Monetary policy and economic growth nexus in Nigeria

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Abstract

Background: The extent to which monetary policies influenced macroeconomic variables especially price stability and ultimately economic growth has been a theme of discussion among scholars over the years, with no solid position. This non-definite stand thus beckons for more research on the issue.

Objective: This study sought to examine the effect of monetary policy on economic growth in Nigeria.

Methodology: Annual data sourced from Central Bank of Nigeria Statistical Bulletin covering the period 1971 to 2018. The data collected were analyzed using Ordinary Least Square method. The study also conducted the unit root and cointegration test to ascertain the fitness of the model.

Result: Long-run relationship exists among the variables and that some explanatory variables (Monetary policy rate, Interest rate, Investment to productive sector) presents a positive but non-significant effect on economic growth while real exchange rate has a negative impact on economic growth in Nigeria. However, monetary supply, which is another explanatory variable has a positive significant effect on economic growth.

Conclusion: On the overall, monetary policy is found to explain about 89% of the changes in economic growth in Nigeria.

Unique contribution: The study includes monetary policy rate which serves as the main tool of monetary policy targets and as well use GDP growth rate which is believed to be an adequate measure of economic growth as against ordinary GDP. This study also replaced external reserves and output of industrial production with investment since investment is theoretically postulated to have a direct influence from interest rates (both lending and deposit), which CBN monetary policy rates have a direct influence on.

Key Recommendation: The study recommends that government and relevant monetary authorities should make financial sector less volatile and ensure the effective monitoring of money supply levels, among others.

Keywords: Monetary policy, Money supply, Real exchange rate, Bank lending, Economic growth, Nigeria.

Introduction

Macroeconomic instability ravaging economies over the world is not a new phenomenon. Over two decades ago, it has manifested itself in several forms ranging from trade cycles to inflation, unemployment, balance of payment deficits and many more. Often times, these conditions degenerate to economic recession as the case may be all over the world. Reducing this scourge has therefore given birth to the formulation of various policies to address the problem. Prominent among these policies is the monetary policy.

In relation to the above, the Central Bank of Nigeria (CBN) has been saddled with the responsibility of formulation and implementation of this policy which involves the regulation of the supply and cost of money as well as the direction of credits in the country since its establishment in 1959 by the Central Bank Act of 1958. This traditional role has been made possible through the use of various monetary policies for the achievement of full-employment equilibrium, rapid economic growth, price stability and maintenance of balance of payment equilibrium in agreement with the expected level of economic activity in the country (Adesoye et al, 2012; Fasanya et al, , 2013; Baghebo & Ebiba, 2014; Adigwe et al, 2015).

These objectives are adjudged to be paramount in the achievement of both internal and external balance as well as in the promotion of economic growth of a nation. Nevertheless, it should be noted that both the monetary policy and macroeconomic policies of governments all over the world, developed and developing ones are synonymous with diversities only in the effects of monetary policy measures employed. Generally, the prevailing economic situation of a nation (whether in a recession or a boom) dictates the monetary policy to be used in an economy, to achieve the stated objectives in the country, either expansionary or contractionary.

In Nigeria, various regimes of monetary policy instruments have been used on one occasion or the other. On few occasions, the monetary policy is tight while at other times it is loose. Also there has being periods of expansion and contraction in the economy but the overall effect has been minimal as the Nigerian economy is still overwhelmingly beset with the macroeconomic problems of unemployment, low investment and high inflation episodes which has caused it to fall back to recession at the present time of this study.

To this end, this study is poised to examine the effectiveness of the Central Bank of Nigeria's monetary policies over the years with specific objective of assessing the impact of monetary policy instruments (monetary policy rate, money supply, real exchange rate, interest rate and investment to productive sector) on economic growth of Nigeria between 1971 and 2018. This study in order to take a stand and fill the vacuum left by previous scholars, is premised on the hypothesis that *monetary policies has no impact on economic growth in Nigeria.* The expanded form of this using the included monetary policy variable is therefore tested at the appropriate section of this study.

Conceptual review

Concept of monetary policy

Monetary policy is the macroeconomic policy laid down and carried out by the central bank of a nation. It involves the management of money supply and interest rate and is the demand side of economic policy used by the government of a country to achieve macroeconomic objectives like the control of inflation, consumption, growth and liquidity (Jhingan, 2009). It is essentially a programme of action undertaken by the monetary authorities, generally the central bank, to

control and regulate the supply of money with the public as well as the flow of credit with a view to achieving predetermined macroeconomic goals (Dwivedi, 2005).

