MONETARY POLICY AND ECONOMIC GROWTH IN NIGERIA (1981 TO 2019)

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Abstract

The Economic growth of any country is very important for the welfare of its citizenry. In the quest ti facilitate economic growth, it becomes imperative to to identify the economic variables that influence economic growth hence this study to know the relationship between economic growth and monetary policy. The study was carried out using data from CBN statistical bulletin on GDP from 1981 to 2019. A multi regression analysis was carried out to determine the impact of IGR on GDP while a one way anova test using SPSS software was employed to ascertain the respective impact made by monetary policy on economic growth. The result shows that for each year's increase in GDP, there is 3.889, 323.074, 0.287 increase in Money supply, Interest rate and Credit to private sector respectively, while there is a decrease of 467.638 decrease in Monetary policy Rate. This confirms that there is a relationship between monetary policy and economic growth and that monetary policies (money supply, interest rate, credit to private sector and monetary policy rate) individually and collectively impacts on economic growth in Nigeria.

Introduction

Monetary policy is a deliberate action of the monetary authorities to influence the quantity, cost and availability of money credit in order to achieve desired macroeconomic objectives of internal and external balances (CBN, 2011). In order to manage the quantity of mony in the system, the money supply or interest rate or both will be changed. The importance of money in economic life has made policy makers and other relevant stakeholders to accord special recognition to the conduct of monetary policy. The Central Bank of Nigeria is the organ that is responsible for the conduct of monetary policy in Nigeria.

According to Onoh (2013), in order to facilitate the design of a suitable macroeconomic framework, the monetary policy of a country must have to be analyzed so as to actively encourage economic stability and growth of the economy. Onoh (2013) opined that the main function of CBN who is the major monetary authority is to make sure that it has grip firm over the supply of money in the system, and other ancillary responsibilities. Central Bank of Nigeria in recent years has realized the need to review its monetary policies in order to be in tune with the realities of the time (CBN 2011).

In Nigeria, the achievements of monetary policy objectives are based on the position of monetary and fiscal policies (Idowu, 2010; Nenbee & Madume, 2011). Fiscal policy is a policy under which the government uses its revenue and expenditure programmes to produce desirable effect and avoid undesirable effect on the national income, production,

employment and even price. Monetary policy however, is deliberate steps of the CBN to ensure appropriate control of money supply so as to assist in achieving the macroeconomic objective of government (CBN, 2012).

There is a general consensus among economists and policy makers that price instability undermines the role of money as a store of value and frustrates investments and growth (Nnanna, 2001). The main monetary policy framework, hinges on the stability of price and exchange rate, while the promotion of economic growth and employment are the secondary goals. In a bid to achieve desired level of stability and growth, the CBN had employed so many policy measures as spelt out in the CBN Monetary Committee decisions in 2012.

Monetary policy is the process whereby the central bank regulates money, for the purposes of price stability. Depending on the level of the financial development of a country, monetary policy is usually implemented through the banking system and the financial market. Implementing monetary policy involves interactions between the monetary authorities and financial intermediaries, using tools of monetary policy including reserve requirements, open market operation, and the policy rate, among others. Various frameworks of monetary policy have been used including monetary targeting, exchange rate targeting, inflation targeting, etc. Consequent upon the recent economic meltdown, the CBN applied some irregular monetary policies to handle the adverse financial conditions(CBN, 2017).

Literature Review
Conceptual Framework

Over the years, the objectives of monetary policy had remained the attainment of internal and external balance. However, emphases on techniques/instruments to achieve the objectives had changed over the years. Monetary policy has undergone two phases (Pre and Post SAP). Pre-SAP was before 1986, while Post SAP was after 1986.

According to the CBN (2011), monetary policy indicates how the central bank supplies money in order to achieve the objectives low inflation rate, full employment, and aggregate income growth. This is because of the importance of money in the society. Fiduciary or paper money is issued by the central bank based on an estimate of the demand for cash. To conduct monetary policy effectively, the central bank adjusts the monetary aggregates, the policy rate or the exchange rate in order to affect the variables which it does not control directly. The tools of monetary policy used by the CBN are determined by the development level of the economy, particularly in the finance sector.

The Open Market Operations has been the established and well known tool of monetary control in Nigeria. Other tools include CBN securities, reserve requirements, moral suasion etc.

The central bank can direct Deposit Money Banks (DMB) on sectoral credit allocations, interest rate ceiling, liquidity ratio, and preferred credit guarantees. This makes for proper allocation of savings and investment in the banking sector for loan purposes.

