GVU Journal of Management and Social Sciences, v. 9, n. 2, 2024.

GVU Journal of Management and Social Sciences

INFLUENCE OF MONETARY POLICY ON ECONOMIC GROWTH IN NIGERIA

OBOMEILE Cyril (PhD)[1], IBIFUNMILOLA, Michael[2] & EDOSA Monday[3]
Department of Accounting and Finance, College of Management and Social Sciences,
Glorious Vision University, Ogwa, Edo State, cymek2003@yahoo.com[1]

DOI: https://doi.org/10.5281/zenodo.14720460

Abstract

The study empirically investigated the influence of monetary policy on economic growth in Nigeria from 1982-2023. To facilitate the study an econometric model was specified wherein economic growth was proxy with gross domestic product (dependent variable), while monetary policy variables such money supply, cash reserve ratio, monetary policy rate, financial deepening and inflation were used as the dependent variables. Data were collected from CBN statistical bulletin and analysed with ordinary least square regression analysis. The result showed that money supply positively influences economic growth, whereas financial development negatively and significantly influences economic growth. It was therefore recommended among others that there is need for government to initiate and push forward effective and efficient monetary policy measures to adequately stabilise prices, reduce poverty and inequality by encouraging holistic macroeconomic growth.

Keywords: Economic growth, monetary policy, money supply, monetary policy rates.

Introduction

Economic growth is conventionally believed to be driven by a wide range of factors, primarily by factors such as capital accumulation, growth in labour participation, advancement of knowledge, technological progress, and so on (Anyanwu, 2014; Enock & Nicholas, 2017).

Monetary policy as a technique of economic management to bring about Sustainable economic growth and development has been the pursuit of nations. Formal articulation of how money affects economic aggregates dates to the time of Adams Smith and later championed by monetary economists. Since the expositions of the role of monetary policy in influencing macroeconomic objectives, monetary authorities have been saddled with the responsibility of using monetary policy to grow the economy (Charles, 2012)

Monetary management is often an integral part of macroeconomic management, which is usually within the purview of Central Bank of any country. Monetary policy objectives are concerned with the management of multiple monetary targets among which are price stability, promotion of growth, achieving full employment, smoothing the business cycle, preventing financial crises, stabilizing long-term interest rates and the real exchange rate. Through the control of monetary policy targets such as the price of money, the quantity of money and reserve money amongst others; monetary authorities directly and indirectly control the demand for money, money supply, or the availability of money (overall liquidity), and hence affect output and private sector investment. (Nwoko, et al., 2012; Abdulazeez, 2016)

In Nigeria, monetary policy has evolved with a medium-term perspective framework. The shift was to free monetary policy implementation from the problem of time inconsistency and minimize over-reaction due to temporary shocks. Policies ranging from targeting monetary aggregate to monitoring and

manipulating policy rates to steer the interbank rates and by extension other market rates in the desired direction were implemented (Okoro, 2005; Uchendu, 2009). The extent these strategies have helped to stabilize the economy and engender growth is of immense concern to policy makers and academics.

There have been various regimes of monetary policy in Nigeria. Sometimes, monetary policy is tight and at other times it is loose, mostly used to stabilise prices as this is one of the major objectives of monetary policy in Nigeria. Despite the different monetary regimes that have been adopted by the CBN over the years, inflation remains a major threat to Nigeria economic growth (Abdulazeez, 2016). The economy has also witnessed times of expansion and contraction, but evidently, the reported growth has not been a sustainable one as there is evidence of growing poverty among the populace (Ufoeze, *et al.,* 2018).

Previous studies have shown mixed findings on the subject matter. Some authors like Roeela, *et al*., (2020); Prasert, (2015); Iwedi, (2016); Adefeso & Mobolaji, (2010); Ismail, *et al.*, (2013); Manouchehr &Ahmad, (2011), etc. found in their studies that monetary policy have a significant impact on economic growth. While Chipote & Makhetha-kosi, (2014); Carazon, (2014); Omodero, (2019); Nizhegorodtsev & Coridico (2015), etc. found that monetary policy insignificantly influences economic growth. Against this backdrop, the study therefore seeks to investigate monetary policy and its influence on economic growth.

