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EXCHANGE RATE UNIFICATION AND FIRM VALUATION: EVIDENCE FROM MARKET AND ENTERPRISE VALUES OF QUOTED MANUFACTURING FIRMS IN NIGERIA

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ABSTRACT
This study investigates how exchange rates unification impacts the value of publicly traded manufacturing companies in Nigeria, using market value and enterprise value as key indicators for future valuation. The research utilized an ex post facto design along with a balanced panel dataset of selected firms from 2013 to 2022. To represent exchange rate unification, the study used indicators like the bilateral exchange rate (DBER), cross exchange rate (DCER), and the trade-weighted exchange rate index (DTWI). The analysis of secondary data was conducted using panel regression techniques with EViews Version 13, and diagnostic and Hausman tests were performed to ensure the model's robustness and reliability. The findings indicate that the exchange rate indicators have a negative and statistically significant impact on firm value. Specifically, DBER ($\beta = -0.0115$, $p < .05$), DCER ($\beta = -47.6805$, $p < .01$), and DTWI ($\beta = -0.1652$, $p < .01$) significantly diminish market value ($R^2 = .129$, $F = 6.49$, $p < .01$), with similar negative effects noted for enterprise value ($R^2 = .123$, $F = 6.14$, $p < .01$). These results suggest that depreciation and volatility in exchange rates lead to increased operating costs, financial risks, and discount rates, ultimately reducing the overall valuation of firms. The study advocates for policies aimed at stabilizing exchange rates and enhancing foreign exchange risk management to support the sustainability of firms.

Keywords:
Exchange rate unification, firm value, market value, enterprise value, panel regression, manufacturing firms, Nigeria

1.0 INTRODUCTION

Managing exchange rates is a crucial macroeconomic challenge for developing economies. The exchange rate acts as a vital link that connects domestic markets with the global economy. It plays a significant role in shaping international trade, capital movements, inflation, and investment choices. In nations that heavily depend on imported goods and foreign investments, shifts in exchange rates can have profound effects on business performance and overall economic growth. Nigeria is a particularly fascinating example. Over the years, the country has navigated through various exchange rate systems, including official rates, interbank rates, bureau-de-change rates, and parallel market rates. This variety has led to distortions, opportunities for arbitrage, and inefficiencies in how foreign exchange is allocated. As a result, the Central Bank of Nigeria (CBN) has recently taken steps toward unifying exchange rates to boost transparency and improve market efficiency. However, this unification often comes with challenges, such as significant currency depreciation and increased volatility. For a manufacturing sector that relies heavily on imports, this situation creates considerable cost pressures and financial risks. Nigerian manufacturing firms depend on imported raw materials, machinery, and spare parts, meaning that fluctuations in exchange rates can directly raise operating costs, squeeze profits, and alter how investors view a company's value. Despite the significance of this topic, there's a surprising lack of empirical research on how exchange rate reforms impact firm valuation from a capital market standpoint. Most existing studies tend to focus on broader economic indicators like inflation, GDP growth, or trade

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balances. Very few delve into firm-specific valuation metrics, such as market value and enterprise value, which provide insights into investor expectations and the overall worth of a company. This study aims to fill that gap.

1.2 Problem Statement

The goal of unifying exchange rates in Nigeria is to foster a more efficient and transparent foreign exchange market. While this reform could bring long-term advantages, it may also lead to short-term currency depreciation and volatility, which can significantly impact businesses, especially in the manufacturing sector. Increased import costs, higher foreign currency liabilities, and unpredictable cash flows could drive down stock prices and diminish firm valuations. If the unification of exchange rates has a negative effect on firm value, it could deter investment, weaken the performance of capital markets, and stifle industrial growth. Therefore, policymakers need solid empirical evidence to understand how exchange rate dynamics relate to firm valuation. Currently, there's a lack of firm-level data in Nigeria on how fluctuations in exchange rates affect market-based metrics like market value and enterprise value. Without this crucial information, policy decisions might overlook the financial implications for businesses. This study aims to fill that gap by offering thorough empirical analysis.

1.3 Objectives of the Study

The main objective is to investigate how exchange rate unification impacts the valuation of publicly traded manufacturing firms in Nigeria.

1) Analyze how exchange rate indicators influence the market value of manufacturing firms.
2) Assess the impact of exchange rate indicators on the enterprise value of manufacturing firms.
3) Investigate how sensitive firm valuations are to exchange rate depreciation and volatility.
4) Offer policy recommendations for managing exchange rates and mitigating corporate risks.