Onoh (2007) sees money supply to comprise of broad (M2) and narrow (M1) money respectively. These two types of money can be seen in the liability or assets column of a balance sheet. The M1 represents the total currency in circulation and demand deposits while the M2 represents M1 plus savings deposit, time deposits and other liabilities such as foreign currency deposits.

Theoretical Review

Prior to 1986, the financial environment was identified by the desire for growth in the oil sector, the increasing role of the public sector and the external sector over dependence. In order to maintain price stability and healthy balance of payments position, monetary management before 1986 depended on the use of direct instruments such as credit ceilings, selective credit controls or credit rationing, administered rate of interest and the recommendation of cash reserve requirements and special deposits (Akanbi and Ajagbe, 2012; Adeoye, Ojapinwa and Odekunle, 2014; CBN, 2009).

Nnanna(2001) states that consequent upon oyr non-developed financial market, using market-based tools was not realizable. Hence the issuance of monetary policy guidelines such as credit rationing guidelines became very popular and was used in setting the rate of commercial bank loans and advances given to private sector.

Nwankwo (1980) suggests that the distribution of credit in various sectors as guided by CBN was geared towards encouraging investment growth and production so as to check inflation.

From the mid -1970s, according to CBN Brief, (1999) , achieving monetary policy objectives became difficult. It was observed that banks aggregate loans to the productive sectors between 1972 and 1985, average 40.7% to total credit, about 8.7% points lower than the stipulated target of 49.4%. At that time, all parameters of economic growth tended southwards. Such parameters are fiscal deficits, monetary aggregates, GDP growth rate, inflation rate and balance of payments (CBN, 1993).

The compliance of banks to credit guidelines was below average. The strategy of credit ceiling and selective credit controls by CBN failed and never achieved its objective. Based on the controlled interest rate regime, expansion of the monetary system was encouraged, without the expected growth in the money and capital markets respectively (CBN, 2009). The interest rate introduced at that time by government on debts of government which was low, never achieved the attraction of savers from the private sector.

In the early 1980s, the borrowings of Government from the CBN as a result of not having enough revenue from the oil sector which happens to be where government depended solely to finance budgets caused so much adverse effect on the management of the monetary system (CBN 2002).

In line with the economic deregulation embodied in the SAP, there was a paradigm shift from the hitherto repressive direct monetary control method to an indirect approach which was to use market instruments in monetary management (Anderson, 1988; CBN, 2009; Adeoye, Ojapinwa and Odekunle, 2014; Chuka, 2009). This came up in order to eradicate the administrative bottlenecks and inefficiencies in the financial system so as to encourage competition in the banking subsector in particular and in the financial sector in general.

Regime of Short- Term Monetary Policy Framework (1986-2001)

Ojo (2000) observed that in spite of the serious and consistency with which the monetary policy objectives were pursued in the shot run of 1986 – 2001, the targets of monetary policy within this period were not achieved. In spite of the good performance of inflation, it was noted that money supply when measured in actual growth rates in broad money policy framework (1986 – 2001), money supplied to the economy was more than the target for the period with wide margin. Hence, the inflation rate in 1999 fell to 6.62% from 9.98% it was in 1998; in 2000 it was 6.94% while in 2001 it skyrocketed to 18.03%, aggregate output was sluggish during the period.

In 2002, the CBN launched a monetary policy structure that will last for a two-year medium- term, which will be making monetary policy to be consistent and reduce responses due to short-term upsets.

The major objectives of monetary policy since 2002 to 2003 was bring down inflation inflation to a single-digit and keep exchange rate of the naira stable (CBN Briefs, 2003). The OMO has continued to be primary tool of monetary policy, and it is assisted by some other monetary policy tools such as discount window operations, foreign exchange market intervention, withdrawal/injection of public sector funds, and reserve requirements. Here, the inflation rate was 13.68% in 2002 while in 2003 rose to 14.02%.

Between 2004 and 2005, monetary policy and credit guidelines were fine-tuned to include:
• Maintenance of a tight exchange rate band of plus/ minus 3 per cent,
• Two week maintenance period of cash reserve requirement and
• The injection/withdrawal of public sector deposits from the DMBs.

Monetary Policy implementation Post-Consolidation (2006-2007)

The Monetary Policy Rate (MPR) was also used by the CBN as a nominal anchor to influence the level and direction of other interest rates. The changes indicated whether the monetary authorities wished to adopt a policy of monetary tightening or otherwise. The rate was 16.5% in December 2002, 15 percent in June 2004, 13 percent in December 2005 and 10 percent in December 2006.

