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Impact of Dollar on Naira Exchange Rate on Consumer Purchasing Power in Nigeria

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Abstract

This study examines the impact of exchange rate fluctuations and inflation on consumer purchasing power in Asaba, Delta State, Nigeria. A cross-sectional survey research design was employed, with data collected from 80 households using a structured five-point Likert scale questionnaire. Simple random sampling was used to select respondents, ensuring a representative sample. The results reveal that 78% of respondents believe exchange rate fluctuations have reduced their ability to purchase essential goods, while 88% report that inflation has further weakened their purchasing power. Statistical analysis indicates a strong positive correlation between exchange rate fluctuations and consumer purchasing power (r=0.586, p<0.01), and a negative correlation with inflation (r=0.260, p>0.01). These findings are consistent with previous research, highlighting the significant effect of exchange rate instability and inflation on the financial security of households. The study concludes that both factors considerably affect consumers' ability to maintain their standard of living and recommends that the government implement policies to stabilize the exchange rate, control inflation, and promote financial literacy to mitigate these effects.

Keywords: *Exchange Rate Fluctuations, Consumer Purchasing Power*, *Inflation*

Introduction

The naira has devalued against the US dollar by around 41% in the official market and about 30% in the parallel market (World Bank, 2023). Inflation and foreign exchange rates exert a dual impact on the national currencies of nations. Inflation undermines the domestic worth of the national currency, while the exchange rate affects its foreign value. This severely impacts a nation's economy, presenting a formidable challenge for policymakers. Consequently, exchange rate and inflation management are key concerns for central banks in emerging nations globally. The fast-moving consumer goods (FMCG) business in Nigeria is one of the largest and most active marketplaces on the African continent. A considerable proportion of firms in the FMCG industry engage in the manufacturing and distribution of products like food and beverages, personal care items, household goods, and toiletries. The Nigerian consumer products market is among the largest and most dynamic in Africa. This sector, valued at around US$20 billion, has undergone substantial expansion in the previous decade. The ongoing devaluation of the naira relative to the US dollar has resulted in a substantial rise in the prices of consumer products in Nigeria, thus diminishing consumers' purchasing power and jeopardizing the living standards of Nigerian inhabitants. Notwithstanding governmental attempts to fix the currency rate, the naira has persistently depreciated, resulting in increased import costs, inflation, and diminished consumer expenditure. It also negatively impacts economic efficiency, resource allocation, and the depletion of foreign exchange reserves. The impact of foreign currency prices on other macroeconomic phenomena is a significant issue for policymakers. It is essential to have a robust exchange rate control framework to mitigate potential shocks from foreign exchange demand and supply. This is based on the premise that stability in foreign currency rates fosters a policy of consumer price stability.

The exchange rate is vital to a nation's economy, influencing not only trade but also various economic activities, including trade balance (imports and exports), inflation, foreign investments, employment, monetary and fiscal policies, and travel and tourism. The exchange rate between the US dollar (USD) and the Nigerian naira (NGN) significantly influences the price of consumer products in Nigeria. Nigeria's economy, heavily dependent on imports, is acutely susceptible to exchange rate swings. A depreciation of the naira relative to the dollar results in elevated costs of imported commodities, therefore escalating the prices of consumer goods. This has extensive implications for Nigerian consumers, businesses, and the national economy. Fluctuations in exchange rates impact not only the cost of living but also economic growth, inflation, and employment levels.

