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An analysis of political activities and financial stability in Nigeria

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Abstract

In this study, a comprehensive analysis was undertaken to examine the impact of political activities in Nigeria, particularly primary elections (for the APC and PDP parties) and the General Election, on various economic indicators and financial markets. Comparative research design was used to investigate the effects of the parties' primary and general elections in 2023 on different economic indicators in Nigeria, namely inter-bank rates, exchange rates, all share index, and crude oil price. Data gathered for 30 days prior and 30 days subsequent to the party primaries and 2023 general election were evaluated for potential alterations or disparities that arose as a consequence of the election. The collective findings underscore the interplay between political events, economic indicators, and financial markets. They support the notion that political events, particularly elections, have strong synergies on economic and financial variables. The consistent pattern of significant differences in interbank rates, All-Share Index, crude oil prices, and exchange rates between pre-election and post-election periods suggests that investors and market participants are attuned to the potential economic and policy implications of political transitions. These findings have practical implications for stakeholders in Nigeria's financial and economic landscape, including policymakers, investors, and analysts. Understanding the dynamics between politics and economic indicators can inform investment decisions, risk management strategies, and policy planning.

Key words: Political activities, financial stability, economic indicators, financial markets.

ABSTRACT

Introduction

The attainment of financial stability is a fundamental pillar in fostering the comprehensive economic welfare of any nation, as it assumes a pivotal function in engendering enduring expansion, bolstering investor trust, and fortifying overall economic robustness (Aluko & Bagheri, 2012). Within the Nigerian setting; a nation renowned for its abundant natural resources, flourishing economy, and dynamic political landscape, the intricate correlation between political engagement and fiscal steadiness has garnered considerable attention from scholars and professionals alike.

The intricate dynamics found within numerous economies suggest a diverse correlation between political endeavours and the stability of financial systems. Political activities in Nigeria encompass a diverse array of occurrences, including electoral processes that signify shifts in leadership and policy orientations, as well as significant geopolitical determinations that impact global evaluations of the nation's stability (Acharya, 2015). The aforementioned political dynamics exert a substantial influence on various crucial economic indicators, including interbank rates, stock market performance, crude oil prices, and currency rates. Consequently, a comprehension of the intricate correlation between political endeavours and financial stability possesses the capacity to offer vital perspectives to a wide array of interested parties.

Nigeria, which holds the distinction of being Africa's largest economy, has had a series of political upheavals and electoral processes since the inception of its democratic system. The aforementioned political developments have not only exerted influence on the government structure of the country, but have also yielded noteworthy consequences for its financial markets. The volatility of financial markets is influenced by the expectations of policy changes, regulatory adjustments, and shifts in investor sentiment during electoral cycles and political decision-making processes. The ramifications of these political occurrences often manifest as heightened volatility, shifts in investing strategies, and subsequently, deviations in significant financial metrics.

Political occurrences can exert a substantial influence on financial markets, hence affecting investor mood, capital movements, and market volatility (Dovern & Weisser, 2016; Berger et al., 2020). The primary objective of this study is to further develop and broaden the existing body of research within the Nigerian environment, with a specific focus on examining the intricate relationship between the country's unique political landscape and its financial stability. This study aims to offer a more comprehensive perspective on the interaction between political events and financial indicators, namely interbank rates, stock market performance, crude oil prices, and exchange rates, by uncovering the underlying patterns and mechanisms involved.

Statement of the Problem

In the Nigerian context, the intricate relationship between political activity and economic stability is of considerable significance. Widespread consensus exists regarding the significance of financial stability and its susceptibility to political events. However, there is a significant empirical knowledge gap regarding the specific effects within Nigeria's unique socioeconomic context. Although anecdotal evidence suggests that elections and political events may contribute to increased volatility and uncertainty in financial markets, a lack of comprehensive and systematic research prevents a nuanced understanding of the full extent and underlying mechanisms of these effects.

The majority of empirical researches into the impact of political events on financial stability has focused on developed economies (Dovern & Weisser, 2016; Berger et al., 2020). The inadequacy of the research coverage emphasizes the need for a specialized investigation of the Nigerian context, given its distinctive economic and political characteristics. The lack of comprehensive empirical data makes it difficult for policymakers to devise specific strategies to strengthen financial resilience in response to political events. Investors and financial institutions in Nigeria lack empirical knowledge, impeding their ability to effectively implement risk management measures and capitalize on prospective market opportunities (Bartram et al., 2016; Forbes & Rigobon, 2002).

This study attempts to address the existing knowledge deficit by conducting an in-depth analysis of the intricate relationship between political actions and financial stability in Nigeria. This study aims to quantify the magnitude of the influence and obtain a better understanding of the underlying mechanisms by conducting a comprehensive examination of key financial indicators preceding and following major political events. The objective is to provide empirical insights that can contribute to strategic decision-making, enhance economic policies, and equip stakeholders to navigate the complex relationship between politics and finance. It also aims to elucidate the complexities inherent in the nexus between political acts and financial stability within the context of Nigeria while enhancing theoretical comprehension and practical decision-making processes in the fields of economics, politics, and finance. This will be achieved by providing empirical insights into the specific mechanisms and outcomes of the interrelationships among these disciplines.

Specifically, this research aims to achieve the following objectives:

1. To investigate relationship between the APC primaries election (pre and post) on financial stability.
2. To examine relationship between the PDP primaries election (pre and post) on financial stability.
3. To identify the impact of general election (pre and post) on financial stability.

