 | -45.5340*** |
| | -15.0786 | -476.9325 | -16.0204 | -14.9622 |
| DTWI | -0.1652*** | 3.2445** | -0.1099** | -0.1642*** |
| | -0.0493 | -1.5592 | -0.0524 | -0.0489 |
| R-squared | 0.1293 | 0.0527 | 0.0356 | 0.1233 |
| Adjusted $R^2$ | 0.1094 | 0.0311 | 0.0135 | 0.1032 |
| F-statistic | 6.4865*** | 2.4315* | 1.6116 | 6.1407*** |
| Prob(F-stat.) | 0.0004 | 0.068 | 0.1898 | 0.0006 |
| Durbin–Watson | 2.2154 | 1.5036 | 2.8752 | 2.2306 |

Source: Researcher Computation using E-Views (13)

**Effect on Market Value (Model I – DMV)**

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The analysis of the market value impact (Model I – DMV) reveals some interesting insights. The regression results show that DBER ($\beta = -0.0115$, $p < 0.05$), DCER ($\beta = -47.6805$, $p < 0.01$), and DTWI ($\beta = -0.1652$, $p < 0.01$) all have significant negative effects on the market value of manufacturing firms. The overall model is significant ($F = 6.4865$, $p = 0.0004$), indicating that fluctuations in exchange rates play a crucial role in explaining changes in the market valuations of these firms.

The negative coefficients imply that when exchange rates depreciate or become volatile, it tends to shake investors' confidence and push equity prices down. This situation highlights how vulnerable Nigerian manufacturing firms are to foreign currency fluctuations, especially since they heavily depend on imported raw materials, machinery, and intermediate goods. As exchange rates rise, production costs go up, leading to lower expectations for profitability, which the market quickly reflects in its pricing.

These findings resonate with the work of Opaluwa, Umeh, and Ameh (2012), who noted that instability in exchange rates negatively impacts manufacturing performance by driving up import costs. Similarly, Baggs et al. (2009) found that an appreciation in exchange rates can harm a firm's survival and performance, while Aghion et al. (2009) pointed out that volatility in exchange rates can hinder investment and growth. The results also align with Nucci and Pozzolo (2014), who demonstrated that a firm's performance is sensitive to exchange rate exposure through both revenue and cost channels.

In summary, the evidence strongly suggests that the market values of firms are highly reactive to shocks in exchange rates. This indicates that if exchange rate unification occurs alongside volatility, it could initially lead to a decline in the valuations of manufacturing firms.

**Effect on Book Value (Model II – DBV)**

When it comes to book value, the only factor that stands out is the trade-weighted exchange rate index (DTWI), which shows a statistically significant and positive relationship ($\beta = 3.2445$, $p < 0.05$). On the other hand, DBER and DCER don't seem to have much of an impact. Overall, the model shows weak significance ($F = 2.4315$, $p = 0.068$), suggesting it has only a modest ability to explain the variations. The positive correlation indicates that shifts in exchange rates might boost accounting values through things like asset revaluations, inflation adjustments, or converting foreign-denominated assets. Unlike market value, which reacts quickly, book value is rooted in historical accounting practices, making it slower to respond to macroeconomic changes. As a result, the effects of exchange rates seem to be less pronounced and take longer to materialize. This aligns with Lawal (2016), who found that fluctuations in exchange rates have only a limited or statistically weak impact on manufacturing output in Nigeria. It also reinforces the idea that accounting measures are less responsive to exchange rate changes compared to market-based indicators. So, while unifying exchange rates does affect accounting values, the impact is not as strong as what we see with market valuation metrics.

**Effect on Unpaid Interest Obligations (Model III – DUI)**

The findings regarding unpaid interest obligations reveal that only DTWI shows a significant and negative relationship with DUI ($\beta = -0.1099$, $p < 0.05$), while DBER and DCER continue to be insignificant. Additionally, the overall model lacks statistical significance ($F = 1.6116$, $p = 0.1898$). This suggests that fluctuations in exchange rates don't really explain much of the variation in unpaid interest obligations. Instead, it seems that factors like a company's specific financing structure, interest rate policies, and managerial choices play a bigger role than exchange rate movements. The weak connection implies that short-term liabilities and financing arrangements might be somewhat shielded from exchange rate risks, especially when debts are in local currency. This finding somewhat contrasts with studies like those by Nucci and Pozzolo (2014) which emphasised stronger firm-level financial sensitivity but may reflect differences in debt composition between advanced and developing economies. Hence, exchange rate unification has limited direct impact on unpaid interest burdens within the Nigerian manufacturing sector.