The basic theory on which this study is anchored is the monetarist theory, which holds that the quantity of money is the main determinant of the price level, or the value of money, such that any change in the quantity of money produces an exactly direct and proportionate change in the price level (Handa, 2009). When price level increases, access to credit is reduced and propensity to consume by firms and households is diminished and the economy is not stimulated for development but in the event of drop in price levels, financial institutions and households now possess greater access to money credit because of reduced interest rates and thus there is greater propensity to consume and invest leading to economic development.

Empirical Review

Quite a number of researches have been conducted world over on monetary policy and macroeconomics variables and how these variables respond to shocks in monetary policy. Few of these researches are considered relevant and hence reviewed here under; Joao and Andrea (2006) developed an international monetary aggregate for US, Euro, Japan, UK and Canada to examine its indicator properties for global output and inflation. Applying a structural VAR approach, the two scholars established that after a monetary policy shock, output decline temporarily with the downward effect reaching its pinnacle within the second year, and the global monetary aggregate drops significantly. More so, the price level rises permanently in response to a positive in the global liquidity aggregate.

Additionally, several studies (Idowu, 2010; Uchendu, and Nkoro, 2005) have established that huge public spending has constrained the efficacy of monetary policy in Nigeria. They buttressed that huge public spending by the three tiers of government, over the years, had hampered monetary management resulting in the missing of monetary targets by wide margins, while inducing serious pressure on the general price level. Moreover, the poor state of economic infrastructure, resulting from past neglect, influence monetary management adversely.

Olubusoye and Oyaromade (2008) analyzed the sources of fluctuations in inflation rate in Nigeria using the framework error correction mechanism and found out that the lagged consumer price index (CPI) among other variables propagates the dynamics of the process of inflation in Nigeria. The output level was observed not significant but the lagged values of money supply were seen to be negative and significant only at 10% level in the parsimonious error correction model.

Okpara and Nwoha (2010) employed a two stage least square method and a reduced form of the growth model was singled out for long run cointegration and casualty test. It was discovered that money supply when granger-causes prices and also positive and significant with prices.

Ditimi, Nwosa and Olaiya (2011) adopted a simplified ordinary least squared technique and conducted the unit root and co- integration test in his analysis on monetary policy and macroeconomic stabilization in Nigeria and found out that interest rate has an insignificant influence on price stability.

Eregha (2010) examines variations in interest rate and price stability in Nigeria, using a time series data 1970-2002, employed instrumental variable technique and found out that variation in interest rate played a negative and highly significant role on price decisions in the economy.

Daferighe, and Aje, (2009) using a time series data 1997-2006 employed the OLS method of regression and analyzed the impact of the real Gross Domestic Product on stock market prices and found out that increased RGDP has a positive impact on stock market prices.

Sanchita and Rina (2011) concluded in their analytical work on monetary policy using the co- integration test that to achieve macroeconomic stability, inflation, asset price etc, that the classical transmission mechanism of the monetary policy is useful in influencing the price and quantity of the above-mentioned macroeconomic indicators.

Gambetti (2008) reviewed the contribution of policy shocks to the dynamics of inflation using a medium scale structural model estimated with US post- WWII data and Bayesain techniques over rolling samples and captures a fall in inflation volatility and attributes a portion of the changes to monetary policy shocks.

Umaru and Zubairu (2012) examined the impact of inflation on economic growth and development in Nigeria between 1970-2010 and discovered that inflation exhibits a positive impact on economic growth via production and output level and on evolution of total factor productivity.

Anosike (2009) analyses a multiple regression data on the effectiveness of monetary policy on a structurally adjusting Nigerian economy between 1975 and 2003, and concluded that monetary policy has a significant influence on inflation and will be the benchmark to control inflation to a single digit in Nigeria.

Saibu and Nwosa (2011) examine the effect of monetary policy on sectorial output growth in Nigeria over the period 1986 to 2008. The study utilized an Auto Regressive Distributed Lag (ARDL) model and the findings showed that manufacturing sector is not sensitive to any of the monetary policy variables. In sharp contrast with manufacturing sector, agricultural sector is responsive to exchange rate. Their study concluded that the effectiveness of monetary policy depends on if the observed differences in the sectors are brought in while designing policies in Nigeria.