2.0 LITERATURE REVIEW

2.1 Conceptual Framework

This study delves into how the unification of exchange rates impacts the valuation of firms, focusing specifically on the market value and enterprise value of publicly listed manufacturing companies in Nigeria. To set the stage, we'll clarify three essential concepts: exchange rate unification, market value, and enterprise value. Exchange Rate Unification Exchange rate unification is a strategic monetary policy initiative by a central bank aimed at merging various exchange rate systems into a single, market-driven rate (Olagundoye, 2024). In the past, many developing nations, Nigeria included, operated with fragmented foreign exchange systems that featured official, interbank, and parallel market rates, often with significant differences between them (Anthony, 2024). This kind of multiplicity tends to create distortions, foster arbitrage opportunities, diminish transparency, and lead to an inefficient distribution of foreign exchange resources. The main goal of exchange rate unification is to enhance efficiency, eliminate opportunities for rent-seeking, boost market transparency, and build investor confidence by allowing the forces of supply and demand to set the equilibrium rate. In theory, this reform should bolster macroeconomic credibility and make the investment landscape more appealing. However, real-world evidence indicates that moving to a unified system often comes with short-term depreciation and increased volatility, especially when the unified rate aligns more closely with previously weaker parallel market rates (Adaramola, 2023). For sectors that rely heavily on imports, like manufacturing, these changes can lead to higher costs for imported materials, increased production expenses, and greater financial uncertainty. Such cost pressures can erode profitability, lower expected cash flows, and ultimately impact firm valuation in capital markets. Therefore, exchange rate unification affects firm value mainly through the channels of cost, risk, and cash flow.

Market Value

Market value is all about how much a publicly traded company is worth, as seen through the eyes of investors in the capital market. You can figure it out by multiplying the company's share price by the total number of shares that are currently out there. Unlike traditional accounting measures that rely on historical costs, market value looks ahead, reflecting what investors think about future earnings, growth potential, and risks (Brealey, Myers, & Allen, 2020). Since it captures investor feelings and expectations, market value is quite sensitive to big economic changes, like shifts in exchange rates. When a currency loses value, it can lead to higher operating costs, tighter profit margins, and increased uncertainty, which in turn can lower the expected returns for shareholders. Investors typically react by

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pushing stock prices down, which results in a drop in market capitalization. So, market value acts as a quick gauge of how changes in exchange rates and their volatility impact investor confidence and the perceived value of a firm.

Enterprise Value

Enterprise values take a more rounded approach to measuring a company's worth by factoring in both equity and debt while subtracting cash reserves. It reflects the total economic value that all capital providers contribute and is usually calculated as: EV = "Market Capitalization" + "Total Debt" - "Cash and Cash Equivalents" (Souder, 2023). Unlike market value, enterprise value considers not just what shareholders expect but also the company's financing set-up and debt responsibilities. This gives a fuller picture of how sustainable operations are. Changes in exchange rates can influence enterprise value in various ways: they can increase foreign-currency debt, alter asset valuations, and lower expected operating cash flows. For companies that rely on imported goods or have foreign debts, a currency depreciation can raise costs and leverage at the same time, which diminishes the overall value of the firm. Therefore, enterprise value offers a more comprehensive view of how exchange rate unification affects total valuation.

2.2 Theoretical Framework

The connection between exchange rate unification and how firms are valued can be understood through a variety of interconnected theories in international finance and asset pricing. These theories work together to illustrate how changes in exchange rates impact a company's expected cash flows, financial risks, and how investors perceive them, ultimately shaping their valuation. This study primarily relies on the Exchange Rate Exposure Theory, which is further backed by the Purchasing Power Parity Theory, the Balance Sheet Channel, and Asset Pricing Theory.

Anchoring Theory: Exchange Rate Exposure Theory

At the heart of this study is the Exchange Rate Exposure Theory, introduced by Adler and Dumas in 1984. This theory suggests that fluctuations in exchange rates can significantly affect a firm's value by altering expected future cash flows and the risks tied to those cash flows. Adler and Dumas identified three types of exposure: transaction, translation, and economic exposure. Of these, economic (or operating) exposure is particularly crucial for manufacturing firms, as it reflects the long-term impacts on competitiveness, costs, revenues, and profitability. In economies like Nigeria, which rely heavily on imports, a drop in currency value raises the costs of imported raw materials, machinery, and intermediate goods. These increased expenses can squeeze profit margins, lower expected cash flows, and hurt competitiveness. Since a firm's valuation is fundamentally linked to the present value of its anticipated future earnings, a decline in cash flows directly leads to lower market and enterprise values. Thus, the Exchange Rate Exposure Theory serves as the main framework for understanding the expected negative relationship between exchange rate unification and firm valuation that this study explores.