Statement of Problem

The recent exit of consumer goods companies from the local market owing to problems has substantial ramifications for consumers and other industry stakeholders. The expectation of price increases in consumer goods resulting from reduced supply, restricting consumers' access to alternative alternatives. Moreover, other market participants may capitalize on this circumstance by increasing their product pricing." Escalating food prices have emerged as a global concern that often impacts economic growth and development. An escalation in food costs negatively impacts the purchasing power of households, diminishing real income per capita, particularly in emerging nations. The majority of households in many developing nations are impoverished, allocating a significant portion of their income to essential food items, and thus endure the effects of escalating food inflation. The increase in food inflation in Nigeria generates economic uncertainty and may deter investment, particularly in small enterprises that lack access to credit facilities. This engenders domestic economic distortions, resulting in elevated poverty levels and a high cost of living within the nation. This may be attributed to the over reliance on imported goods, resulting in elevated food inflation within the country. In addition to its effect on consumption spending, currency depreciation also affects gas prices, which subsequently effects consumption expenses. The fluctuation of petrol prices seems to be a significant issue for the Nigerian economy, and its volatility may lead to alterations in household consumption spending. While controlling food inflation and costs is a priority for every government, fluctuations in the currency rate can impact food prices in Nigeria. In today's competitive environment, the exchange rate serves as a crucial indication that influences food costs and economic growth. This researcher intends to investigate how exchange rate changes and the devaluation of the naira directly and indirectly influence consumer purchasing power, particularly given that not all consumer items are imported. Recently, the prices of domestically produced items have surged, resulting in a significant portion of consumers experiencing severe poverty and diminished purchasing power.

Research Objectives

The general objective of this study is to build on the understanding of the relationship between the dollar naira exchange rate fluctuations and cost of consumer goods; while the specific objectives are to:

1). ascertain the relationship between exchange rate fluctuation and consumer purchasing power.

2). examine the extent to which inflation affects consumer purchasing power.

Scope of the study

Content Scope:

The study will investigate the impact of Dollar-Naira exchange rate fluctuation and inflation on consumer purchasing power, focusing on:The relationship between exchange rate fluctuation and consumer purchasing power, as well as The effect of inflation on consumer purchasing power.

Geographical Scope

The study will focus exclusively on residents of Infant Jesus Layout and surrounding areas.

This scope defines the study's content and geographical limits.

Significance of the Study

The significance of this study lies in its implications for the country’s economy and its impact on the everyday lives of its citizens. Understanding how changes in the exchange rate affect the cost of consumer goods can provide valuable insights into how external factors influence domestic prices, inflation rates, and purchasing power.

By examining the relationship between exchange rate fluctuations and consumer purchasing power, policy makers can better understand the mechanisms through which changes in the foreign exchange market impact the domestic economy. This knowledge can inform the development of effective monetary and fiscal policies aimed at stabilizing prices, promoting economic growth, and improving the overall standard of living for Nigerian citizens.

Also, studying the fluctuating exchange rates and consumer purchasing power in Nigeria can also help businesses and consumers make more informed decisions about their financial planning and purchasing habits. Businesses can adjust their pricing strategies and supply chain management practices in response to the currency fluctuations, while consumers can better anticipate changes in prices and adjust their spending habits accordingly.

LITERATURE REVIEW

Conceptual Framework

Inflation

Inflation is the continual rise in the overall price level in the economy, impacting the value of the home currency (Fatukasi, 2012). The price increase must be sustained over time and impact all commodities and services inside the economy, rather than being a singular event. Inflation is often characterized as a condition in which an excess of currency is pursuing a limited supply of goods. During inflation, the currency diminishes in purchasing value. The purchasing power of a specific quantity of naira diminishes over time in the presence of inflation within the economy. For example, if N 10.00 can buy 10 shirts in the present time, and the price of shirts doubles in the subsequent period, the same N 10.00 will only be able to purchase 5 shirts. Two considerations must be acknowledged in the concept of inflation. Firstly, aggregate refers to the notion that inflation must encompass an overall increase in the prices of the entire basket of goods within the economy, rather than merely an isolated increase in the prices of a particular commodity or a specific group of commodities. Moderate inflation is not very alarming; nevertheless, rapid price increases can lead to significant issues. As inflation rates escalate, the expenses associated with production and delivery concurrently climb, resulting in elevated prices for goods and services. Inflation may be driven by various reasons, such as exchange rate volatility, import expenses, and currency devaluation. Research conducted by Ade et al. (2016) has established the correlation between inflation and consumer prices in Nigeria, underscoring the necessity of regulating inflation to alleviate its effects on consumers.