**Effect on Enterprise Value (Model IV – DEV)**

The enterprise value model reflects the same trends we see in market value. We find that DBER ($\beta = -0.0109$, $p < 0.05$), DCER ($\beta = -45.5340$, $p < 0.01$), and DTWI ($\beta = -0.1642$, $p < 0.01$) all show negative and statistically significant results. The model itself is also significant overall ($F = 6.1407$, $p = 0.0006$). Enterprise value considers both equity and debt, giving us a complete picture of a firm's worth. The negative coefficients suggest that when exchange rates depreciate, operational costs go up, foreign currency liabilities increase, and expected cash flows drop, which ultimately diminishes the total value of the firm. This finding strongly backs up the work of Aghion et al. (2009), who connected exchange rate instability to lower investment and slower firm growth. It also

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resonates with the studies by Opaluwa et al. (2012) and Baggs et al. (2009), which highlighted the negative impacts of currency fluctuations on firm performance and sustainability. In short, just like market value, enterprise value is very sensitive to exchange rate risk, underscoring how crucial macroeconomic stability is for the sustainability of the manufacturing sector.

**Policy Implications**

The findings from this study show that fluctuations in exchange rates have a notably negative impact on both the market value and enterprise value of manufacturing firms. They also have moderate effects on book value and a limited impact on unpaid interest obligations. These results carry significant implications for macroeconomic management, industrial policy, and corporate financial strategies in Nigeria. To start, the strong negative correlation between exchange rate indicators and firm valuation indicates that when exchange rates depreciate or become volatile, it creates uncertainty, raises input costs, and diminishes investor confidence. Therefore, it's crucial for policymakers to focus on maintaining exchange rate stability within a unified regime. While unifying exchange rates can enhance transparency and cut down on arbitrage opportunities, excessive volatility can harm firm performance and deter investment in the manufacturing sector. The Central Bank of Nigeria should implement stabilization measures, such as careful foreign exchange interventions, better liquidity management, and effective coordination of monetary policy to reduce sudden currency fluctuations. Additionally, the susceptibility of manufacturing firms to exchange rate shocks emphasizes the need to bolster domestic production capabilities. A heavy reliance on imported raw materials and capital goods intensifies the effects of exchange rate changes on costs. Industrial policies should encourage backward integration, local sourcing of materials, and the development of domestic supply chains to lessen exposure to foreign currency fluctuations. Offering incentives like tax breaks, import substitution programs, and support for local content development would help build resilience against exchange rate movements.

Furthermore, at the firm level, these results highlight the necessity of robust financial risk management practices. Manufacturing firms should consider adopting hedging strategies, diversifying their currency exposures, and optimizing their capital structures to better manage exchange rate risks. Developing derivative markets can also play a crucial role in this process. and foreign exchange risk management instruments would further assist firms in managing currency fluctuations effectively. Finally, the weak relationship between exchange rate variables and unpaid interest obligations suggests that debt structure and financing decisions are largely firm-specific. This implies that improved corporate governance, prudent leverage management, and access to long-term local currency financing can shield firms from macroeconomic shocks.

## CONCLUSION AND RECOMMENDATIONS

This study delves into how unifying exchange rates impacts the accounting and market values of listed manufacturing firms in Nigeria, using panel data from 2013 to 2022. To measure exchange rate unification, the researchers looked at the bilateral exchange rate, cross exchange rate, and a trade-weighted exchange rate index. Firm value was assessed through market value, book value, unpaid interest, and enterprise value. The results show that exchange rate unification has a significant and negative impact on the market and enterprise values of manufacturing firms. This suggests that the depreciation and volatility of the exchange rate linked to unification shake investor confidence, raise costs for foreign inputs, and increase exposure to foreign currencies, ultimately leading to a drop in overall firm valuation. The study also notes a moderate yet significant effect on book value, mainly influenced by changes in the trade-weighted exchange rate, which reflects asset revaluation and trade exposure. Interestingly, exchange rate unification doesn’t seem to significantly affect unpaid interest obligations. This indicates that how firms manage their debt is more about their specific financing structures than the dynamics of exchange rates. Given these insights, the study suggests that any move towards exchange rate unification should be paired with macroeconomic stabilization policies to curb excessive volatility. The Central Bank of Nigeria is encouraged to enhance monetary policy coordination, manage foreign reserves better, and improve market communication to boost confidence in the foreign exchange market. Manufacturing firms are urged to implement strong foreign exchange risk management strategies, such as hedging and aligning financing with currency needs, to lessen negative valuation impacts. Additionally, promoting local sourcing of inputs, diversifying exports, and ensuring access to affordable long-term financing are crucial steps to help firms withstand exchange rate shocks.

**Contribution to Knowledge**

This study makes a significant contribution to the existing body of literature in a few key ways. First off, it offers firm-level empirical evidence regarding how exchange rate unification impacts various aspects of firm value, particularly within the context of an emerging economy like Nigeria. Secondly, by looking at both market-based

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and accounting-based measures of firm value, the research sheds light on how different valuation metrics respond to changes in exchange rates—an area that hasn't been thoroughly explored in previous studies. Thirdly, the study takes an indirect analytical approach to evaluate the effects of exchange rate unification by using pre-unification exchange rate regimes as a stand-in, which provides valuable insights even when post-unification data is lacking. Lastly, the findings present evidence that is relevant for policymakers, helping to shape exchange rate management, corporate risk strategies, and industrial policy development in Nigeria and other emerging economies that are considering reforms related to exchange rate unification.

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