Other supporting theories discussed below.

The Purchasing Power Parity theory, first put forward by Cassel in 1918 and later expanded by Rogoff in 1996, posits that exchange rates adjust to balance price levels between countries. When a currency depreciates, it raises the domestic price of imported inputs, which can have significant implications for firms.inputs, thereby raising production costs for manufacturing firms. Higher costs reduce profitability and competitiveness, which may depress firm valuation. PPP theory thus explains the cost channel through which exchange rate movements affect firm worth.

The balance sheet channel emphasised by Krugman (1999) explains how exchange rate depreciation increases the domestic value of foreign-denominated debt. This raises leverage, heightens default risk, and weakens financial stability. Elevated financial risk increases the cost of capital and discourages investment, ultimately reducing enterprise and market values. This mechanism is particularly relevant to enterprise value, which explicitly incorporates debt obligations.

Asset pricing theory, particularly the Capital Asset Pricing Model (Sharpe, 1964; Lintner, 1965), posits that investors demand higher expected returns for riskier assets. Exchange rate volatility introduces macroeconomic uncertainty, increasing systematic risk. As risk rises, investors apply higher discount rates to future cash flows, thereby reducing present values and lowering firm valuations. This explains why market value responds quickly to exchange rate instability.

Link Between Exchange Rate Unification and Firm Value

The link between exchange rate unification and firm value is a fascinating topic. Essentially, exchange rate unification means bringing together various exchange rate systems into one market-driven rate. This aims to boost transparency, efficiency, and investor trust (Olagundoye, 2024; Anthony, 2024). While the goal is to foster long-term stability, the

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shift can sometimes lead to currency depreciation and increased volatility, especially in economies that rely heavily on imports, like Nigeria (Adaramola, 2023). These changes can have a direct impact on how firms perform and are valued.

From a practical perspective, when the currency depreciates, the cost of imported goods goes up, which in turn raises production costs and squeezes profit margins. According to the Purchasing Power Parity theory, these shifts in exchange rates can change relative prices and competitiveness, ultimately affecting a company's earnings and anticipated cash flows (Cassel, 1918; Rogoff, 1996). The Exchange Rate Exposure Theory adds another layer, explaining that currency fluctuations can influence firm value through transaction, translation, and economic exposures that affect future cash flows and risk (Adler & Dumas, 1984).

Moreover, there's the balance sheet channel to consider. When a currency depreciates, it increases the local currency value of debts that are denominated in foreign currencies, which raises leverage and financial risk (Krugman, 1999). On top of that, Asset Pricing Theory suggests that higher macroeconomic risks can lead to increased discount rates, which in turn can lower valuations (Sharpe, 1964).

All in all, these factors indicate that exchange rate unification could significantly impact both market and firm values through various channels related to costs, cash flow, and financing, making it a topic worth exploring further.

2.3 Empirical Review

Opaluwa, Umeh and Ameh (2012) examined the impact of exchange rate fluctuations on the performance of the Nigerian manufacturing sector using time-series data and multiple regression techniques. The study found that exchange rate depreciation and volatility exert a significant negative effect on manufacturing output and profitability. The authors attributed this outcome to the heavy dependence of Nigerian manufacturers on imported raw materials, machinery, and spare parts, which become more expensive when the domestic currency weakens. Their findings suggest that exchange rate instability increases production costs, reduces profit margins, and weakens firm competitiveness. This evidence aligns closely with the present study's results, where bilateral, cross, and trade-weighted exchange rates show significant negative effects on both market value and enterprise value, indicating that currency depreciation diminishes firm valuation.

Baggs, Beaulieu and Fung (2009) investigated the relationship between exchange rate movements and firm survival using Canadian manufacturing firms. Applying panel data techniques, the study reported that exchange rate appreciation and volatility significantly reduced firm survival probabilities and overall performance. Firms exposed to foreign currency risks experienced declining revenues, lower profitability, and weaker market valuation. The study concluded that exchange rate uncertainty discourages investment and reduces firm growth prospects. These findings corroborate the current study's evidence that exchange rate shocks negatively affect investors' expectations, leading to declining market and enterprise values. Both studies highlight how currency risk translates into lower firm worth.