Chimobi and Uche (2010) examined the relationship between money, inflation and output in Nigeria. The research made use of co-integration and granger-causality test analysis. The co-integration result revealed that the variables granger cause each other.

Money supply was seen to granger-cause both output and inflation. The research concluded that monetary stability can contribute towards price stability in the Nigerian economy.

Chuku (2009) carried out a controlled experiment using a structural vector auto regression (SVAR) technique to investigate the effects of monetary policy shocks on output and prices in Nigeria, using three alternative policy instruments; broad money (M2), Minimum Rediscount Rate (MRR) and the Real Effective Exchange Rate (REER). He concluded that M2 is the most influential instrument for monetary policy implementation.

Research Gap

Based on both theoretical and empirical review above, it is clear that most researchers have been unable to come to a consensus on what should be the exact effect of monetary policy instruments on economic growth of a country and there has been array of debates on such outcome. Hence, in this work, we intend to address these grey areas of disagreements among notable scholars by looking at the relationship between economic growth and monetary policy in Nigeria. This study is therefore geared towards confirming or refuting any of the above assertions.

Research Methodology

This study is a systemic and objective enquiry into events, developments and experiences of the past research adopting it in determining and forecasting the present and future situations of these events. It therefore involves historical analysis of relevant data on policy instruments. Some macroeconomic variables will be used and analyzed to determine their impact on Nigerian economy. The research work therefore will specify relevant models and employ appropriate statistical tools of Ordinary Least Square (OLS), Simple regression as well as multiple regressions.

Source and Nature of Data

The study made use of data mainly from secondary sources, particularly published data from research work of monetary policy department of CBN, the World Bank and the United Nations Development Project (UNDP). Secondary data were obtained from the statistical bulletin of the Central Bank of Nigeria and will be used for the analysis of the study. The study equally used data from the published works in CBN official websites, Statistical Bulletins, monthly journals, financial reviews as well as Annual Reports and various communiqués of the monetary policy committee meetings. The data obtained was analyzed with an Econometrics text kit (Software) called E-view –Version 9.

Model Specification and Validation

This research work adopts the foundation model of Irving Fisher (1911) and expanded it with modifications to suit our research work;
$MV = PT$ ………………. eq. 1

Where

M = the quantity of money in the economy
V = the velocity of circulation being the rate at which each unit of money moves through the economy in a stated period.
P = Price level
T = Aggregate Demand or Transaction = Gross Domestic Product (GDP)
Hence, $T = MV/P = MV (1/P)$ ....(2)
1/P, which is price level measures inflationary trend associated with aggregate demand.

The functional relationship between dependent and the independent variables that will be used in our study are established as follows.

Model

If we define the research variables thus;

GDP = Gross Domestic Product - Dependent Variable

M_2 = Broad Money Supply   - Independent variable.

MPR = Monetary Policy Rate   - Independent variable.

INR   = Interest Rate proxied by bank average lending rate - Independent variable.

INV = Investment to the productive sector proxied by **credit to the private sector -** Independent variable.

We now have:

GDP = f (M_2, MPR,INR,INV) ....   (3)

GDP = f (M_2) ....   (4)

GDP = f (MPR) ....   (5)

GDP = f (INR) ....   (6)

GDP = f (INV) ....   (7)

The Simple regression model for the problem is stated thus;

GDP = a_0 + $a_1 M_2$ + μ ....   (8)

GDP = a_0 + a_1MPR + μ .... (9)

GDP = a_0 + a_1INR + μ .... (10)

Transforming to multiple linear relationship;

GDP = a_0 + $a_1 M_2$ + a_2MPR + a_3INR + a_4INV + μt + ... (11)

Where:

$a_0 = Intercept$

$\mu = Error\ term$

$a_1 - a_4 = parameters/\ coefficients$

μ = stochastic variable or the error term

Data Analysis and Results

Using the SPSS software, Firstly, the M_2 data set was tested for linearity. The scatter plot reveals a perfect linearity between the GDP and Money supply as shown in Figure 1.
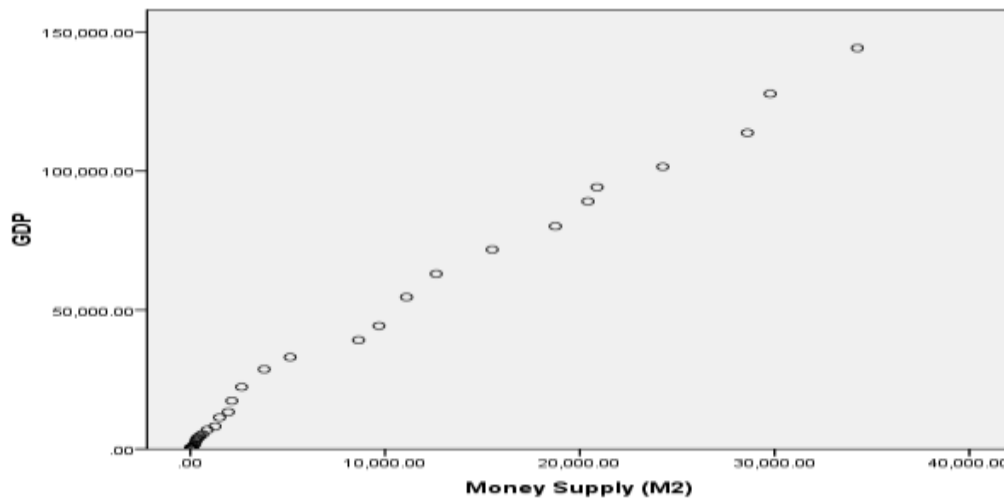

Figure 1: Scatter Plot of GDP against Money Supply

A simple regression analysis carried out on the data produced the following results as shown in Table 1, Table 2 and Table 3.

Table 1: Results of Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3007.053	768.836		3.911	.000
	Money Supply (M2)	4.184	.065	.996	64.179	.000

a. Dependent Variable: GDP

From Table 1, it could be seen that expected GDP is equal to 4.184 * M2(Money supply) + 3007.053.

Table 2: The Anova Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.535E10	1	6.535E10	4.119E3	.000[a]
	Residual	5.870E8	37	1.587E7		
	Total	6.594E10	38			

a. Predictors: (Constant), Money Supply (M2)

b. Dependent Variable: GDP

The Sum of squares from the Anova Table is very close. This shows that about half of the variation in GDP is properly explained by the model. In addition, the significance value of 0.000 is less than 0.05; it means that the variation is not due to chance. Hence, we conclude that the test is significant. The implication therefore is that there is indeed a positive relationship between the GDP and Money supply.
The strength of the relationship is shown in Table 3.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.996[a]	.991	.991	3,983.14314

a. Predictors: (Constant), Money Supply (M2)

b. Dependent Variable: GDP

From Table 3, the strength of the relationship between the two variables is very high at 0.991.

In a related development, when an analysis is done comparing GDP and Investment in the productive sector (credit to private sector)The analysis was also done using SPSS software.

Firstly, a scatter plot of GDP against Investment was done. The plot shows a linear relationship as shown in Figure 2.
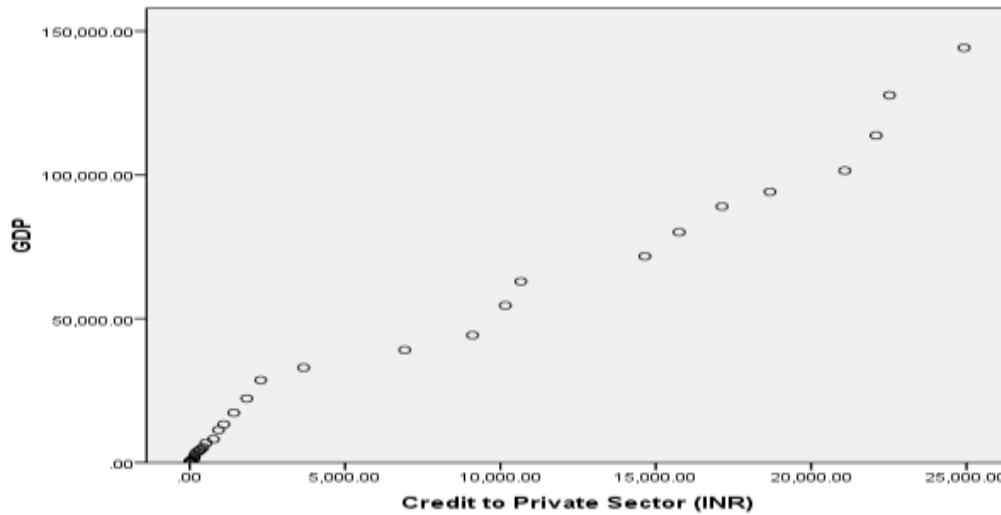
Figure 2: Scatter Plot of GDP against Investment (Credit to Private Sector)

Subsequently, a simple regression analysis was carried out on the data as shown in Table 4, Table 5 and Table 6.