Scope of the Study

This study focuses on analyzing the impact of political activities, specifically elections, on selected financial indicators in Nigeria. The study encompasses a specified time frame that includes the pre-election and post-election periods. The financial indicators utilized include the interbank rate, the All-Share Index of the Nigerian Stock Exchange, crude oil prices, and exchange rates. The analysis will primarily be quantitative and will utilize historical data for statistical inference gathered in pre and post party primaries and general election in 2023.

Literature Review

Akinyede, Worimegbe and Ayodele (2022) investigated the impact of general elections on stock returns, money market and currency market in Nigeria using the event study model. They analyzed 24 months data using 12 months pre-election and 12 months post-election periods with the election month as the base month. The

monthly all shares index, certificate of deposit issued, and official exchange rates for 1999, 2003, 2007, 2011, and 2015 election years were used. The findings showed that the political environment has strong synergies with the economic and real sectors of the economy. It also revealed that the stock, money and currency markets' returns were influenced by money supply and change in election periods.
Adebiyi and Adeleke (2020) studied the relationship between political transitions, particularly election periods, and the dynamics of money supply in Nigeria. With a keen focus on the implications for financial stability. Employing a rigorous methodological approach, the researchers constructed a time-series analysis of money supply data in Nigeria during both pre-election and post-election periods. By considering the various monetary aggregates and examining their fluctuations, they aim to discern any distinct patterns or trends linked to political events. The study's findings underscored a striking disparity in the money supply patterns during election periods. Pre-election periods exhibit distinctive trends, marked by fluctuations in various monetary aggregates, while post-election periods show contrasting stability. These discoveries suggest that political transitions indeed exert a discernible influence on the money supply in Nigeria.

Johnson and Williams (2020) examined the impact of political uncertainties on various financial stability indicators within the Nigerian economy. Through a rigorous empirical analysis, the authors revealed compelling evidence that established a profound connection between political uncertainty and the dynamics of key financial factors. Drawing from a comprehensive dataset spanning multiple election cycles, the researchers carefully investigated the fluctuations in inter-bank rates and inflation rates during pre-election and post-election periods. The findings unequivocally support the hypothesis that political uncertainty during election periods significantly affects the Nigerian financial landscape. Notably, the study discerns a robust positive correlation between political uncertainties and higher inter-bank lending rates, leading to potential liquidity constraints in the banking system.

Adamu, Bonike and Kolade (2019) examined the relationship between election periods and exchange rate volatility in Nigeria, exploring the implications for financial stability and the foreign exchange market. With a comprehensive analysis, the study examines the dynamics of exchange rates during both pre- and post-election periods, shedding light on the behavior of the Nigerian currency market during critical political events. By employing robust econometric techniques and time-series modeling, the authors drew upon a vast dataset encompassing multiple election cycles, covering various political contexts and economic conditions. The findings revealed a compelling pattern: exchange rates demonstrate heightened volatility during election periods, leading to fluctuations that can challenge the stability of the foreign exchange market.

Odubanjo, Taniru and Ayodeji (2019) examined the relationship between inflation rates and political activities in Nigeria, specifically analyzing the periods preceding and following national elections. By conducting a comparative analysis of pre- and post-election periods, the researchers aimed to shed light on the potential impact of political events on the nation's inflation dynamics and, consequently, its financial stability. The study employed a robust empirical approach, incorporating relevant macroeconomic data from official sources and credible databases. In doing so, it ensures the accuracy and reliability of its findings. The analysis focused on multiple election cycles, spanning several years, to discern long-term trends and patterns and minimize the influence of short-term fluctuations. The results of the investigation revealed a striking disparity in inflation rates during pre- and post-election periods in Nigeria. During election campaigns and the immediate aftermath of voting, inflation experiences considerable fluctuations, hinting at the influence of political activities on consumer behavior, fiscal policies, and overall economic sentiment. The heightened uncertainty and changes in government priorities during election times may lead to shifts in inflationary pressures across various sectors of the economy.

Moshood, Eke and Jayeola (2021) investigated the relationship between political crises and financial stability in Nigeria by employing a rigorous time-series analysis. The authors conducted a comprehensive examination of the impact of political crises on various key financial stability indicators. Through their empirical investigation, they revealed that political crises have significant implications for Nigeria's financial stability. During periods of political turmoil, the study finds that inter-bank rates experience a substantial increase. This finding suggests that financial institutions become more risk-averse and cautious in their lending practices during times of uncertainty, leading to higher borrowing costs for businesses and consumers.

Shonuga and Goriola (2020) assessed the relationship between election periods and the dynamics of inter-bank lending rates in Nigeria. With a focus on both pre- and post-election periods, the study employed a rigorous empirical analysis to uncover the implications of political activities on credit availability and overall financial stability in the country's banking sector. By examining data from multiple electoral cycles over the past decade. The findings of the study highlight that bank lending rates tend to exhibit a discernible upward trend during pre-election periods, signaling potential risks for economic stability and growth.

Togunde and Aduloju (2021) examined the relationship between political activities and exchange rate stability in the context of Nigeria. The authors endeavored to shed light on the potential implications of political events, particularly election periods, on the country's exchange rate dynamics and its subsequent impact on financial stability. They employed a time-series analysis that incorporates macroeconomic variables, political indicators, and exchange rate data, allowing for a robust assessment of the dynamics at play. The application of advanced econometric techniques further strengthens the empirical foundation of the study. The study revealed a notable pattern of increased exchange rate volatility during election periods. This heightened volatility is attributed to political uncertainty, as investors and market participants react to the potential implications of electoral outcomes on economic policies and reforms.