Aghion et al. (2009) analysed how exchange rate volatility influences firm investment and growth using cross-country firm-level data. Their results demonstrated that exchange rate instability significantly reduces investment and slows firm expansion, particularly in financially constrained firms. The authors argued that volatility increases uncertainty about future cash flows, discouraging capital expenditure and lowering firm value. The study emphasised that macroeconomic instability weakens investor confidence and negatively affects asset prices. This outcome supports the findings of the present study, where exchange rate indicators significantly depress both market value and enterprise value, suggesting that valuation metrics are highly sensitive to exchange rate risk.

Nucci and Pozzolo (2014) examined firm-level exposure to exchange rate movements in European manufacturing firms using panel regression analysis. The study revealed that exchange rate changes significantly affect firm profitability, revenues, and cost structures through both export and import channels. Firms heavily dependent on imported inputs experienced declining performance when currencies depreciated. Importantly, the authors found that exchange rate exposure significantly influences firm financial outcomes and valuation. Their conclusions are consistent with the present study, which shows that Nigerian manufacturing firms' enterprise and market values decline as exchange rates depreciate. Both studies demonstrate that firms with strong foreign currency exposure are particularly vulnerable to exchange rate shocks.

Lawal (2016) assessed the effect of exchange rate movements on industrial output in Nigeria using econometric techniques. The results showed that exchange rate fluctuations have a weak but negative impact on industrial and manufacturing performance. Although the effect was less pronounced compared to other macroeconomic variables,

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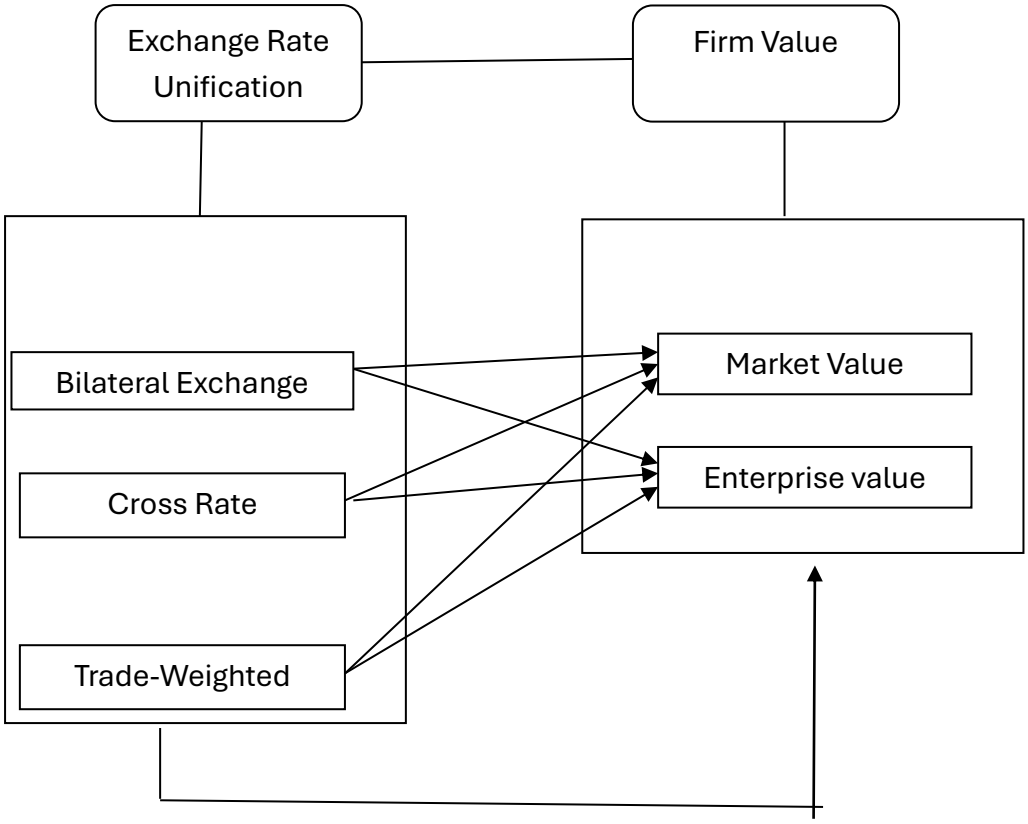
persistent depreciation created cost pressures that reduced productivity and investment. This finding helps explain the weaker or moderate relationships observed in accounting-based measures, while still supporting the broader conclusion that exchange rate instability constrains firm performance. The present study extends Lawal's work by focusing specifically on firm valuation indicators (market value and enterprise value), providing more direct evidence of how exchange rate shocks translate into reduced corporate worth.