The government of every nation tries to control the money supply in an economy, using monetary policies, because of the believe that its rate of growth has an effect on the rate of inflation coupled with the fact that they are vital instruments for maintaining domestic price and exchange rate stability and in achieving sustainable economic growth and viability of a nation (Amassoma et al, 2011; Adegbite & Alabi, 2013).

Monetary policy is of two broad type; contractionary policy which is enforced to squeeze down the money supply in an economy to curb inflation, and; expansionary policy which is used to stimulate economic activity to combat unemployment especially during recession (Nwanko, 2007).

Concept of Economic Growth

Economic growth can be defined as an increase in a country's productive capacity, identifiable by a sustained rise in real national income (Hardwick et al, , 1994). It is a sustained rise in the output of goods, services and employment opportunities with the sole aim of improving the economic and financial welfare of the citizens (Ogbulu & Torbira, 2012). It is a rise in per capita income which connotes an increase in the total output of an economy per person all things being equal (Jelilov& Muhammad (2015). It is the process whereby real per capita income of a country increases over a long period of time (Adeagbo, 2019).

From the above and various other definitions, the convergence point is that economic growth is a rise in output of goods and services which can only be measured by the monetary value of all goods and services produced in an economy over a specified period of time usually a year.

Theoretical Underpinning

Monetary theory, aimed at examining the role of money in the attainment of macroeconomic policy objectives, has undergone a vast and complex evolution since the study of economic phenomenon first came into lime light (Jhingan, 2004; 2009) and this has attracted various school of thought Notable among which are:

The Classical Monetary Theory

The Classical school of thought evolved out of the concerted efforts and contributions of various economists like Jean Baptist Say, Adam Smith, David Ricardo, Piguo and others (Onyeiwu, 2012) who attempted to explain the determination of savings and investment with respect to money. The theory was based on the assumption of full employment level with emphasis on price level and elimination of inflation in an economy. They see quantity of money as determination of general price level or the value of money and this gave rise to quantity theory of money which explainedthe effect of money supply on an economy (Imoughele, 2014) as below:

$$MV = PY$$

Where: M = Stock of money

V = Income velocity of money balances

P = General price level

Y = The flow of real goods and services

The above explains that total value of transaction within a given period of time (total expenditure) equates the value of goods currently produced and sold. The quantity theory of money thus states that the level of prices varies directly with quantity of money (Ahuja, 2011).

To this end, the level of price was explained using two very similar "quantity theory of money"; the transaction version with Fisher and Newcomb, and Cambridge equations (cash balances version) associated with Walras, Marshall, Wickshell and Piguo (Jhingan, 2009).

In the transaction version, the quantity of money (M) is determined independently of other variables while velocity of circulation (V) and the volume of transactions (T) are assumed to be constant based on the assumption of full employment of the economy. Thus we have

$$MV = PT$$

and this establish the fact that the level of price is a function of money supply (Balogun, 2007).

The Cambridge version focus on the determinants of demand for money rather than the effects of changes in the supply (Anyanwu, 1993) and replaces V with K in the transaction approach asexpressed below:

$$M = KPY$$

Where: K = Fraction of income
M = Quantity of money
P = Price level
Y = Value of goods and services

The Keynesian Theory

This theory is established on the notion of price rigidity and possibility of an economy setting at a less than full employment level of output, income and employment. Keynesian believed that velocity of circulation was volatile and there often existed under-employment of resources as a result of recessionary conditions in the economy. The theory explains the effect of variation in money supply on the rate of interest which determines investment in the economy.

The Keynesian viewed monetary policy as influencing interest rate which influences investment decisions and consequently, output and income via multiplier process. To them the effect of a change in the quantity of money on prices is indirect and non-proportional (Jhingan, 2009). They focused on issue of output rather than prices as a pre-requisite for changing economic conditions and this serves as a modification of the classical quantity theory of money.They believed that money supply, through its transmission mechanism, has indirect effect on real GDP.