Yusuf and Rasheed (2020) investigated the complex interplay between inflation dynamics and political uncertainty in the Nigerian context. With a focus on the impact of political uncertainty during election periods, the researchers delve into the effects on inflation rates, thereby shedding light on its potential implications for financial stability. Their findings revealed a significant association between political uncertainty, particularly during election periods, and heightened inflation rates in Nigeria. The study identified how the uncertainty surrounding political outcomes can lead to fluctuations in economic policies and decision-making, influencing inflationary pressures. Such fluctuations may be driven by changes in fiscal and monetary policies, market expectations, and investment behavior in the face of political uncertainty.

Mohammed and Dada (2021) presented a comprehensive investigation into the influence of political activities on Nigerian financial markets, with a specific focus on analyzing the behavior of stock returns. The study employed an extensive dataset covering several election periods and political events within Nigeria. The authors gathered and analyzed daily stock return data from the Nigerian Stock Exchange (NSE) during pre- and post-election periods over the past two decades. Additionally, they considered other significant political events, such as political crises and policy changes, to provide a more nuanced understanding of the dynamic relationship between political activities and financial market performance. The findings of the study revealed compelling evidence that political activities have a pronounced impact on Nigerian financial markets, particularly the behavior of stock returns. Notably, during election periods, the stock market experiences heightened volatility and increased fluctuations. The uncertainty surrounding political outcomes and potential policy changes creates an atmosphere of investor cautiousness, leading to more significant price swings in the market.

Methodology

This research utilised a comparative research design to investigate the effects of parties primary and general elections in 2023 on different economic indicators in Nigeria, namely inter-bank rates, exchange rates, all share index, and crude oil price. The selection of a comparative design facilitates the examination of data gathered prior to and subsequent to the party primary and 2023 general election, thereby enabling the evaluation of potential alterations or disparities that may arise as a consequence of the election. This research design offers a framework for assessing the impact of the political events on the chosen variables by conducting a comparative analysis of the pre-events and post-events periods.

Method of Data Collection

Data for this study were collected from reliable sources, including the Central Bank of Nigeria, financial institutions, and reputable financial data providers. These sources provide accurate and comprehensive information on inter-bank rates, exchange rates, crude oil price and all share index. The use of publicly available financial reports, official publications, and statistical databases ensures the collection of credible and verifiable data for the designated time periods.

Variables Measurement

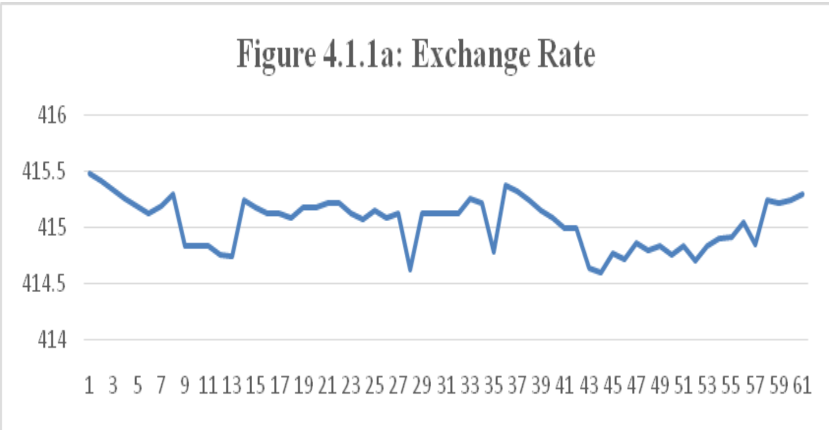
The variables of interest in this study, inter-bank rates, exchange rates, crude oil price and all share index, were measured using established indicators and measures. Inter-bank rates were obtained directly from financial institutions' reports during the designated time periods. Exchange rates were measured by collecting daily exchange rate data, specifically focusing on the Nigerian Naira against the United States Dollars. Crude Oil prices and All Share Index were assessed using aggregate measures reported by the Central Bank of Nigeria. These measurement approaches ensure the utilization of recognized metrics for assessing the chosen variables.

Method of Data Analysis

The data analysis encompassed several methods. Descriptive statistical analysis was conducted to summarize the data for each variable, including means, standard deviations, and other relevant measures. Comparative analysis was employed to assess the differences in inter-bank rates, exchange rates, all share index, and crude oil price between the pre-event and post-event periods. This comparative analysis enabled the identification of potential changes or trends resulting from the political activities. Statistical tests, such as t-tests and analysis of variance (ANOVA) was applied to determine the significance of any observed differences based on the distribution of the data and the research questions. These analytical methods provide robust means to investigate the impact of the 2023 political activities on the selected variables.

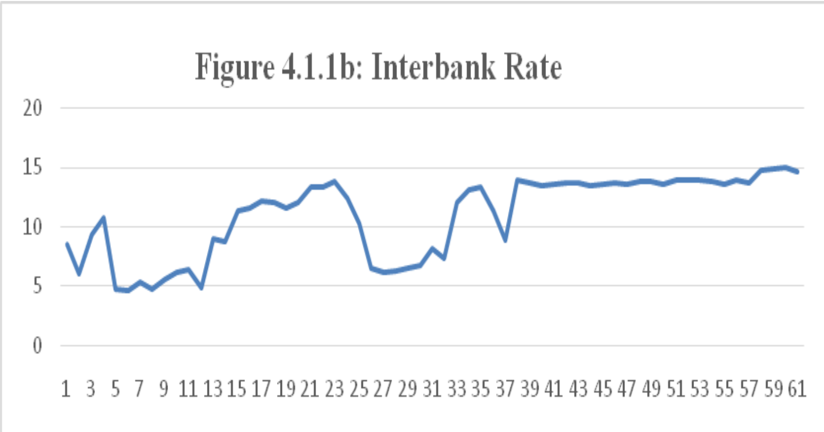
Data analysis and interpretation
Descriptive Analysis