Import Cost

Import expenses, closely linked to the exchange rate, significantly influence the pricing of consumer goods in Nigeria. The expense of importing goods is directly influenced by the dollar-naira exchange rate, along with additional considerations such tariffs, shipping expenses, and administrative charges. Research conducted by Bello et al. (2020) indicates that increased import expenses stemming from currency devaluation can lead to elevated consumer prices. Akinola and Mustapha (2016) conducted a study examining the effects of currency depreciation on consumer goods prices in Nigeria. The study determined that the naira's devaluation exacerbated inflationary pressures, resulting in increased costs for consumer items. Egbon et al. (2018) examined the impact of import expenses on consumer prices in Nigeria, emphasizing the relationship between the dollar/naira exchange rate and the cost of imported commodities. The research indicated that elevated import expenses stemming from currency devaluation led to heightened consumer prices.

Exchange Rate Fluctuation

Exchange rate fluctuations denote variations in the value of one currency in relation to another. Osuka and Osuji (2008) examine the substantial repercussions of exchange rate fluctuations, which might entail enormous welfare costs. The interest rate in a nation represents the yield on investment for that nation's currency. Due to the escalation of interest rates in 2022, the value of the U.S. dollar appreciated relative to other currencies, rendering it appealing to international investors. Globally, investors divest from other currencies to acquire U.S. dollars, so fortifying the dollar and diminishing the value of alternative currencies. Andrew et al. (2023) Exchange rate fluctuation denotes the variation in the value of one currency in relation to another currency over a period of time. It quantifies the fluctuation of the exchange rate between two currencies.

Consumer Purchasing Power

Sen (1981): Poverty and purchasing power differ among nations as a result of entitlement and deprivation. Sen's research underscores the significance of entitlements in comprehending poverty and consumer purchasing capacity. Consumer purchasing power is influenced not just by money but also by access to markets, social and economic interactions, and institutional variables like as property rights and social security (Iyadi, 2023; Iyadi & Sado, 2023). According to Sen's entitlement theory, consumer purchasing power is defined as "the capacity of an individual or household to obtain goods and services, influenced by their endowments, exchange entitlements, and legal and social entitlements."Sen's research examines the correlation among poverty, famines, and consumer purchasing capacity. He presents the notion of "entitlement" – the capacity to obtain resources, such as food. Sen's entitlement theory continues to be significant in comprehending consumer purchasing power, especially in emerging nations, where access to resources and markets may be constrained. The condition of consumer purchasing power in Nigeria is significantly difficult (Iyadi, 2023). The nation's economy entered a recession in 2016, significantly affecting consumers' spending power. The elimination of gasoline subsidies has diminished purchasing power, especially for low-income households. Nigerian households have had to modify their expenditure patterns due to diminished purchasing power. The National Bureau of Statistics indicated that consumption expenditure patterns had shifted, with households dedicating increased expenditures to important commodities.

Review of Related Theories

The Purchasing Power Parity (PPP) theory effectively elucidates the correlation between exchange rates and the pricing of consumer products. According to Purchasing Power Parity (PPP), exchange rates ought to adapt such that identical items in disparate countries possess equivalent prices when denominated in a common currency. This indicates that alterations in the exchange rate between two currencies should result in corresponding changes in the cost of consumer goods in those nations to uphold purchasing power parity. A drop in the exchange rate of one currency relative to another indicates that the former has depreciated while the latter has appreciated. This will result in higher costs for consumer products imported from the nation with the appreciated currency, as they will now be more expensive in the depreciated currency. Conversely, the expense of consumer products exported to the nation with the depreciated currency would diminish, rendering them more accessible. The Purchasing Power Parity (PPP) theory posits that exchange rates ought to adjust to equalize the prices of equivalent goods among nations. Purchasing Power Parity (PPP) influences exchange rate volatility through various mechanisms:

The Purchasing Power Parity (PPP) theory posits that the exchange rate between two currencies ought to correspond to the ratio of the price levels of an identical basket of products in each nation.