Literature Review

Concept of Monetary Policy

Monetary policy is a deliberate action of the monetary authorities to influence the quantity of money and credit to achieve desired macroeconomic objectives of internal and external balances. Adegbite and Alabi, (2013) opined that monetary policy is a vital instrument that a country can deploy for the maintenance of domestic price and exchange rate stability and it's a critical condition for the achievement of sustainable economic growth and internal viability.

Osuda, (2005) defined monetary policy as the combination of measures taken by monetary authorities (e.g. the CBN and the ministry of finance) to influence directly or indirectly both the supply of money and credit to the economy and the structure of interest rate for economic growth, price stability and balance of payment equilibrium. Nwankwo (2007) defined monetary policy as the combination of measures designed to influence or regulate the volume, price and direction of money and credit. He contended that money comprises of six different policies dealing with the volume of money and credit, its price or the rate of interest and its allocation.

Monetary policy therefore refers to the combination of measures designed to regulate the volume, supply and cost of money in an economy, in consonance with the level of economic activities. It also refers to the art of controlling the direction and movement of monetary and credit facilities in pursuance of stable prices and economic growth in the economy.

Theoretical Review

The Keynesian theory

The Keynesian theory which was propounded by Keynes in 1930s is rooted on one notion of price rigidity and possibility of an economy setting at a less than full employment level of output, income and

employment, this model assumes a close economy and a perfect competitive market with fairly price-interest aggregate supply function (Onyiewu, 2013). In the Keynesian theory, monetary policy plays a crucial role in affecting economic activity, it contends that the change in the supply of money can permanently change such variables as the rate of interest, the aggregate demand and the level of employment, output and income (Jelilov, et al., 2016). Keynes believe in the existence of unemployment equilibrium, this implies that an increase in money supply can bring about permanent increases in the level of output and as well the ultimate influence of money supply on the price level depends upon its influence on aggregate demand and the elasticity of the supply of aggregate output (Jhingan, 2010).

The Quantity theory

The quantity theory was first developed by Irving fisher in the inter-war years and is a basic theoretical explanation for the link between money and the general price level (Geoff, 2012). (Irving Fisher, 1932), in his quantity theory of money, opine that like other classical writers the short-run monetary control was dictated by interest rates which were sticky but in the long run the demand of influence was real cash balance. Fisher further assumed that the rise in commodity prices would precede the increased in interest rate which was regarded as main channel of the firm's operation cost (Jelilov, 2016).

The modern approach

The modern economist rejects the Keynesian view that the link between the supply of money and output is the rate of interest. This theory considered only two types of assets; bonds and speculative cash balances, and the allocation depended on the rate of interest which in turn resulted in changes in output (Jhingan, 2010). This theory is a restatement of the quantity theory in the modern terms, this theory view velocity of circulation as a stable function of a limited number of key variables, the velocity bears a stable and predictable relationship to a limited number of other variables, and determines how much money people will hold rather than motive for holding more and sees money as the main type of asset which yields a flow of services to its holders, according to the functions it performs (Friedman 1936).

Empirical Review

Many studies have been conducted on the impact of monetary policy on economic growth both in Nigeria and outside Nigeria. There are conflicting results as regards the impact monetary policy has on the growth of a country's economy. Some authors in their study found that monetary policy has significant impact on economic growth, while others result revealed contrary.

Fasanya, *et al.,* (2013) investigated the relationship that exists between monetary policy and economic growth in Nigeria from 1975 to 2010. Gross domestic products were used as the dependent variable, while inflation rate, exchange rate and external reserve were used as the independent variables. The Error Correction Model (ECM) method of analysis was used. The results showed that all the independent variables drive economic growth significantly.

Adegbite and Alabi, (2013) examined the effect of monetary policy and economic growth in Nigeria from 1970 to 2010. The monetary policy variables used for the study are money supply, inflation rate, exchange rate and interest rate. Using the multiple regression method, the result showed that all the variables f the model has significant effect on the growth of Nigeria economy.

Chipote and Makhetha-kosi, (2014) examined the impact of monetary policy on economic growth in South Africa. Money supply, interest rate, exchange rate and inflation rate were variables of the model. Using the Ordinary Least Square (OLS) regression method, the result showed that inflation rate has a

significant impact on the growth of South Africa economy, while money supply, interest rate and exchange were found to be insignificant.