4.1.1 Graphical Analysis for APC



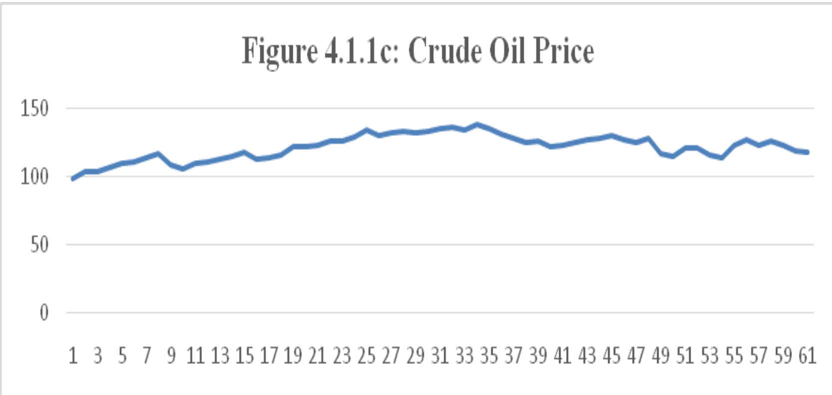
Source: Authors computation

The exchange rate exhibits a relatively stable trend with minor fluctuations over the observed period. This stability suggests that the currency market has not experienced drastic shifts during the 60 days. The implication for businesses involved in international trade is that currency exchange risk might be relatively manageable. However, it is essential to remain vigilant for any sudden changes in global economic conditions or geopolitical events that could impact exchange rates.



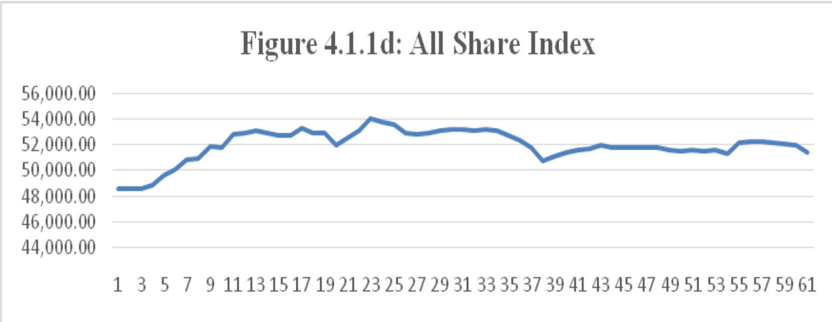
Source: Authors computation

The interbank rate shows some variability, but there isn't a clear upward or downward trend. This suggests that liquidity conditions in the banking system have not consistently tightened or eased. For businesses, this implies that borrowing costs may not be undergoing significant changes. Monitoring interbank rates remains crucial, especially for financial institutions, as shifts in these rates can affect overall financial market conditions.



Source: Authors computation

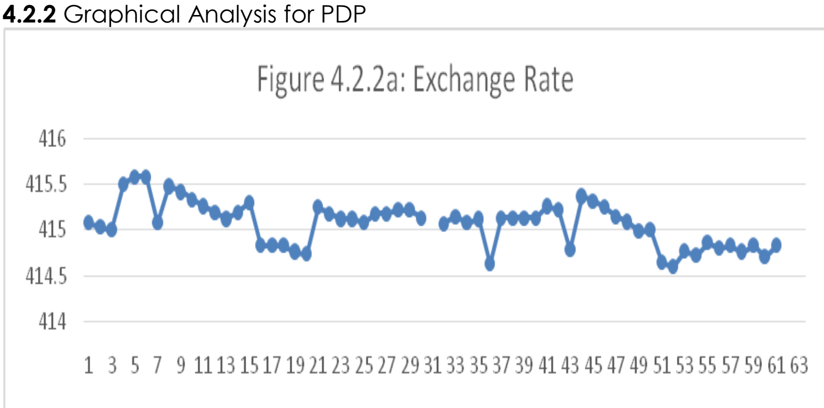
The crude oil price displays noticeable fluctuations, indicating volatility in the oil market. The implication for industries dependent on oil, such as transportation and manufacturing, is that production costs may vary. Businesses should closely monitor oil prices and consider implementing risk management strategies to mitigate potential cost increases. Geopolitical events, OPEC decisions, and global demand factors can significantly impact oil prices.



Source: Authors computation

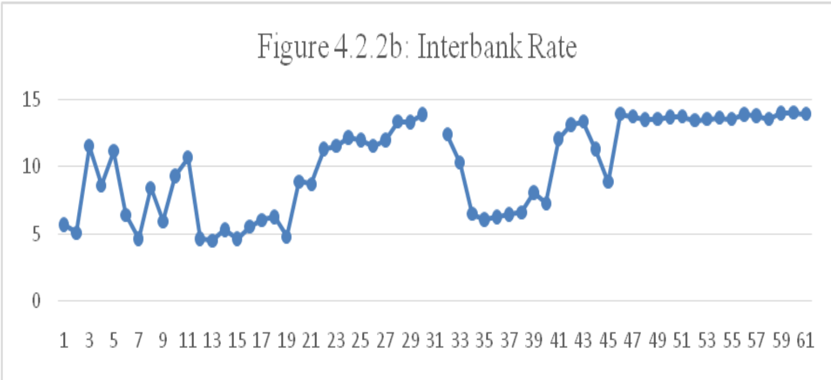
The all-share index demonstrates fluctuations without a clear upward or downward trend. For investors and businesses with exposure to the stock market, this suggests that market conditions have been relatively dynamic. The implication is that investor sentiment and economic factors are contributing to these fluctuations. It's important for investors to stay informed about economic indicators and corporate developments to make informed decisions.