Fig.1 Operational Framework – The following is the operational framework of the study:



Source: Researcher's desk 2025

2.4 Research Gaps

There are still some significant gaps in our understanding of how exchange rate movements impact firm-level valuation, especially in developing countries like Nigeria, despite a wealth of research on macroeconomic performance. Much of the existing work tends to focus on broad indicators such as GDP, employment, and exports, which don't really show how changes in exchange rates affect the value of individual firms and the wealth of their shareholders. Additionally, many studies in Nigeria lean heavily on time-series and economy-wide data, which often miss the unique characteristics of individual firms and limit the depth of micro-level analysis. Most research has concentrated on exchange rate volatility or depreciation, rather than looking at exchange rate unification as a key structural policy reform. Plus, when it comes to firm-level studies, there's a tendency to rely on accounting performance metrics instead of more forward-looking valuation measures like market value and enterprise value, which provide a clearer picture of investor expectations and the overall worth of a firm. There's also a noticeable lack of research that examines both equity and total firm value together. As a result, we have limited empirical evidence on how exchange rate unification impacts firm valuation in Nigeria, underscoring the importance of conducting panel-based firm-level studies like the one we're discussing here.

2.5 Hypotheses Development

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Building on the foundations of Exchange Rate Exposure Theory (Adler & Dumas, 1984), Purchasing Power Parity Theory (Cassel, 1918), and Asset Pricing Theory (Sharpe, 1964), we anticipate that the depreciation and volatility of exchange rates linked to unification will lead to higher production costs, increased financial risk, and diminished expected cash flows, ultimately putting downward pressure on firm valuations. Since the market and enterprise values reflect how investors perceive profitability, risk, and the overall sustainability of a firm, they are likely to react to shocks in exchange rates. However, to maintain an unbiased approach in our empirical testing, we present the hypotheses in their null form. H_{01}: Exchange rate unification does not have a significant impact on the market value of quoted manufacturing firms in Nigeria. H_{02}: Exchange rate unification does not have a significant impact on the enterprise value of quoted manufacturing firms in Nigeria.

3.0 METHODOLOGY

This study adopted an ex post facto research design, which is appropriate because the variables of exchange rate unification indicators and firm valuation measures are historical, non-manipulable, and observable only after their occurrence. The design permits the examination of causal relationships between exchange rate unification proxies and firm value using secondary data without experimental control (Creswell & Creswell, 2018). Such an approach is widely applied in financial and macroeconomic research where policy and market variables cannot be directly manipulated. The population comprised all quoted manufacturing firms listed on the Nigerian Exchange Group (NGX). Manufacturing firms were specifically selected because of their high exposure to foreign exchange risk resulting from their reliance on imported raw materials, machinery, and intermediate inputs. Consequently, fluctuations in exchange rates are more likely to affect their operational performance and valuation outcomes. A purposive sampling technique was employed based on data availability, consistency of listing, and completeness of financial statements over the study period. Firms with missing or inconsistent records were excluded to ensure reliability and comparability of estimates. Following these criteria, fifteen (15) manufacturing firms were selected. The final dataset consists of a balanced panel of 15 firms observed over a ten-year period (2013–2022), producing 150 firm–year observations, which enhances the robustness and efficiency of the panel regression estimates.

The study relied exclusively on secondary data. Firm-specific financial information was obtained from the audited annual reports and accounts of the sampled firms, as well as the Nigerian Exchange Factbook. Exchange rate indicators and other macroeconomic variables were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin and related official publications. These sources are widely recognized for their credibility, consistency, and suitability for empirical finance and macroeconomic analysis.

3.1 Measurement and Operationalisation of Variables

The study focuses on firm valuation, proxied by Market Value (MV) and Enterprise Value **(EV)**, and explains them using exchange rate indicators.