Suleiman and Migiro, (2014) examined the effectiveness of monetary policy on economic growth in Nigeria from 1981 to 2021. Variables of the model include gross domestic product (dependent variable), cash reserve ratio, monetary policy rate, exchange rate, money supply and interest rate. Granger Causality test was employed to check the effect of monetary policy on GDP. The result revealed that cash reserve ratio, monetary policy rate, exchange rate money supply and interest rate influences GDP significantly. On the other hand, GDP was found not to have significant influence on monetary policy.

Imoughale and Ismail, (2014) examine the impact of monetary policy on manufacturing sector in Nigeria from 1986 to 2002. The variables of study include manufacturing sector output, external reserve, exchange rate, inflation rate, money supply and interest rate. The study employed the Ordinary Least Square (OLS) statistical analysis method. It was found from the result that external reserve, exchange rate and inflation rate have a significant impact on manufacturing sector output, while money supply and interest rate were found to be insignificant. Also, the exchange rate and external reserve have a negative impact, while inflation rate has a positive impact.

Anowor and Okorie, (2016) examined the impact of monetary policy on economic growth in Nigeria from 1982 to 2013. The variables utilized for the study include gross domestic product, cash reserve ratio, interest rate and monetary policy rate. The Ordinary Least Square (OLS) regression method was used to analyse the data. The result revealed that the cash reserve ratio has a positive and significant impact on gross domestic product, while monetary policy rate and interest rate were found to be insignificant.

Nwoko, *et al*., (2016) examined the impact of monetary policy on economic growth in Nigeria from 1990 to 2011. Variables of the model include gross domestic product (dependent variable), money supply, average price, interest rate and labour force (independent variables). Using multiple regression methods to analyse the data, the result revealed that average price and labour force have a positive and significant impact on economic growth, money supply has a positive but insignificant impact on economic growth and interest rate has a negative and significant impact on economic growth.

Abdulazeez, (2016) examined the correlation between monetary policy and economic growth in Nigeria from 1990 to 2010. The variables of the model include gross domestic product, money supply, interest rate and financial deepening. The data were tested using the multiple regression method and the result showed that financial deepening is positively correlated with economic growth, while money supply and interest rate are negatively correlated with economic growth.

Akinjare, *et al.,* (2016) examined monetary policy and its effectiveness on economic growth in Nigeria. Variables included in the model are gross domestic product, inflation rate, exchange rate, interest rate and money supply. The Ordinary Least Square OLS) and multiple regression methods were employed. The result showed that money supply, exchange rate and interest rate have significant relationship with GDP, while inflation rate was found to be insignificant.

Twinoburyo and Odhiambo, (2017), examined the impact of monetary policy on economic growth in Tanzania from 1975 to 2013. Variables utilized for the study include gross domestic products, money supply and interest rate. The study used the Auto Regressive Distributive Lag (ARDL) bound testing approach. The result revealed that money supply and interest rate have an insignificant impact on GDP.

Ufoeze, *et al.,* (2018) examined the impact of monetary policy on economic growth in Nigeria from 1986 to 2016. The variables of the study are gross domestic product (dependent variable), monetary policy rate, money supply, exchange rate, interest rate and investment (independent variables). The Ordinary Least Square (OLS) regression analysis and Granger Causality test were used to analyse the data. The result revealed that money supply has a positive and significant impact on GDP, exchange rate has a negative and significant impact on GDP, while monetary policy rate, interest rate and investment have a positive and insignificant impact on economic growth. The granger causality results revealed that money supply and investment granger cause GDP, while GDP cause interest rate rise.

Ezeaku, *et al*., (2018) carried out a study on monetary policy transmission and industrial sector growth in Nigeria from 1981 to 2014. The variables used include real output growth, public sector credit, interest rate and exchange rate. Using Error Correction Model (ECM) analytical tool, the result revealed that public sector credit, interest rate and exchange rate have negative effect on real output growth both in the short run and long run.