The Monetarist Theory

The Monetarist emphasized money supply as the key factor affecting the wellbeing of any economy. The theory adopted Fisher's equation of exchange to illustrate their theory as a theory of demand for money and not a theory of output price and money income. The Monetarists argued that money has significant effect on price level or inflation in the economy in the long run and have real effects on output and employment in the short run and that there exists a direct relationship between monetary sector and the real sector of the economy (Friedman, 1963; Khabo, 2002; Jhigan, 2009). The theory therefore concluded that changes in money supply will have both direct and indirect effect on spending and investment respectively.

Empirical Review of Related Literature

There are several empirical studies on the impact of monetary policy on economic growth for different economies, using various methods as well as various data (cross sectional, time series

and panel data). Some of the studies are country specific while others are cross country in nature. However, these empirical studies have been inconclusive, while some showed positive relationships, some reported an inverse relationship and others reported mixed findings hence the need for further studies to shed more light on what actually transpire. Some of the studies are selected for review below.

Studies on other countries

Khabo (2002) examined the impact of monetary policy on a small and open economy in South Africa from 1960-1997 using OLS method of data analysis. The study also performs stationarity test using Augmented Dickey Fuller. Findings revealed that money supply has a significant positive effect on economic growth.

Balogun (2007) examined the impact of monetary policy on economic performance of West African monetary zone (Gambia, Ghana, Guinea, Sierra Leone and Nigeria) using the variables money supply (M_2), minimum rediscount rate, banking system to private sector, banking credit to central government and exchange rate of the national currency to US dollars for the period 1991-2004. Findings revealed that monetary policy was a source of stagnation as it hurts the real domestic output of these countries during the period covered by the investigation.

Nouri and Samimi (2011) examined the impact of monetary policy on economic growth of Iran between 1974 and 2008 using OLS method of data analysis. Their findings revealed that there exists positive significant relationship between money supply and economic growth in the period under study.

In another study in Bahrian, El-Seoud (2014) examined the relationship between money supply and GDP from 2000-2003 using co-integration test. The result shows that real money supply had neutral effect on the real GDP growth during the study period.

Studies on Nigeria

Asogu (1998) examined the influence of money supply and government expenditure on economic growth adopting the Saint Louis model on annual and quarterly time series data from 1960-1995. Findings revealed that money supply and export have positive and significant impact on economic growth in Nigeria.

Ajisafe and Folorunso (2002) examined the relative effectiveness of monetary and fiscal policy on economic activity in Nigeria between 1970 and 1998 using co-integration and error correction modelling techniques. Findings revealed that monetary rather than fiscal policy exerts a greater impact on economic activities in Nigeria and that emphasis on fiscal policy by the government has resulted to greater distortion in the Nigerian economy.

Chimobi and Uche (2010) examined the relationship between money supply, inflation and output in Nigeria using co-integration and Granger causality test analysis. Findings revealed that there exist no long-run relationship among the variables used in the model. However, their result revealed that money supply granger cause both output and inflation. Their findings suggested that monetary stability can contribute to price stability in Nigeria economy and that inflation in Nigeria is to an extent a monetary phenomenon.

In another related study, Amassoma et al, (2011) examined the effect of monetary policy on macroeconomic variables in Nigeria for the period 1986-2009 using a simplified OLS technique.

Their findings revealed that monetary policy have a significant effect on exchange rate and money supply while it has an insignificant influence on price stability.

Onyiewu (2012) examined the impact of monetary policy on the Nigeria economy between 1981 and 2008 using the OLS method of data analysis. Findings revealed that monetary policy exerts a positive impact on GDP growth and balance of payment but have a negative impact on inflation.

In another study on Nigeria, Adegbite and Alabi (2013) examined the impact of monetary policy on economic growth for the period 1970-2010. Data for the study was collected from CBN statistical bulletin on different variables used which include money supply, inflation, exchange rate, interest rate and GDP. Their findings revealed that those variables have significant effects on economic growth in Nigeria. They therefore concluded that exchange rate stability played a major role in keeping down inflation for most of the transition period, and that the range of monetary policy instruments available to the authorities has expanded in recent years, which was associated with more stable and predictable changes in money supply and price level.

Fasanya et al, (2013) in a related study on Nigeria examined the impact of monetary policy on economic growth using time series data from 1975-2010. The study employed Error Correction Model (ECM) to examine the effect of stochastic shocks of each of the endogenous variables. Findings revealed that there exists long run relationships among the variables employed and that the variables (inflation rate, exchange rate and external reserves) have statistically significant effect on economic growth in Nigeria.