Mathematical Representation:

S = (Pdom / Pfor)

Where:

S = Exchange rate (domestic currency/foreign currency)

Pdom = Price level of the domestic country

Pfor = Price level of the foreign country

Impact on Exchange Rate Fluctuations:

1. Price Convergence: PPP predicts that exchange rates will adjust to eliminate price differences between countries.

2. Exchange Rate Determination: PPP influences exchange rate fluctuations by incorporating price level changes.

3. Inflation Differential: PPP accounts for inflation rate differences between countries, affecting exchange rate movements.

4. Real Exchange Rate: PPP helps determine the real exchange rate, which reflects changes in relative prices.

Limitations of the PPP

1. Non-Traded Goods: PPP ignores non-traded goods, which can significantly impact exchange rates.

2. Transportation Costs: PPP assumes zero transportation costs, which is unrealistic.

3. Tariffs and Trade Barriers: PPP neglects the impact of tariffs and trade barriers on exchange rates.

Empirical Reviews

Exchange Rate Fluctuations and Consumer Purchasing Power

The correlation between currency rates and consumption spending is sometimes associated with the Backus-Smith conundrum. Devereux et al. (2012) describe the Backus-Smith puzzle as the anomalous correlation between consumer expenditure and the real exchange rate. The puzzle arises from the observation that, in certain instances, consumer spending is positively correlated with currency depreciation (exchange rate increase), yet in other instances, the two economic indicators (exchange rate and consumption expenditure) exhibit a negative correlation. Ogunlesi and Adebayo (2019) investigated the correlation between currency rate variations and consumer prices in Nigeria. The research indicated that fluctuations in the dollar/naira exchange rate directly impacted the pricing of imported consumer products, hence influencing the overall cost of living for Nigerians. The value of a currency is a crucial factor influencing prices in international trade. When a currency's value fluctuates, the prices of goods denominated in that currency may be impacted. An appreciation of currency, characterized by a gain in value over time, leads to a reduction in the effective price of imported goods; conversely, currency depreciation, marked by a fall in value over time, resulting in elevated import prices. Generally, companies worldwide have embraced the comparatively stable U.S. dollar as their currency of choice for import and export activities. However, fluctuations in U.S. dollar exchange rates against numerous other currencies disrupted international trade prices in 2022. (Andrew et al., 2023).

The exchange rate between the US dollar and the Nigerian naira significantly influences the prices of imported consumer products in Nigeria. When the naira depreciates against the dollar, importers must expend more naira to acquire an equivalent quantity of foreign money. The elevated expense of importing goods is frequently transferred to consumers as increased prices. Ojo and Otun (2015) conducted a study analyzing the effects of exchange rate variations on consumer goods pricing in Nigeria. The results indicated that a depreciation of the naira resulted in a substantial rise in the costs of imported items, hence affecting the overall cost of consumer goods in the nation. Ojo et al. (2017) and Abdullahi et al. (2019) have substantiated this correlation, emphasizing the influence of currency depreciation on the cost of consumer products. Fluctuations in exchange rates can significantly impact the prices of consumer items in Nigeria. Wang et al. (2018) asserted that exchange rate fluctuation heightened the uncertainty experienced by importers, resulting in elevated pricing for consumers. Variations in the currency rate can disrupt supply chains and pose difficulty for firms in forecasting import expenses, ultimately resulting in price hikes for consumers.