Isaac, et al., (2018) examined the impact of monetary policy on economic growth in Nigeria. Variable included in the model of the study are gross domestic product, money supply, interest rate and inflation rate. The result revealed that inflation rate has a significant negative impact on gross domestic product, while money supply and interest rate were insignificant.

Sean, (2019) examined the relationship between monetary policy and economic growth in Cambodia. The variables of the study are gross domestic product (dependent variable), money supply, inflation rate, exchange rate and interest rate (independent variables). Using the Ordinary Least Square (OLS) statistical analysis method, the result revealed that there is a positive correlation between money supply, inflation rate, exchange rate and gross domestic product. It was also found from the result that the interest rate is negatively correlated with economic growth.

Tang, (2019) carried out a study on the impact of monetary policy on the growth of Vietnam economy from 2009 to 2018. The study made use of two monetary policy variable: money supply and interest rate. Using Vector Auto regression (VAR) analysis, the result showed that the money supply has a positive and significant impact on economic growth. It was also found from the result that interest rates have a negative and significant impact on economic growth.

Shobande, (2019) carried out a study on the impact of monetary policy on economic growth in Nigeria. Variables of the model include gross domestic product as the dependent, money supply, interest rate, exchange rate, inflation rate, domestic credit and trade balance as the independent variables. The Ordinary Least Square (OLS) regression method was adopted. The findings from the result showed that interest rate, domestic credit and trade balance have a positive impact on the growth of Nigeria economy. Also, it was found that money supply, inflation rate and exchange rate have a negative impact on economic growth.

Theoretical Framework

Irving Fisher, (1932), in his quantity theory of money, opined that like other classical writers the shortrun monetary control was dictated by interest rates which were sticky but in the long run the demand of influence was real cash balance. Fisher further assumed that the rise in commodity prices would precedes the increased in interest rate which was regarded as main channel of the firm's operation cost. Fisher also formulates his equation of exchange and specified that.

MV=PT---------- (2.1)

Where m is the actual money stock, V is the transaction velocity of circulation of money, p is the average price level and T is the number of transactions made per period. Fisher imposes the assumption that the equilibrium values of V and T will be constant in the short run and invariant with respect to change in the quality of money.

Given the assumption, equation (1) can be re-written as.

MV=PT---------- (2.2)

Where bars (-) signify that v and t are constant. Given that m is exogenous, there must be proportional relationship in equilibrium between money supply (m) and the general price level.

The quantity theory of money as employed by (Okafor, 2009), with a simple growth model, the quantity theory of money is based on the link between the stock of money (M) and the market value of output that it finances (py), where p is the price level and y is the output. M is related to p with a factor of proportionality k, the relationship is given by:

M=kPY---------- (2.3)

M/p=KY---------- (2.4)

K is assumed to be constant

Equation (2) can actually be written as;

MV=PY---------- (2.5)

Where V= $^1/k$ and this is the income velocity of money, the ratio of money income (nominal GDP) to the number of times the stock of money turns over in each period in financing the flow of nominal income. Therefore, V is a useful concept on policy making.

Equation (3) can be written in growth form:

$\Delta M = \Delta P + \Delta Y - \Delta V$---------- (2.6)

If V is constant, sthen V-0 so that equation (4) yields

$\Delta M = \Delta P + \Delta Y$---------- (2.8)

This is the fulcrum of CNB monetary target.

METHODOLOGY

The research design adopted in this study is the ex-post-facto research design. It is the best design for the study of this nature because the entire variable under consideration has already manifested. The study utilized an annualized time series data spanning from 1982 to 2023 which is a period of 42years. Data used for the analysis was sourced from the CBN statistical bulletin. The data were analyzed using the ordinary least square regression method with the aid of Eviews 8.0 statistical package.

Model Specification

The models of this study were tailored after the models of Ufoeze, et al., (2018); and Abdulazeez, (2016) who examined the impact of monetary policy on economic growth in Nigeria. To establish the relationship between monetary policy and economic growth, we used gross domestic product (GDP) as dependent variable and money supply (MS), cash reserve ratio (CRR), monetary policy rate (MPR), financial deepening (FD) and inflation rate (INF) as independent variables. The model for the study is presented below in its functional and econometrics form as follows.

GDP = f (MS, CRR, MPR, FD, INF)

The above models can be stated in their econometrics form as shown below.