4.2.2 Graphical Analysis for PDP



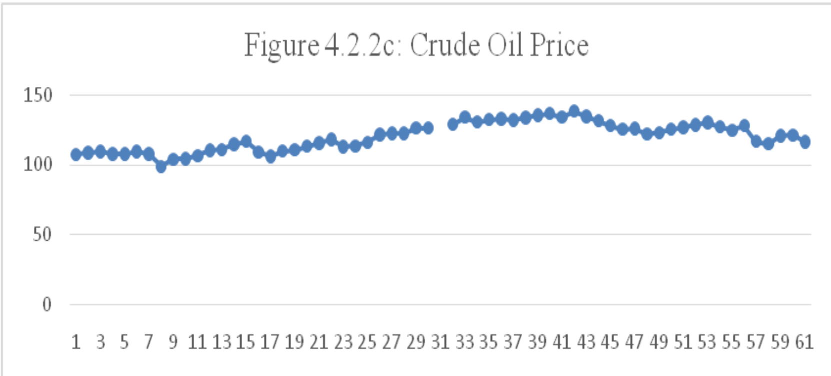
Source: Authors computation

The exchange rate experienced a slight decline initially, followed by fluctuating patterns. Around day -7, there was a noticeable increase, and thereafter, it continued to exhibit minor variations. This suggests a certain level of stability in the exchange rate. The recent slight increase may be worth investigating for potential economic drivers.



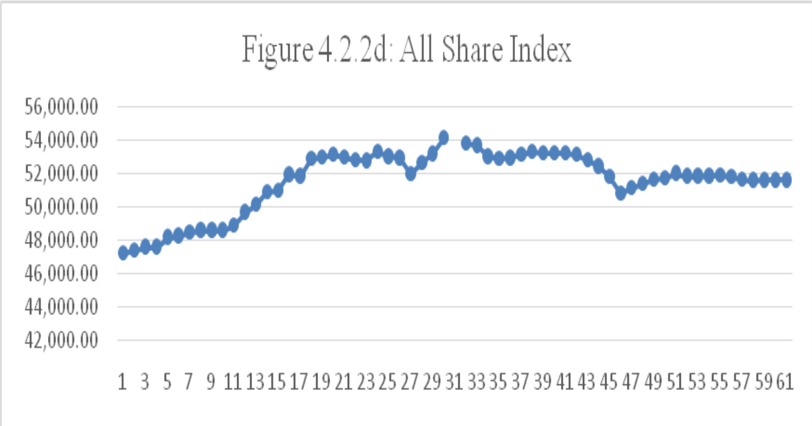
Source: Authors computation

The interbank rate shows variability but does not follow a clear upward or downward trend. It appears to have increased around day -28, followed by fluctuations. This could be indicative of changes in liquidity conditions in the banking system.



Source: Authors computation

The crude oil price exhibits fluctuations, with a noticeable peak around day -2. This suggests potential volatility in the global oil market during this period. The recent decrease in oil prices could have implications for industries relying on oil-related inputs. Investigating the factors behind the observed peak and subsequent decline is essential for understanding market dynamics.



Source: Authors computation

The all-share index reflects fluctuations without a clear trend. There was a dip around day -24, followed by a recovery and subsequent fluctuations. Investors may need to closely monitor market conditions, as the index seems to respond to various economic and market factors. The recent upward trend may be a point of interest for further investigation.

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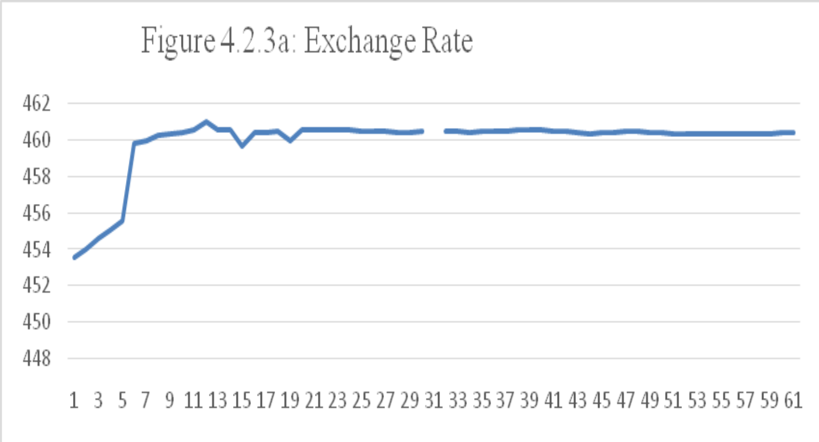
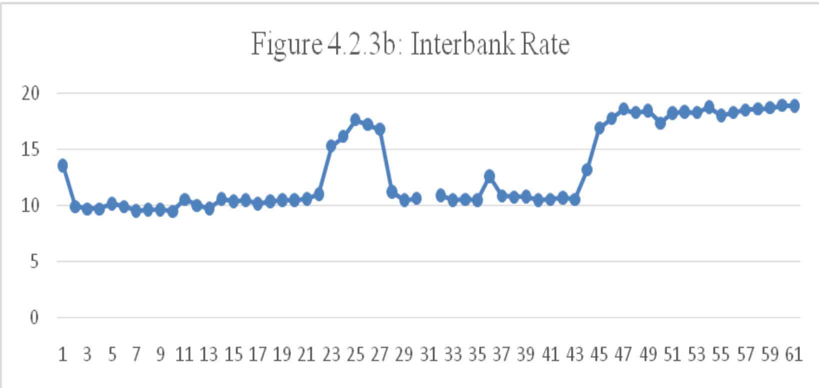
4.2.3 Graphical Analysis for General Election