Variable	Proxy	Measurement	Type
Market Value (MV)	Share valuation	Share price × outstanding shares	Dependent
Enterprise Value (EV)	Total firm value	Market cap + total debt – cash	Dependent
Bilateral Exchange Rate (DBER)	DBER	Annual % change in Naira/Dollar	Independent
Cross Exchange Rate (DCER)	DCER	Cross currency index	Independent
Trade-weighted Index (DTWI)	DTWI	Trade-weighted exchange rate	Independent

These measures capture different dimensions of currency movement, volatility, and external competitiveness.

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3.2 Model Specification and Estimation Procedure

To examine the effect of exchange rate unification on firm valuation, the study specified two panel regression models in which firm value was proxied by market value (MV) and enterprise value (EV). Exchange rate unification was captured using three indicators: bilateral exchange rate (DBER), cross exchange rate (DCER), and trade-weighted exchange rate index (DTWI). The functional relationships are expressed as follows:

$$MV_{it} = \beta_0 + \beta_1 DBER_{it} + \beta_2 DCER_{it} + \beta_3 DTWI_{it} + \varepsilon_{it}$$
$$EV_{it} = \beta_0 + \beta_1 DBER_{it} + \beta_2 DCER_{it} + \beta_3 DTWI_{it} + \varepsilon_{it}$$

where i denotes the firm, $t$represents the time period, $\beta_0$is the intercept, β_1–$\beta_3$are slope coefficients measuring the sensitivity of firm valuation to exchange rate movements, and $\varepsilon_{it}$is the stochastic error term. The estimated coefficients capture the magnitude and direction of the relationship between exchange rate indicators and firm value. Panel regression techniques were employed because they integrate both cross-sectional and time-series dimensions, improve estimation efficiency, and control unobserved firm-specific heterogeneity (Baltagi, 2021).

Both fixed effects (FE) and random effects (RE) estimators were computed to account for potential differences across firms. The Hausman specification test was subsequently applied to determine the most appropriate and consistent estimator for each model. Hypotheses were tested at the 5% level of significance (α = .05). The null hypothesis was rejected when the probability value was less than .05, indicating a statistically significant relationship between exchange rate indicators and firm valuation. All estimations were conducted using EViews version 13.

4.0 RESULTS AND DISCUSSION

Panel Regression Estimates of Exchange Rate Unification and Firm Valuation
Fixed Effects (FE) and Random Effects (RE) with t-statistics

Variables	Market Value (FE) Coef [t]	Market Value (RE) Coef [t]	Enterprise Value (FE) Coef [t]	Enterprise Value (RE) Coef [t]
Constant (C)	-0.4194 [-2.204]	-0.4194 [-2.204]	-0.4880 [-2.585]	-0.4880 [-2.585]
DBER	-0.0115 [-2.396]	-0.0115 [-2.396]	-0.0109 [-2.319]	-0.0109 [-2.319]
DCER	-47.6805 [-3.162]	-47.6805 [-3.162]	-45.5340 [-3.043]	-45.5340 [-3.043]
DTWI	-0.1652 [-3.352]	-0.1652 [-3.352]	-0.1642 [-3.356]	-0.1642 [-3.356]
R-squared	0.1656	0.1293	0.1580	0.1233
Adjusted R^2	0.0444	0.1094	0.0975	0.1032
F-statistic	1.3663	6.4865***	1.5124	6.1407***
Prob (F)	0.1660	0.0004	0.1420	0.0006
Durbin–Watson	2.3118	2.2154	2.2870	2.2306
Observations	135	135	135	135

Eview version 13

Notes: t-statistics in brackets. *, **, *** denote 10%, 5%, and 1% significance levels respectively. DBER = Bilateral exchange rate; DCER = Cross exchange rate; DTWI = Trade-weighted index.

4.1 Discussion of Results

This study looked into whether indicators of exchange rate unification have a significant impact on how quoted manufacturing firms in Nigeria are valued, using both market value and enterprise value measures. The findings are discussed in relation to the null hypotheses and the relevant theoretical and empirical literature. Market Value (H_{01}) The regression analysis reveals that the bilateral exchange rate (DBER), cross exchange rate (DCER), and the trade-weighted exchange rate index (DTWI) all have negative and statistically significant effects on market value. The overall model is significant, with $F(3, 131) = 6.49$, $p < .01$. As a result, we reject the null hypothesis, indicating that exchange rate unification does indeed have a significant impact on the market valuation of firms. The negative coefficients imply that currency depreciation and volatility lead to increased input costs for manufacturers who rely on imports, which in turn diminishes expected profitability and undermines investor confidence, resulting in lower share prices and market capitalization. This finding aligns with the Exchange Rate Exposure Theory (Adler & Dumas, 1984), which connects exchange rate fluctuations to expected cash flows and risk, as well as the Asset Pricing Theory