$GDP_t=\alpha_0 + \alpha_1 MS_t + \alpha_2 CRR_t + \alpha_3 MPR_t + \alpha_4 FD_t + \alpha_5 INF_t + \varepsilon_t$

A priori expectation

Based on extant literatures and economic indicators, it is expected that MS, CRR, MPR, and FD will have direct relationship with the growth of Nigeria economy (i.e. $\alpha_1, \alpha_2, \alpha_3, \alpha_4 > 0$). Also, INF is expected to have an inverse relationship with economic growth (i.e. $\alpha_5 < 0$).

Interpretation of Result

Table 1: Descriptive Statistics Result

The descriptive statistics of the time series data of the dependent and the independent variables is presented below. The essence of this is to indicate the level of disparity among the variables.

	GDP	MS	MPR	CRR	FD	INF
Mean	27568.69	5301.48	3.78	3.81	14.96	19.32
Median	6102.42	787.23	0.00	0.00	12.69	12.55
Maximum	127736.80	25466.92	14.00	22.50	25.16	72.80
Minimum	144.83	13.83	0.00	0.00	9.15	5.40
Skewness	1.28	1.32	0.87	1.74	0.77	1.74
Kurtosis	3.32	3.34	1.95	4.34	1.99	4.83
Jarque-Bera	10.54	11.22	6.54	21.94	5.38	24.52
Probability	0.005	0.004	0.04	0.00	0.07	0.00
Observation	38	38	38	38	38	38

Source: Researcher's Computation 2024

The descriptive statistics show that from 1982-2023 the average GDP, MS, MPR, CRR, FD and INF variables were 27568.69, 5301.48, 3.78, 3.81, 14.96 and 19.32 respectively. These indicate that the variables display significant disparity in terms of sizes; therefore, estimation at levels may introduce some bias in the result. It is observed that all the variables are positively skewed, meaning they have been rising overtime. The descriptive analysis also revealed that all the variables except FD were normally distributed as observed from the Jarque-Bera probability.

Table 2: ADF unit root Test Result

Here, we examined the characteristics of the data to determine if the variables are stationary and their order of integration

Variables	ADF Statistic	Critical Value 5%	Remark
GDP	-7.115934	-2.945842	Stationary
MS	-16.03389	-2.945842	Stationary
MPR	-7.669026	-2.954021	Stationary
CRR	-8.051574	-2.976263	Stationary
FD	-9.267370	-2.945842	Stationary
INF	-5.235215	-2.960411	Stationary

Source: Researcher's Computation 2024

The Augmented Dickey Fuller (ADF) test was employed to test the presence of unit root in the variables of the model. From the results presented above the variables were found to be stationary after

differencing them i.e. they were integrated of the same order.

Table 3: AEG Co-integration Test Result

Haven found that the variables are characterized by a unit root process, the co-integration test is further employed to determine whether a long-term relationship exists among the variables

Variable	ADF Statistic	Critical Value @ 5%	Remark
ECM Resid	-3.697389	-2.948404	Stationary

Source: Researcher's Computation 2024

The co-integration result shows that the ADF test statistic of the residual of -3.697389 is higher than its critical value of -2.948404 at levels. This shows that there exists a co-integration between the variables of the model. Meaning there is a long run relationship between the dependent variable and the independent variables of the model.

Table 4: Parsimonious ECM Results.

The parsimonious ECM introduces short run dynamism into the long run equilibrium. The result from the ECM models is presented below.

Regressors	Coefficients	T-Statistics	Probability
C	709.46	0.17	0.87
D(MS)	23.52	4.23	0.00
D(MS(-1))	22.25	4.16	0.00
D(MPR)	147.48	0.08	0.94
D(CRR)	-990.04	-0.45	0.66
D(FD)	-5205.66	-2.98	0.01
D(FD(-1))	-3829.45	-1.69	0.10
D(INF)	32.43	0.15	0.88
ECM(-1)	-0.62	-0.41	0.69
R^2= 0.79	Adjusted R^2= 0.74	F-Stat/Prob. 15.34 (0.00)	

Source: Researcher's Computation 2024

The result above shows that a unit increase in money supply, one period lag money supply, monetary policy rate and inflation rate will bring about 23.52, 22.25, 147.48 and 32.43 units increase in GDP. While there was a unit increase in cash reserve ratio and one period lag, financial deepening will bring about 990.04 and 3829.45 units decrease in GDP respectively. From the result also, it could be seen that the intercept has a coefficient of 709.46, this shows that even if all the explanatory variables in are held constant or equal to zero there will still be a GDP growth of 709.46.