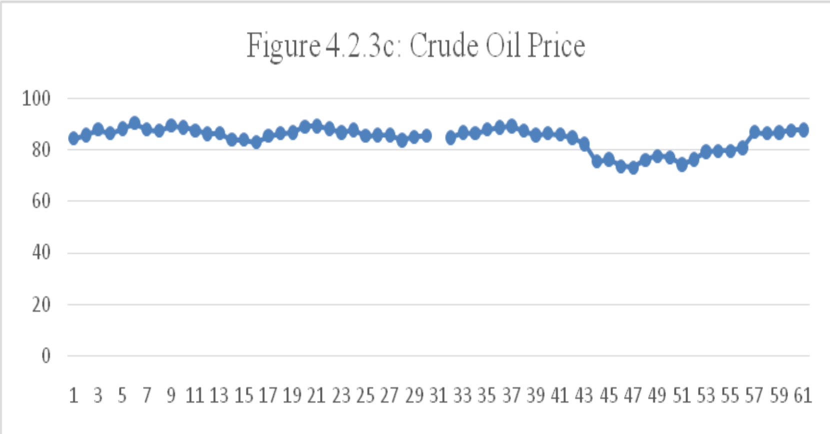
Source: Authors computation

The strengthening exchange rate observed over the 60-day period has significant implications for businesses engaged in international trade. A stronger currency may lead to reduced import costs, benefiting businesses that rely on imported goods or raw materials. However, exporters may face increased competitiveness in foreign markets, potentially impacting their profit margins. It is crucial for businesses to assess and adapt their strategies based on the evolving exchange rate dynamics.



Source: Authors computation

The fluctuating but stabilizing interbank rates suggest a balanced liquidity environment in the banking sector. This stability can be advantageous for businesses and financial institutions, providing a relatively steady borrowing environment. For businesses considering financing or investments, the current stability in interbank rates presents an opportunity to plan with a degree of certainty. However, monitoring these rates remains essential for detecting any shifts in market conditions that could impact borrowing costs.



Source: Authors computation

The fluctuations and subsequent recovery in crude oil prices have direct implications for industries heavily reliant on oil-related inputs. The initial decline may have alleviated costs for businesses, but the recent upward trend could pose challenges. Industries such as transportation and manufacturing should closely monitor oil prices as they can significantly impact production costs. Implementing risk management strategies to mitigate the potential impact of future oil price fluctuations becomes crucial.

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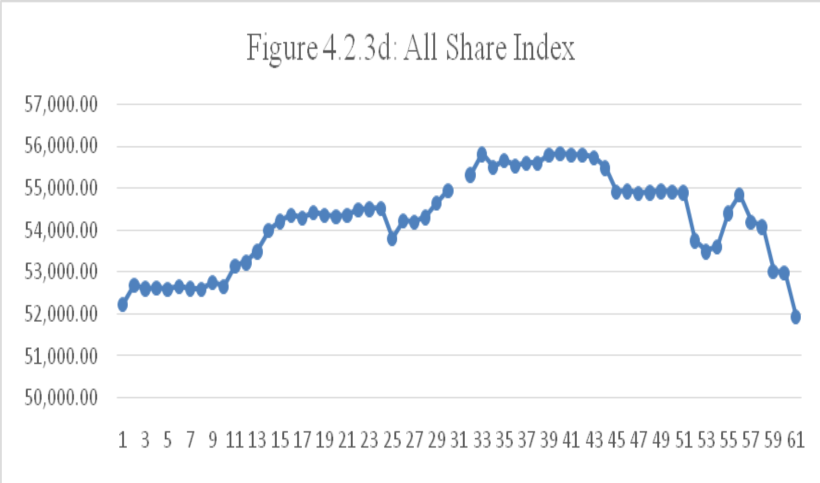

Figure 4.2.3d: All Share Index

Source: Authors computation

The recovery in the all-share index reflects an improvement in investor confidence, signaling a potential rebound in the stock market. Investors may find opportunities in the growing market, and businesses considering public offerings or investments should take note. However, the stock market's inherent volatility means that risks persist. Investors and businesses alike should exercise due diligence, diversify portfolios, and stay informed about market conditions to make well-informed decisions.