Research Methodology

The variables for the study are based on secondary data sourced from CBN Statistical bulletin, 2019 edition. The study spanned through 1971-2018, which was the period when monetary policies are seen to be the main stand-post of economies across the world. Annual data on monetary policy rate, money supply, real exchange rate, interest rate and investment to the productive sector were employed as the explanatory variables while GDP as measure of economic growth is used as dependent variable.

Following Koutsoyiannis (2001), the specification of an econometric model will be based on economic theory and any available information relating to the phenomenon being studied. On that premise, out of the various theory reviewed, the Keynesian IS-LM function with a Philip curve super imposed on it to determine inflation serves as the bedrock on which the empirical model for this study is formulated. The study also adopted Fasanya et al. (2013) as well as Adegbite and Alabi (2013) with little modifications. Fasanya et al. (2013) employed GDP as dependent variable while they used money supply, interest rate, exchange rate external reserve and inflation rate as independent variables. Adegbite and Alabi (2013) in their own case regressed output of industrial production, inflation, money supply, interest rate and exchange rate against GDP. The present study, however, modified both models to include monetary policy rate which serves as the main tool of monetary policy targets and as well use GDP growth rate which is believed to be an adequate measure of economic growth as against ordinary GDP. This study in its modification also replaced external reserves and output of industrial production with investment since investment is theoretically postulated to have a direct influence from interest rates (both lending and deposit), which CBN monetary policy rates have a direct influence on.

Following from the above, the model for this study is specified thus:

GDPgr = f (MPR, MSS, REXR, INTR, INVT) …… (1)

Where: GDPgr = Gross Domestic Product growth rate (a measure of economic growth)
MPR = Monetary Policy Rate
MSS = Money Supply
REXR= Real Exchange Rate
INTR = Interest Rate proxied by bank lending rate
INVT = Investment to productive sector proxied by credit to the private sector

writing equation (1) in econometric form, the equation of the model becomes

$$GDPgr_t = \beta_0 + \beta_1 MPR_t + \beta_2 MSS_t + \beta_3 REXR_t + \beta_4 INTR_t + \beta_5 INVT_t + \mu_t \ldots\ldots\ldots (2)$$

where β_0 *is constant*, $\beta_1 - \beta_5$ are coefficients of the relationship between dependent and independent variables, μ_t is error term capturing the influence of unidentified variables for the time period covered by the study.

Stating equation (2) in log form to address transformation among variables we have

$$lnGDPgr_t = \beta_0 + \beta_1 MPR_t + \beta_2 lnMSS_t + \beta_3 REXR_t + \beta_4 INTR_t + \beta_5 lnINVT_t + \mu_t \ldots (3)$$

However, it should be noted that MPR, REXR and INTR are not log since they are already in rate form.

To state our *a priori*, the study falls in line with the arguments set out in the standard Mundell-Fleming- Dornbusch model, which assumes that expansionary monetary policy reduces interest rates, depreciates the real exchange rate and increases money supply and level of real output (Dornbusch, et al., 2014).

Based on the above assumption, *a priori* expectation is given below:

$\beta_1, \beta_4 < 0$, this is due to the negative relationship of MPR and INTR to GDPgr in Nigeria.

$\beta_2, \beta_3, \beta_5 > 0$, this is due to the positive relationship of MSS, REXR and INTR to GDPgr in Nigeria.

Other robustness checks were performed, these include Augmented Dickey Fuller (ADF) test which is done to determine the stationarity of the variables, autoregressive distributive lag (ARDL) bound test to determine cointegration (i.e. to examine the long run relationship between dependent and independent variables), as well as OLS to determine the contribution and significance of each explanatory variables included in the model.

Analysis and Interpretation of Results

The unit root test is carried out with intercept specifications for the respective series since it is a single variable and it is also the default that comes with the E-view. The lag-selection was based on the default selection of the Newey-West Bandwidth (NWB). The table contains the ADF test statistic at levels and levels and intercept of the time series with the null hypothesis which states that there is no unit root.