From the result the R^2 of 0.79 shows that 79% systematic variations in GDP was due to the variations in the variables in the model, while the outstanding 21% is attributed to the error term. When adjusted to its degree of freedom, the explained variation became 74%. Thus, judging from the coefficient of determination and its adjusted counterpart, the estimated model has both high explanatory power and good predictive ability.

From the result above, the F-statistics of 15.34 is statistically significant at 5% level. Meaning significant simultaneous relationship exists between the explained and explanatory variables of the model. This

confirms that the model is of good fit.
The ECM was correctly signed though statistically insignificant and rests between 0 and 1. This shows that an established long run relationship between the short run dynamics and long run equilibrium of the model can be attained. The coefficient of ECM of 0.62 implies that 62% discrepancy between the short run and long run dynamics of the model are reconciled annually.

Table 5: Long Run Regression Result.

The long run relationship between the dependent variable of the models and the regressors are estimated using Ordinary Least square (OLS) technique. The result is presented below:

Regressors	Coefficients	T-Statistic	Probability
C	9682.25	2.85	0.00
MS	5.36	13.92	0.00
MPR	407.57	1.57	0.10
CRR	-384.53	-1.69	0.10
FD	-682.67	-2.31	0.02
INF	-19.28	2.85	0.51
R^2=0.99 Adjusted R^2= 0.99 F-Stat/Prob.= 1328.78 (0.00) DW Stat= 1.00			

Source: Researcher's Computation 2024

The long run regression result above shows that three of the variables (MS, MPR and INF) are correctly signed. The coefficients of money supply and monetary policy rate show that a unit increase in money supply and monetary policy rate will bring about 5.36 and 407.57 increase in GDP. Also, the coefficients of cash reserve ratio, financial deepening and inflation microfinance show that a unit increase in cash reserve ratio, financial deepening and inflation will bring about 384.53, 682.37 and 19.28 units decrease in GDP respectively.

Based on the individual statistical significance of the model as shown by the t-values, the result shows that in the long run, money supply and financial deepening have a significant impact on GDP since their t-values of 13.92 and -2.31 are greater than their critical t-values at 5% level of significance.
The coefficient of determination shows that 99% systematic variations in GDP are due to the variations in the explanatory variables in the model, while the remaining 1% is attributed to the error term. When adjusted to its degree of freedom, the explained variation remained 99%. Thus, judging from the coefficient of determination, the estimated model has both high explanatory power and good predictive ability.

From the results above, the F-statistics of 1328.78 is statistically significant at 5% level. This shows that there is a significant simultaneous relationship between the dependent variables and the independent variables in the model. This confirms that the model is of good fit. The Durbin-Watson statistics of 1.00 show the presence of autocorrelation in the models.

Discussion of Findings

It was observed from the long run regression result that money supply has a positive and significant

influence on the GDP. This agrees with the findings of Sean, (2019), Tang (2019), Ufoeze, et al (2018) and Adegbite and Alabi (2017) who in their study found a positive and significant relationship between money supply and economic growth. Also, this finding contradicts that of Shobande (2019), Abdulazeez (2016) and Isaac, et al (2018) who in their studies found a negative and insignificant relationship between money supply and economic growth. This implies that money injected into the economy is properly utilized in a way that it positively impacts the economy.

Monetary policy rate was found to have a positive but insignificant impact on the growth of Nigeria economy, and this is in consonance with the findings of Ufoeze, et al (2018). It's also at variance with the findings of Anowor and Okorie (2016) who found a negative relationship between MPR and GDP.

Cash reserve ratio was found to have a negative and insignificant impact on the growth of Nigeria economy, and it also agrees with the finding of Murad and Idewele (2017). It's also varied with the findings of Anowor and Okorie (2016) who found a positive and significant relationship between CRR and GDP.