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(Sharpe, 1964), which suggests that heightened macroeconomic uncertainty leads to lower valuations. These results are consistent with previous studies that have shown how exchange rate instability negatively affects manufacturing performance and firm value (Aghion et al., 2009; Opaluwa et al., 2012; Nucci & Pozzolo, 2014).
Enterprise Value (H_{02}). It turns out that DBER, DCER, and DTWI have a significant negative impact on enterprise value, and the model shows this clearly with a statistical significance of $F(3, 131) = 6.14$, $p < .01$. So, we can confidently reject the null hypothesis here. When it comes to exchange rate unification, it plays a crucial role in shaping the total economic value of companies. The negative correlation we see means that depreciation doesn't just cut into operating cash flows; it also raises the domestic value of foreign-denominated debts. This, in turn, increases leverage and financial risk. The overall effect is a dip in the firm's worth. This finding is in line with the Balance Sheet Channel Theory (Krugman, 1999) and the Exchange Rate Exposure Theory, supporting previous research that connects exchange rate fluctuations with diminished firm performance and sustainability (Baggs et al., 2009; Lawal, 2016). \
Overall Implication Putting it all together, the results indicate that exchange rate unification has a notable negative effect on both market and enterprise values. This suggests that while unification might enhance the efficiency of the foreign exchange market, the accompanying depreciation and volatility can initially undermine firm valuation, especially for manufacturing firms that rely heavily on imports. This evidence highlights the critical need for exchange rate stability and robust risk management strategies to maintain firm value.

5.1 POLICY IMPLICATIONS, CONCLUSION, AND RECOMMENDATIONS

This study reveals that unifying exchange rates has a significant and negative impact on both the market value and enterprise value of publicly traded manufacturing companies in Nigeria. The findings show that the depreciation and volatility that come with exchange rate changes raise the costs of imported materials, increase foreign currency liabilities, lower expected cash flows, and elevate investor risk perceptions, all of which contribute to a decline in firm valuation. While the goal of exchange rate unification is to enhance transparency and efficiency in the foreign exchange market, its immediate effects can be detrimental to firm performance and shareholder wealth, especially in manufacturing sectors that rely heavily on imports. From a policy standpoint, these results underscore the need for maintaining exchange rate stability alongside unification efforts. The Central Bank of Nigeria and other monetary authorities should pair unification with careful foreign exchange management, sufficient reserve buffers, and coordinated monetary policies to minimize excessive fluctuations. By reducing sharp currency swings, we can help restore investor confidence and safeguard firm valuations. On a sectoral level, industrial policies should promote backward integration and encourage local sourcing of raw materials to lessen manufacturers' vulnerability to foreign currency risks. Supporting domestic input substitution, bolstering local supply chains, and fostering export diversification can strengthen resilience against exchange rate shocks. At the firm level, managers need to implement proactive foreign exchange risk management strategies, such as hedging, aligning currency revenues with liabilities, and making wise leverage choices. Companies with foreign currency debt should consider restructuring their financing to favor local currency instruments whenever possible to mitigate balance sheet risks. In conclusion, while exchange rate unification is a crucial step forward, it's essential to recognize and address its potential short-term challenges to ensure long-term benefits.Without such safeguards, exchange rate volatility may undermine firm value and weaken the competitiveness of the manufacturing sector. Therefore, a combination of stable exchange rate policy, industrial development strategies, and firm-level financial prudence is recommended to enhance sustainable valuation outcomes.

5.2 Contribution to Knowledge

This study makes several significant contributions to our understanding of the topic. First off, it presents firm-level panel evidence on how exchange rate unification impacts valuations in an emerging economy, which goes beyond the usual focus on macroeconomic or aggregate outcomes. Secondly, by using both market value and enterprise value metrics, it offers a more rounded view of firm valuation that considers the interests of both equity and debt holders. Thirdly, it applies Exchange Rate Exposure Theory to the context of exchange rate unification reforms, effectively connecting macroeconomic policy changes to the micro-level effects on corporate valuations. Lastly, the findings deliver timely empirical insights for policymakers and corporate managers in Nigeria and other developing economies that are contemplating exchange rate reforms, thus enriching the ongoing academic and policy discussions surrounding exchange rate management and firm performance.

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