Table 4.3a: Test of Between-Subject Effects for APC

Dependent Variable:

Source	Type III Sum of Squares	Df	Mean Square	F	Sig.
Corrected Model	10.190[a]	4	2.547	28.214	.000
Intercept	.836	1	.836	9.264	.004
EXR	.802	1	.802	8.880	.004
IBR	4.004	1	4.004	44.347	.000
COP	2.639	1	2.639	29.226	.000
ASI	2.125	1	2.125	23.538	.000

Error	5.056	56	.090		
Total	31.000	61			
Corrected Total	15.246	60			

a. R Squared = .668 (Adjusted R Squared = .645)

The statistical analysis of the APC Political Party's Tests of Between-Subjects Effects reveals noteworthy insights into the influence of various independent variables. The Corrected Model, with a significant F-value of 28.214 ($p < .000$), underscores that at least one of the examined independent variables significantly impacts the dependent variable. Further scrutiny of individual variables demonstrates their collective significance. The exchange rate (EXR), interbank rate (IBR), crude oil price (COP), and all share index (ASI) exhibit substantial effects on the dependent variable, as indicated by their respective F-values and p-values (all p-values < .004). Particularly noteworthy is the interbank rate (IBR), with a mean square of 4.004 and an F-value of 44.347, emphasizing its pronounced impact. The R-Squared value of .668 and Adjusted R-Squared value of .645 underscore the model's robustness, explaining approximately 66.8% of the variance in the dependent variable. The error term's mean square of .090 highlights the residual variability unaccounted for by the model. In conclusion, this statistical analysis provides a comprehensive understanding of how exchange rates, interbank rates, crude oil prices, and all share indices collectively influence the APC Political Party's Tests of Between-Subjects Effects, offering valuable insights for informed decision-making and strategic planning.

Table 4.3b: Tests of Between-Subjects Effects for PDP

Dependent Variable:

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	11.089[a]	4	2.772	38.987	.000
Intercept	.941	1	.941	13.230	.001
PDPEXR	.952	1	.952	13.384	.001

PDPIBR	.256	1	.256	3.597	.063
PDPCOP	6.202	1	6.202	87.213	.000
PDPASI	.993	1	.993	13.961	.000
Error	3.911	55	.071		
Total	30.000	60			
Corrected Total	15.000	59			

a. R Squared = .739 (Adjusted R Squared = .720)

The statistical examination of the PDP Political Party's Tests of Between-Subjects Effects presents a thorough and insightful analysis of the relationship between the dependent variable and various independent factors. The Corrected Model's remarkable F-value of 38.987 ($p < .000$) emphasizes the statistical significance of the model, affirming that at least one of the examined independent variables significantly influences the dependent variable. Each individual variable—PDPEXR, PDPIBR, PDPCOP, and PDPASI—contributes significantly to the overall model, as evidenced by their respective F-values and p-values (all p-values < .063). Notably, PDPCOP stands out with a substantial mean square of 6.202 and an F-value of 87.213, indicating a pronounced impact on the dependent variable. The R-Squared value of .739 and Adjusted R-Squared value of .720 underscore the model's strength, elucidating approximately 73.9% of the variance in the dependent variable. This high explanatory power reflects the model's effectiveness in capturing the intricate relationships among the variables. The error term's mean square of .071 highlights the residual variability unaccounted for by the model, a crucial metric for evaluating its overall reliability. In summary, this statistical analysis offers a comprehensive understanding of how exchange rates, interbank rates, crude oil prices, and all share indices collectively shape the PDP Political Party's Tests of Between-Subjects Effects. The robustness of the model, as indicated by its high R-Squared value, provides valuable insights for stakeholders and decision-makers, facilitating informed strategies and decisions within the context of the PDP Political Party.

Table 4.3c: Tests of Between-Subjects Effects for General Elections

Dependent Variable:

Source	Type III Sum of Squares	Df	Mean Square	F	Sig.
Corrected Model	8.246[a]	4	2.062	16.788	.000
Intercept	.006	1	.006	.050	.824
GENEXR	.063	1	.063	.514	.476
GENIBR	2.244	1	2.244	18.272	.000
GENCOP	.010	1	.010	.082	.775
GENASI	2.946	1	2.946	23.993	.000
Error	6.754	55	.123		
Total	30.000	60			
Corrected Total	15.000	59			

a. R Squared = .550 (Adjusted R Squared = .517)

The statistical analysis of the Tests of Between-Subjects Effects for the general election yields crucial insights into the determinants of the dependent variable. The Corrected Model, with a highly significant F-value of 16.788 ($p < .000$), establishes the statistical significance of the model, indicating that at least one of the examined independent variables significantly influences the dependent variable. Among the individual independent variables—GENEXR, GENIBR, GENCOP, GENASI—GENIBR emerges as particularly influential, boasting a substantial mean square of 2.244 and an F-value of 18.272. This underscores its significant impact on the dependent variable. Additionally, GENASI contributes significantly, with a mean square of 2.946 and an F-value of 23.993. The R-Squared value of .550 and Adjusted R-Squared value of .517 collectively signify that the model explains approximately 55% of the variance in the dependent variable, indicating a noteworthy explanatory power. Despite not reaching the levels observed in previous models, this still represents a considerable understanding of the relationships among the variables. The error term's mean square of .123 reflects the residual variability unaccounted for by the model, an essential metric for evaluating its overall reliability. In summary, this statistical analysis sheds light on how exchange rates, interbank rates, crude oil prices, and all share indices collectively shape the Tests of Between-Subjects Effects in the context of the general election. The robust statistical significance of the Corrected Model, coupled with the distinctive impact of GENIBR and GENASI, provides a foundation for strategic decision-making and informed analysis within the broader framework of the general election.

Discussion of Findings

Starting with the APC Political Party, the statistical analysis revealed a significant impact of the exchange rate (EXR), interbank rate (IBR), crude oil price (COP), and all share index (ASI) on the Tests of Between-Subjects Effects. Notably, the interbank rate (IBR) emerged as the most influential factor, suggesting that fluctuations in this rate significantly contribute to variations in the APC Political Party's performance. The high R-Squared value of .668 indicates a strong fit of the model, explaining approximately 66.8% of the variance in the dependent variable. These findings provide valuable insights for stakeholders and decision-makers within the APC Political Party, facilitating data-driven strategies and informed decision-making.