Financial deepening was found to exert significant negative impact on the level of economic growth. This is at variance with the finding of Adulazeez (2016) who in his study found a positive and significant relationship between financial deepening and economic growth.

More so, the inflation rate from the result was found to have a negative and insignificant impact on economic growth. This disagrees with the findings of Imoughale and Ismail (2014) and Okoro (2013) who found a negative and significant relationship between inflation and economic growth.

Conclusion and Recommendation

The study examined the influence of monetary policy on economic growth in Nigeria from 1982 to 2023. Given the result of the study, it shows that the various monetary policy measures have not been applied adequately, hence the increasing level of inflation, unemployment, exchange rate instability, etc. currently faced by the country.

Indeed, monetary policy plays a stabilizing role in influencing economic growth through several channels. However, the scope of such role may be limited by the concurrent pursuit of other primary objectives of monetary policy, the nature of monetary policy transmission mechanism, and by other factors including the uncertainty facing policy makers and the stance of economic policies. In addition, the concurrent target of intermediate goals may have implications on the attainment of the ultimate objective of achieving sustainable growth.

Recommendations

Based on this, the following recommendations are put forward.

1. To accelerate the rate of growth of the Nigerian economy, government needs to initiate and push forward effective and efficient monetary policy measures via money supply, monetary policy rate, etc. to adequately stabilize prices, reduce poverty and inequality by encouraging holistic macroeconomic growth.

2. Government should be mindful of the level of deepening of finance in the economy as excessive deepening or too rapid growth of credit may have led to both inflation and weakened banking system, which in turn give rise to growth inhibiting financial crisis.

3. Monetary authorities in stabilizing the Nigerian economy should give priority attention to Cash reserve ratio if it must produce a more desired result in terms of economic stabilization.

4. Measures to check the negative effect of inflation on the economy should be put in place to enhance the value of the currency and improve purchasing power.

References

Abdulazeez, M., N. (2016). Impact of monetary policy on the economy of Nigeria. *Pyrex journal of business and finance management research*, 2(10), 163-179.

Adefeso, H. & Mobolaji, H. (2010) The fiscal monetary policy and economic growth in Nigeria: Further empirical evidence. *Pakistan journal of social sciences*, 7(2) 142

Adegbite, T. A. & Alabi, W. O., (2013) Monetary policy and economic growth: The Nigerian experience (1970-2010), *Prime Journal of Business Administration and Management*, 3(1), 822-833

Akinjare, V., Babajide, A. A., Isibor, A. A. and Okafor, T., (2014) Monetary policy and its effectiveness on economic development in Nigeria, *International business Management,* 10(22): 5336-5340.

Anowor, O. F., & Okorie, G. C. (2016). A reassessment of the impact of monetary policy on economic growth: a study of Nigeria. *International Journal of Developing and Emerging Economies*, 4(1), 82- 90

Anyanwu, J. C. (2014). Factors affecting economic growth in Africa: Are there any lessons from China? *African Development Review*, 26(3), 468-493.

Charles O. (2012) Monetary policy and economic growth of Nigeria. *Journal of Economic and Sustainable Development*. 3(7). 62-71

Chipote, P., & Makhetha-Kosi, P. (2014). Impact of monetary policy on economic growth: A case study of South Africa. *Mediterranean Journal of Social Sciences*, 5 (15), 76-84.

Corazon, K. (2014) Impact of monetary policy on economic growth. *International Journal of Business and Commerce,* 3(8): 11-24

Enock, N. T. & Nicholas, M.O. (2017). Can monetary policy drive economic growth? Empirical evidence from Tanzania, *Journal of contemporary Economics*, 12(2). 207-222.

Ezeaku, H.C., Ibe, G.S., Ugwanyi, U.B., Modebe, N. J., & Agbaeze, E.K., (2018). Monetary policy transmission and industrial sector growth: Empirical evidence. SAGE open 1-12.

Fasanya, I.O., Onakoya, A.O. & Agboluaje, M.A. (2013). Does monetary policy influence economic growth in Nigeria? *Asian Economic and Financial Review*, 3 (5), 635-646.