Table 1: Unit Root Test Results

Variable	ADF	1% critical value	5% critical value	10% critical value	Order of integration
GDPgr	5.570***	3.574	2.924	2.600	I(0)
MPR	7.786***	3.578	2.925	2.600	I(1)
MSS	4.641***	3.574	2.924	2.600	I(0)
REXR	4.661***	3.578	2.925	2.600	I(1)
INTR	5.587***	3.578	2.925	2.600	I(1)
INVT	3.011**	3.578	2.925	2.600	I(1)

***denotes significant at 1%, ** denotes significant at 5%, * denotes significant at 10%.
Source: Author's computation (2020) using E-view 9

The unit root test results from the ADF method based on 1% significant level shows the orders of integration of the variables, being stationary at levels and levels and intercept. In particular, the stationarity of the general unit root process for the set of time series data for the variables shows that they are all significant at least at 1 % except for $INVT$which is significant at 5% and thus the null hypothesis of unit root in the data can be upheld. The implication of this result is that ARDL bound test should first be conducted to examine the long-run co-integration among the variables since the underlying variables are a combination of I(0) and I(1) series.

Presentation and Discussion of ARDL Bound Test

The result of ARDL bound test is presented in table 2 to examine the long-run co-integration among the variables. The bound test decision rule is as follows:

If F statistic generated from the result is greater than the I(1) critical bound, reject null hypothesis and conclude that there is co-integration, and, hence, there is a long-run relationship among the variables. If F statistic generated from the result is less than I(0) critical value bound, accept the null hypothesis and conclude that there is no co-integration and, hence, there is no long-run relationship among the variables. If F statistic generated from the result falls between the I(0) and I(1) critical value bounds, the test is inconclusive.

Table 2 ARDL Bounds Test

Test Statistic	Value	K
F-statistic	7.366	3
Critical Value Bounds		
Significance	I(0) Bound	I(1) Bound
10%	2.74	3.79
5%	3.22	4.35
2.5%	3.70	4.89
1%	4.28	5.63

Explanatory Note: K stands for number of parameters.
Source: Author's computation (2020) using E-view 9

From Table 2 above, it would be seen that the F statistic (of 7.388) is greater than the I(1) critical bound (of 5.63) at 1%. So, we conclude that there is co-integration and, hence, there is a long-run relationship among the variables. Therefore, long-run co-integrating regression method is used to examine the effects of the explanatory variables on economic growth.

Regression Result

Long Run Relationship between the Variables

Co-integration is carried out based on test proposed by Johansen. Below is the result of test conducted:

Table 3

Series: GDPgr MPR MSS REXR INTR INVT				
Lags interval (in first differences): 1 to 1				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.800	154.462	89.653	0.000
At most 1 *	0.851	112.513	67.917	0.000
At most 2 *	0.676	62.117	47.856	0.001
At most 3 *	0.504	31.981	79.857	0.031
At most 4	0.391	11.802	15.422	0.102
At most 5	0.000	0.010	3.632	0.810
Trace test indicates 4 cointegratingeqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.800	58.537	39.075	0.000
At most 1 *	0.851	63.115	31.809	0.000
At most 2 *	0.698	31.138	27.584	0.017
At most 3	0.503	18.175	21.132	0.123
At most 4	0.389	62.107	46.856	0.084
At most 5	0.000	0.010	3.632	0.810
Max-eigenvalue test indicates 3 cointegratingeqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Source: Author's computation (2020) using E-view 9

As evident in the table above, the co-integration tests included the GDPgr, MPR, MSS, REXR, INTR and INVT. The trace test and the maximum Eigenvalue statistics show the existence of four (4) and three (3) co-integrating equation respectively between economic growth and the variables influencing it at 5percent level of significance. The result implied that there exists a unique long run relationship between monetary policy and economic growth in Nigeria.

Test of Significance of Relationship between Monetary Policy and Economic Growth

Table 4

Dependent Variable: LnGDPgr
Date: 07/25/20 Time: 09:34
Sample (adjusted): 1971 2018
Included observations: 48 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
MPR	0.016853	0.015810	1.148998	0.2602
LnMSS	1.390465	0.381442	3.403537	0.0022
REXR	-0.005460	0.003221	-2.356068	0.0270
INTR	0.002418	0.015264	0.152703	0.7673
LnINVT	0.233721	0.343283	0.647213	0.5250
C	1.342854	0.485854	2.772356	0.0113

R-squared	0.899602	
Adjusted R-squared	0.894170	
Durbin-Watson stat	0.915055	
F-statistic	306.3125	
Prob(F-statistic)	0.000000	
*Note: p-values and any subsequent tests do not account for model		
selection.		