Inflation and Consumer Purchasing Power

Inflation is a significant element that affects the prices of consumer products in Nigeria. David Lloyd (2024) asserts that a general increase in prices over time diminishes customers' purchasing power, as a constant sum of money will enable increasingly less spending. In Nigeria, the quest for enhanced economic growth often results in inflationary pressures (Oladipo & Akinbobola, 2011). Ogwu (2010) asserted that inflation adversely affects the impoverished the most, since they possess the least capacity to shield themselves from escalating commodities costs. He stated that cost-push inflation arises from the depreciation of the naira, which increases the costs of critical goods and other imported items. As time progresses, further salary increases will be required to counteract inflation, resulting in the continued depreciation of real wages as prices persist in their ascent, even after wages have been raised to satisfy worker demands. This phenomena adversely affects the non-working population and low to medium income workers, who may not have benefited from the compensatory income increase or may have had minimal income growth that fails to align with the overall wage increase in the economy.

Consumers see a decline in purchasing power irrespective of an inflation rate of 2% or 4%. They experience a more rapid loss. David Lloyd asserted that inflation may exert a beneficial influence on the economy. Individuals persist in expending rather than conserving their funds when inflation occurs at a modest pace. Many consumers are willing to spend despite minor price increases, as they frequently anticipate future inflation. Adedayo et al. (2017) investigated the correlation between inflation and the dollar/naira exchange rate for consumer goods prices. The research indicated that inflationary pressures stemming from exchange rate volatility led to increased pricing of consumer products in the Nigerian market.

Methodology

The study adopted a cross-sectional survey research design because it allows for the collection of data at a single point in time, making it suitable for assessing the current impact of exchange rate fluctuation and inflation on consumer purchasing power. This design is efficient for obtaining a snapshot of the population's opinions and behaviors regarding economic factors without the need for long-term data collection. Additionally, cross-sectional surveys are cost-effective and time-saving, enabling researchers to gather a representative sample from a large population, which supports generalizing the findings to the broader population. This method aligns well with the study's objective to explore consumer responses to economic variables within a specific timeframe.

Population of the Study

The population of the study consists of all members of the specific group being examined, namely the residents of Infant Jesus Layout, Asaba, Delta State. The target population for this study includes residents of Infant Jesus Layout, Asaba, Delta State, Nigeria, irrespective of their employment status as of August 30, 2024. This population was drawn from the region as indicated in the scope of the study. Based on a field survey, there are 10 streets in Infant Jesus Layout, Asaba, with approximately 55 buildings on each street. Therefore, the estimated population figure is 550 households, assuming one household per building.

Sample and Sampling Technique

According to Polit (2001), a sample size is a proportion of the population. Using a sample enables researchers to save time and money while obtaining more detailed information from the sampled respondents. A sample size of 80 was determined using Taro Yamane's (1967) formula. This study employed a simple random sampling technique, allowing every member of the population the possibility of being included in the study, thus ensuring a representative sample of the larger population. The rationale for this choice is that simple random sampling minimizes bias and enhances the generalizability of the findings to the entire population.

Data Collection

Primary data collection was conducted using a five-point Likert scale structured questionnaire (ranging from strongly agree to strongly disagree). This format was chosen because it enables respondents to express varying degrees of agreement or disagreement, providing a nuanced understanding of their perceptions regarding exchange rate fluctuations. The questionnaires were distributed using the traditional method of paper and pen to various households through chain referrals. A period of seven working days was allotted for this process, after which the researcher collected the completed questionnaires from the respondents. Content and construct validity were utilized to test the validity of the research instrument, while the reliability of the instrument was assessed using a pilot test.

Model Specification

$CPP = F(ERF, INF) \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots 1$

$CPP = \beta 0 + \beta 1ERF + \beta 2INF + \varepsilon \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots 2$

CPP = Consumer Purchasing Power (index or ratio)

ERF = Exchange Rate Fluctuation (percentage change in Dollar-Naira Exchange Rate)

INF = Inflation (percentage change in Consumer Price Index, CPI)

$\beta 1<0$ (Increased ERF → Decreased CPP)

$\beta 2<0$ (Increased INF → Decreased CPP)

Results and Discussions

Table 1. Respondents Profile

S/N	Questions	Response	Respondents	Percentage %
1	Age	20-30-Years	26	32.5
		30-50 Years	35	43.75
		Above 50 Years	19	23.75
2	Gender	Male	43	53.75
		Female	37	46.25
3	Education	FSLC	10	12.5
		SSCE	15	18.75
		OND	18	22.5
		BSc/HND	22	27.5
		Post Graduate	15	18.75
4	Employment Status	Civil Servant	40	50
		Private Sector	20	25
		MD/CEO	5	6.25
		Self Employed	10	12.5
		SME	5	6.25
5	Marital Status	Married	56	70
		Single	20	25
		Divorced	4	5

Source: Field Survey, 2024.