Friedman (1936), The General Theory of Employment, Interest and Money, Harcourt Brace Jovanovich, Inc. New York.

Imoughele, L.E. & Ismaila, M. (2014). Empirical Investigation of the Impact of Monetary Policy on Manufacturing Sector. Journal of Economics and Sustainable Development .3(7),58- 62

Isaac, E. I. J., & Udoye, O. N. (2018). Effect of Monetary Policy on Nigerian Economy 190–216.

Ismail, O. F., Adegbemi B. O. O, & Agboluaje, M. A., (2013) Does monetary policy Influence economic growth in Nigeria? *Asian economic and financial review*, 3(5): 635-646.

Iwedi, M., (2016). Financial intermediation: A philosophical approach. *Journal for Studies in management and planning*, 2(10): 8-21.

Jelilov, G.; Chidigo, M.; & Onder, E. (2016). Firm size and firm growth: Testing Gibrat's Law. *The International Journal of Social Sciences and Humanities Invention*, 1869-1879

Jhingan, M. L. (2000). Monetary and banking international trade. New Delhi: Hamsphire. Vrinda Publications (P) Ltd.

Keynes, J. M. (1936). The general theory of employment, interest and money. London: Macmilla

Manouchehr, N., & Ahmad, J.S., (2011). The impact of monetary policy on economic growth in Iran. *Middle east journal of scientific research*, 9(6), 740-747.

Nizhegorodtsev, R., & Goridko, N. (2015). The impact of money supply on economic growth: Theory, experience and modelling. *Handbook on economics, finance and management outlook*, 3, 66-72.

Nwankwo, D. J., Kalu, C. U., & Chiekezie, M. O. (2017). Fiscal policy-economic growth correlation: Further evidence from Nigeria economy. *International Journal of Academic research in business and social sciences,* 7(1), 1-11

Nwoko, N. M., Ihemeje, J. C., & Anumadu, E. (2016). The impact of monetary policy on the economic growth of Nigeria. *African Research Review*, 10(3), 192-206

Okafor, P. N., (2009). Monetary policy framework in Nigeria: Issues and Challenges, *CBN Economic and Financial Review*, 33(2).

Okoro, C. O. (2005). Development and validation of extra-curricular instructional package (EIP) in social studies. Unpublished PhD Thesis, Port Harcourt: University of Port Harcourt.

Omodero, (2019). Effect of money supply on economic growth: A comparative study of Nigeria and Ghana, *International journal of social science studies*, 7(3), 16-23.

Osuda, E.C. (2005). Academic dictionary of economics, (1st edition)

Prasert, C., Kanchana, C., Chukiat, C., & Monekeo, K. (2015). Money supply influencing on economic growth: Wide phenomena of AEC open region. *Procedia economics and finance*, 24(5), 108-115.

Roeela, K., Muhammad, K. B., & Shehreen, G. (2020). An effect of money supply on economic growth: Evidence from Pakistan. *Journal of contemporary microeconomic issues,* 1(1), 34-43.

Sean, M. (2019). The impact of monetary policy on economic growth in Cambodia: *Bayesian Approach. Journal of Management* 5(4) 235-243

Shobande, O. A. (2019). Monetary policy spill-over through industrial growth in Nigeria: A Time Series Analysis. *Economics and business review*, 33(1), 94-110.

Sulaiman, L.A., & Migiro, S.O. (2014). The nexus between monetary policy and economic growth in Nigeria: a causality test. *Public and Municipal Finance*, 3(2); 25-32

Tang, T., D. (2019). Impact of monetary policy on economic growth in Vietnam. *Economic and business review,* 124(8), 4382-4394.

Twinoburyo, E. N., & Odhiambo, N. M. (2017). Monetary policy and economic growth: A review of International Literature. *Journal of Central Banking Theory and Practice*, 2, 123-137

Uchendu, O. A. (2009). An overview of monetary policy in Nigeria. *CBN bulletin*, 30 (2): 10-20, April – June.

Ufoeze, L. O., Odimgbe, S. O., Ezeabalisi, V. N., & Alajekwu, B. U. (2018). Effect of monetary policy on economic growth in Nigeria: An empirical investigation. *Annals of Spiru Haret University Economic*, 1, 123-140.