Source: Author's computation (2020) using E-view 9

From table 4 above, the contributions and significance of individual coefficients of the monetary policy variables included in the model are used to test the various hypotheses relating to each variable using the coefficients, t-values and the related probability values. The hypotheses so tested vis-à-vis the included variables and the result are explained below:

Ho_1: Monetary policy rate has no significant effect on economic growth in Nigeria.

In the result above, it was revealed that *MPR* has a positive relationship with *GDPgr*. The result shows that a unit increase in *MPR* will lead to 1.6% increase in *GDPgr*, however with the probability value of 0.26 which is not less than 5% we accept the null hypothesis and conclude that *MPR* does not have significant effect on economic growth in Nigeria.

Moving to the second variable with the null hypothesis stated below:

Ho_2: Money supply has no significant effect on economic growth in Nigeria.

The result from the table above presents *lnMSS* with a coefficient of 1.390 and a p-value of 0.002, implying a positive relationship with *GDPgr*. This indicate that a percentage increase in *lnMSS* will lead to 139% increase in *GDPgr*; and with the probability value less than 5%, we reject the null hypothesis and accept the alternate one which says that monetary supply has a significant effect on *GDPgr* in Nigeria.

Moving to the third variable, with the null hypothesis stated thus:

Ho_3: Exchange rate has no significant effect on economic growth in Nigeria

From the findings the coefficient of *REXR*is -0.005 with p- value as 0.027, this indicates that exchange rate has a negative relationship with *GDPgr* and since p-value is less than 5%, we reject the null hypothesis and conclude that exchange rate has significant effect on Nigeria's economic growth. The findings revealed that a unit increase in exchange rate will lead to 0.5% fall in the country's economic growth rate.

As regard the fourth variable which is interest rate, the null hypothesis can be stated as below:

Ho_4: Interest rate has no significant effect on economic growth in Nigeria

With the coefficient of *INTR* at 0.0024 and p-value of 0.767, the result revealed that there exists a positive relationship between *INTR* and *GDPgr* in Nigeria. The result indicates that a unit increase in *INTR* will lead to 0.2% increase in *GDPgr*. However, with the p-value greater than 5% we accept the null hypothesis that interest rate has no significant effect on economic growth in Nigeria.

Moving to the last explanatory variable with the null hypothesis stated below:

Ho_5: Exchange rate has no significant effect on economic growth in Nigeria

It was revealed from the result in table 3 above that *INV* with the coefficient of 0.233 and p-value of 0.525 has a positive relationship with *GDPgr*. This indicates that a unit increase in *INV* will lead to 23% increase in *GDPgr*. Also, since the p-value is greater than 5% we accept the null

hypothesis and conclude that investment has no significant effect on economic growth in Nigeria.

Conclusion and Recommendations

The study examined the impact of monetary policy on real aggregate output in Nigeria from1971-2018. Theoretical underpinnings linking monetary policy to economic growth as illustrated by Classical, Keynesian and the Monetarist school of thought were examined. Findings revealed that there exist a long-run relationship between monetary policy and economic growth which can be used to control Nigerian economy, thus it can serve as a veritable tool for price stability and improved output of the nation. Also, the major finding of this study showed that *MPR*, *INTR* and *INV* have positive but insignificant effect on economic growth in Nigeria. However, *MSS* has significant positive effect on economic growth in Nigeria while *REXR*presents a negative effect on economic growth.

Sequel to the above, it was recommended that government and relevant monetary authorities should ensure that money supply levels are effectively monitored, managed and controlled so as to enhance, promote and achieve economic growth in Nigeria.

Also enabling policy instruments and strategies such as increasing available domestic credit via potent interest rate should be put in place to encourage production.

In addition, relevant authorities should endeavor to make financial sector less volatile and more viable as it is in developed countries. This will allow for smooth execution of the Central Bank monetary policies.

Finally, it was suggested that the Central Bank should contribute to the nation's economic viability by eliminating the price uncertainties associated with inflation as their refrainment will continue to bring about sharp fluctuations in the market.

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