The demographic data in table 1 reveals insights into the characteristics of the respondents. **Age distribution** shows that the majority (44%) are between 30-50 years, indicating a relatively mature population. About 32.5% are between 20-30 years, and 23.75% are above 50, reflecting a mix of younger, middle-aged, and older respondents, with the largest group being in their prime working years. In terms of **gender**, the sample is slightly male-dominated, with 54% male respondents and

46% female respondents. This near-balanced gender representation suggests diverse viewpoints, though slightly more from men. Regarding **education**, the largest group has BSc/HND qualifications (27.5%), followed by OND (22.5%) and postgraduate degrees (18.75%), indicating that the respondents are generally well-educated. A smaller portion has SSCE (18.75%) or FSLC (12.5%), suggesting a broad range of educational backgrounds among the participants. **Employment status** shows that 50% are civil servants, followed by private sector employees (25%) and self-employed individuals (12.5%), pointing to a workforce largely tied to government and formal employment sectors. Finally, **marital status** highlights that a significant majority (70%) of respondents are married, while 25% are single and only 5% are divorced. This marital profile suggests that most participants are likely to have family responsibilities, which may affect their perspectives on financial matters.

Table 2. Exchange Rate Fluctuation

S/N	STATEMENTS	SA 5	A 4	U 3	D 2	SD 1
1	The fluctuation in Dollar-Naira exchange rate has reduced my household's ability to buy essential goods.	50 62.5%	12 15%	6 7.5%	2 2.5%	10 12.5%
2	Changes in Dollar-Naira exchange rate affect the prices of goods and services my household buys regularly.	40 50%	23 28.75%	-	13 16.25%	4 5%
3	The instability in Dollar-Naira exchange rate makes it difficult for my household to plan our expenses.	35 43.75%	15 18.75%	2 2.5%	8 10%	20 25%
4	The increase in prices due to Dollar-Naira exchange rate fluctuation has reduced my household's overall standard of living.	44 55	22 27.5%	5 6.25%	3 3.75%	6 52.5%

Source: Field Survey, 2024.

Table 2 reveals that **exchange rate fluctuations** have a significant impact on consumer purchasing power, with most respondents (78%) agreeing that the fluctuation in the Dollar-Naira exchange rate has reduced their ability to purchase essential goods. Additionally, 79% of respondents believe that these changes affect the prices of goods and services their households buy regularly. The instability in the exchange rate also makes it difficult for many households to plan expenses, with 63% agreeing that this has become a challenge, while 83% believe that it has directly reduced their standard of living.

Table 3. Inflation

S/N	STATEMENTS	SA 5	A 4	U 3	D 2	SD 1
1	The increasing prices due to inflation have reduced my household's ability to buy essential goods.	60 75%	10 12.5%	5 6.25%	3 3.75%	2 2.5%
2	Inflation has made it difficult for me to afford the same quality of life as before.	55 68.75%	15 18.75%	10 12.5%	-	-
3	The rising cost of living due to inflation has forced my household to reduce non-essential spending.	40 50%	20 25%	8 10%	2 2.5%	10 12.5%
4	Inflation has decreased my household's savings due to increased expenses.	60 75%	10 12.5%	5 6.25%	2 2.5%	3 3.75%

Source: Field Survey, 2024.