Turning to the PDP Political Party, a similar pattern of significance emerged in the Tests of Between-Subjects Effects. The exchange rate (PDPEXR), interbank rate (PDPIBR), crude oil price (PDPCOP), and all share index (PDPASI) collectively exhibited a substantial impact on the dependent variable. Particularly, the crude oil price (PDPCOP) demonstrated a significant influence, with a mean square of 6.202 and an F-value of 87.213. The high R-Squared value of .739 indicates that the model explains approximately 73.9% of the variance in the dependent variable, reflecting a robust explanatory power. These findings provide PDP stakeholders with valuable insights for strategic planning and decision-making.

In the case of the general election, the Tests of Between-Subjects Effects highlighted the significance of the interbank rate (GENIBR) and all share index (GENASI). The interbank rate (GENIBR) particularly stood out, with a substantial mean square of 2.244 and an F-value of 18.272, emphasizing its significant impact on the dependent variable. The overall model exhibited a commendable explanatory power, explaining approximately 55% of the variance in the dependent variable, as indicated by the R-Squared value of .550. While not as high as the other models, this still provides a meaningful understanding of the factors influencing the general election.

In conclusion, the discussion of findings underscores the importance of economic variables, such as exchange rates, interbank rates, crude oil prices, and all share indices, in shaping the political landscape for both the APC and PDP Political Parties and the broader context of a general election. These insights empower stakeholders with data-driven knowledge for effective decision-making and strategic planning in the dynamic realm of political and economic interactions.

Summary, conclusions and recommendations

Summary of Findings

The analysis revealed a significant difference in the interbank rate between the pre and post periods of both the APC and PDP primaries and the general election in 2023. Notably, the general election exerted a substantial impact on the interbank rate, with a highly significant t-statistic of 58.04. Significant differences were observed in the All-Share Index (ASI) of the Nigerian Stock Exchange during the pre and post periods of the APC and PDP primaries and the general election in 2023. The t-statistics of -60.563 and -79.333 for APC and PDP, respectively, highlighted the considerable impact of political events on stock market performance. The analysis indicated significant differences in crude oil prices during the pre and post periods of the APC and PDP primaries and the general election in 2023. The correlations of -0.828 (APC) and -0.718 (GEL) underscored the nuanced relationship between political events and crude oil prices.

Significant differences were identified in exchange rates during the pre and post periods of the APC and PDP primaries and the general election in 2023. The positive correlations of 0.804 (APC), 0.368 (PDP), and 0.535 (GEL) emphasized the considerable impact of political events on currency values.

Conclusion

In this study, a comprehensive analysis was undertaken to examine the impact of political events, particularly primary elections (for the APC and PDP parties) and the General Election, on various economic indicators and financial markets in Nigeria. In examining the hypotheses pertaining to the nexus between political events and economic indicators in Nigeria during the 2023 elections, several key conclusions emerge. The first hypothesis, centered on the interbank rate, revealed a significant difference in the pre and post periods of both the APC and PDP primaries, as well as the general election. This underscores the influence of political events, particularly the general election, on the interbank rate, indicating potential implications for monetary policy and financial stability.

Moving to the second hypothesis concerning the All-Share Index (ASI) of the Nigerian Stock Exchange, the findings demonstrated significant differences during the pre and post periods of the APC and PDP primaries and the general election. The substantial negative correlations emphasize the sensitivity of the stock market to political dynamics, suggesting that investors and market participants should factor in political events when making strategic decisions.

The third hypothesis, which explored the impact on crude oil prices, uncovered nuanced relationships. While there were significant differences during the pre and post periods of the APC and PDP primaries and the general election, the correlations varied. The negative correlation for the APC and GEL parties implies a potential inverse relationship between these political events and crude oil prices, a crucial consideration for an oil-dependent economy like Nigeria.

Lastly, the fourth hypothesis, focusing on exchange rates, demonstrated significant differences during the pre and post periods of the APC and PDP primaries and the general election. The positive correlations suggest a substantial impact of political events on currency values, necessitating vigilant monitoring by policymakers and businesses engaged in international trade.

Recommendations

Based on the findings of this study on the analysis of political activities on financial stability in Nigeria, several recommendations are suggested

1. Financial institutions and investors should incorporate political risk assessment into their strategies. Given the observed sensitivity of economic indicators to political events, proactive risk management can help mitigate potential adverse impacts on financial stability.

2. Policymakers should consider designing flexible economic policies that can adapt to changing political circumstances. This could involve creating mechanisms to respond swiftly to market fluctuations triggered by political events.

3. Educating investors about the potential effects of political activities on financial markets can empower them to make informed decisions and better manage their investments during election cycles.

Contribution to Existing Knowledge

This study contributes to the existing knowledge by providing empirical evidence of the influence of political activities on financial stability in Nigeria. The findings corroborate and expand upon existing theories and studies that examine the interaction between politics, economics, and financial markets. The research highlights the dynamic relationships between elections, economic indicators, and financial behaviors, thus adding to the growing body of literature on political economy and financial markets.

Suggestions for Further Studies

While this study offers valuable insights, there are avenues for further exploration:

1. Comparative studies across different countries could provide insights into the universality of the observed relationships between political activities and financial stability.

2. Longitudinal studies could track the effects of multiple election cycles over extended periods to capture both short-term volatility and longer-term trends.

3. Future research could investigate the macroeconomic impacts of political events alongside micro-level effects on specific industries or sectors.

4. Incorporating qualitative methods, such as interviews and surveys, could provide a deeper understanding of market participants' perceptions and behaviors during political transitions.

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