In terms of **inflation in table 3**, the findings show that it has further weakened household purchasing power, with 88% of respondents agreeing that increasing prices have diminished their ability to buy essential goods. Most participants (88%) report that inflation has made it difficult to maintain the same quality of life they had before, and 75% say they have been forced to cut back on non-essential spending. Furthermore, inflation has eroded household savings for the majority, as 88% of respondents agree that their savings have been affected by rising expenses.

Table 4. Consumer Purchasing Power

S/N	STATEMENTS	SA 5	A 4	U 3	D 2	SD 1
1	I can afford to buy most of the things I need.	30 37.5%	10 12.5%	3 3.75%	30 37.5%	7 8.75%
2	My income allows me to make ends meet without financial difficulty.	10 12.5%	25 31.25%	6 7.5%	35 43.75%	4 5%
3	I have enough money left over after paying bills to spend on discretionary items.	2 2.5%	5 6.25%	3 3.75%	40 50%	10 12.5%
4	I feel financially secure when making purchasing decisions.	5 6.25%	10 12.5%	-	50 62.5%	10 12.5%

Source: Field Survey, 2024.

When considering overall **consumer purchasing power**, the results in table 4 suggest financial strain for many households. While 50% of respondents can still afford most of the things they need, an equal percentage disagrees, indicating that affordability is a challenge. A notable 49%

disagree that their income allows them to make ends meet without financial difficulty, and 63% of respondents report having little or no money left after paying bills. Financial insecurity is prevalent, with 75% expressing that they do not feel financially secure when making purchasing decisions.

Table 5: Correlation between the study variables

S/N	Variables	1	2	3	N
1	Exchange rate fluctuation	1			80
2	Inflation	0.151	1		80
3	Consumer purchasing power	0.586**	0.260*	1	80

Source: Field Survey (2024)

Table 5 showed that exchange rate fluctuation has a strong significant positive correlation with consumer purchasing power (r=0.586, p=0.000< 0.01). However, Inflation has a negative correlation with consumer purchasing power (r=0.260 p= 0.020>0.01).

Table 6: Dollar naira exchange rate fluctuations and consumer purchasing power

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	2.699	2.400		1.124	.264
	Exchange rate fluctuation	.783	.128	.559	6.129	.000
	Inflation	.073	.038	.175	1.920	.059

a. Dependent Variable: Consumer purchasing power
Source: Field Survey, 2024.

Table 6 showed that exchange rate fluctuation has a significant positive effect on consumer purchasing power (β =0.559, $p<$ 0.05), while Inflation has a negative effect on consumer purchasing power (β =0.175, $p>$ 0.05).

Table 7: Fitness of the Study Models

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	39.997	2	19.999	22.919	.000[b]
	Residual	67.190	77	.873		
	Total	107.188	79			

a. Dependent Variable: Consumer purchasing power
b. Predictors: (Constant), Inflation, Exchange rate fluctuation
Source: Field Survey, 2024.

Table 7 showed that the independent variables were good indicators of dollar naira exchange rate fluctuations. This was supported by the F measurement of 22.919 and the p value (0.000) which was lesser than 0.05 significance level. Therefore, the model was statistically significant.

Table 8: Variations in consumer purchasing power

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.611[a]	.373	.357	.934

a. Predictors: (Constant), Inflation, Exchange rate fluctuation
Source: Field Survey, 2024.

Table 8 showed that the dimensions of dollar naira exchange rate fluctuations were seen as acceptable factors in explaining the variations in consumer purchasing power with adjusted R square of 0.357. This means that the dimensions of dollar naira exchange rate fluctuations explained 36% of the variations in consumer purchasing power.

Discussion of Results

This study examines the impact of exchange rate fluctuations and inflation on consumer purchasing power in Asaba, Delta State, Nigeria. The study employed a cross-sectional survey design to gather data from residents of Infant Jesus Layout, Asaba, Delta State, assessing the impact of exchange rate fluctuations and inflation on consumer purchasing power. The findings from Table 2 indicate that exchange rate fluctuations significantly impact consumer purchasing power, with 78% of respondents agreeing that fluctuations in the Dollar-Naira exchange rate have reduced their ability to purchase essential goods. Moreover, 79% believe these changes have influenced the prices of goods and services they regularly purchase. Additionally, 63% report difficulties in planning household expenses due to exchange rate instability, and 83% say this has directly reduced their standard of living.

In terms of inflation, as shown in Table 3, 88% of respondents agree that rising inflation has further weakened their ability to buy essential goods, with the same percentage indicating that maintaining their previous quality of life has become challenging. Seventy-five percent of respondents have had to cut back on non-essential spending, and 88% confirm that inflation has eroded their household savings due to rising expenses.

Table 5 reveals that exchange rate fluctuation has a strong, positive correlation with consumer purchasing power ($r=0.586$, $p=0.000<0.01$), whereas inflation has a negative correlation ($r=0.260$, $p=0.020>0.01$). Table 6 shows that exchange rate fluctuation has a significant positive effect on consumer purchasing power ($\beta=0.559$, $p<0.05$), while inflation has a negative, but not statistically significant, effect ($\beta=0.175$, $p>0.05$). These findings are consistent with studies by Ogunlesi and Adebayo (2022) and Ojo and Otun (2023), who found that exchange rate variations and naira depreciation influenced the prices of imported goods and living costs in Nigeria. Similarly, Wang et al. (2023) noted that exchange rate volatility increased uncertainty for importers, leading to higher consumer prices.

The implications of the findings highlight several critical concerns for both policymakers and households. The significant impact of exchange rate fluctuations on consumer purchasing power, as indicated by 78% of respondents, suggests that continuous instability in the Dollar-Naira exchange rate will likely exacerbate economic hardship for consumers. This volatility could lead to further reductions in the ability of households to afford essential goods, ultimately decreasing the overall standard of living for many. For policymakers, stabilizing the exchange rate could be vital in cushioning consumers from such adverse effects.

Additionally, inflation poses another severe threat to household well-being, as the findings show that 88% of respondents believe inflation has weakened their purchasing power and forced reductions in non-essential spending. This indicates that if inflation continues unchecked, households will face increasing difficulty in maintaining their quality of life, leading to long-term financial stress and diminishing savings. For businesses, these economic pressures may result in reduced consumer demand, affecting overall market stability.

The positive correlation between exchange rate fluctuations and consumer purchasing power suggests that efforts to stabilize the naira could have immediate positive effects on consumer affordability and economic planning for households. Meanwhile, the negative correlation with inflation underscores the need for effective inflation control policies, as unchecked price increases will further erode the financial resilience of households. These findings underscore the importance of exchange rate stability and inflation control as key components of economic policy aimed at protecting consumer welfare.

Conclusion

The study concludes that both exchange rate fluctuations and inflation significantly affect consumer purchasing power in Asaba, Delta State, Nigeria. The findings reveal that exchange rate instability has severely impacted households' ability to afford essential goods, plan expenses, and maintain their standard of living. Similarly, inflation has further weakened purchasing power, leading to reduced consumption of non-essential goods, diminished quality of life, and eroded savings. These economic challenges underscore the vulnerability of consumers to macroeconomic fluctuations, emphasizing the need for stabilizing measures to improve the financial security of households.

Recommendations

1. The government should implement policies aimed at stabilizing the Dollar-Naira exchange rate. This could include adopting more consistent monetary policies, managing foreign reserves effectively, and promoting foreign direct investment. A stable exchange rate will help consumers better plan their expenses and improve their purchasing power.
2. Policymakers should introduce measures to control inflation, such as tightening fiscal policies, reducing money supply, and encouraging local production to decrease dependency on imports. By keeping inflation in check, the government can protect households from continuous price hikes and maintain their standard of living.
3. Financial institutions and government agencies should promote financial literacy programs to help households manage their resources more effectively. Encouraging the adoption of

better saving practices and budgeting strategies can help consumers navigate economic uncertainties and minimize the impact of inflation and exchange rate fluctuations on their financial well-being.

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