Table 4: Results of Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2966.823	1056.101		2.809	.008
	Credit to Private Sector (INV)	5.167	.111	.992	46.616	.000

a. Dependent Variable: GDP

From Table 4, it could be seen that expected GDP is equal to 5.167 * INV (Credit to private sector) + 2966.823

Table 5: The Anova Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.483E10	1	6.483E10	2.173E3	.000[a]
	Residual	1.104E9	37	2.983E7		
	Total	6.594E10	38			

a. Predictors: (Constant), Credit to Private Sector (INV)

b. Dependent Variable: GDP

The significance value of 0.000 is less than 0.05, it means that the variation is also not due to chance. Hence, we conclude that the test is significant. The implication therefore is that there is indeed a positive relationship between the GDP and Credit to Private Sector (INV). The strength of the relationship is shown in Table 6.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.992[a]	.983	.983	5,462.10270

a. Predictors: (Constant), Credit to Private Sector (INV)

b. Dependent Variable: GDP

From Table 6, the strength of the relationship between the two variables is very high at 0.983. Confirming that Credit given to private sector has a lot of role to play in influencing the GDP of the country.

Subsequently, using the SPSS software, Firstly, the Interest rate dataset was transformed using the Ln(INR) while the GDP was also transformed using Ln(GDP) to improve the linearity. The scatter plot after transformation is shown in Figure 3.
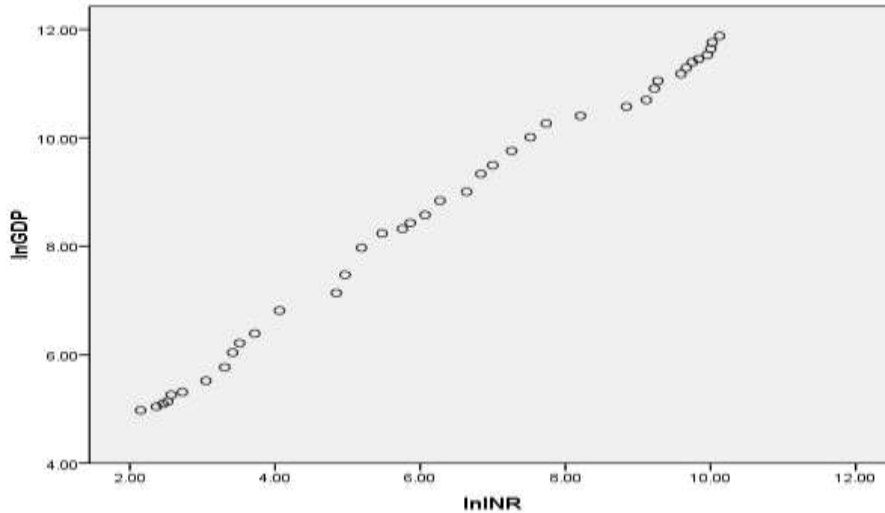

Figure 3: Scatter Plot of GDP against Interest rate

The dataset was thus analyzed using a simple regression model as shown in Table 7.

Table 7: Results of Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.172	.092		34.579	.000
	lnINR	.861	.013	.996	64.571	.000

a. Dependent Variable: LnGDP

Table 7 shows that expected GDP is equal to 0.861 * INR (Interest Rate) + 3.172

Table 8: Anova Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	210.996	1	210.996	4.169E3	.000[a]
	Residual	1.872	37	.051		
	Total	212.869	38			

a. Predictors: (Constant), lnINR

b. Dependent Variable: lnGDP

From Table 8, it could be seen that the significance value of 0.000 is less than 0.05, it means that the test is significant. The implication therefore is that there is indeed a positive relationship between the GDP and Interest Rate.
The strength of the relationship is shown in Table 9.

Table 9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.996[a]	.991	.991	.22496

a. Predictors: (Constant), lnINR

b. Dependent Variable: lnGDP

From Table 9, it could be seen that the strength of the relationship is also quite high at 0.991.

In testing for the combined effect of the four independent variables on GDP, a multiple regression analysis was carried out. The results are shown in Table 10, Table 11 and Table 12.

Table 10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.996[a]	.992	.991	3,925.10799

a. Predictors: (Constant), Credit to Private Sector (INV), Monetary Policy Rate (MPR), Interest Rate INR), Money Supply (M2)

b. Dependent Variable: GDP

The value of R is very high at 0.996 which shows that the model was a perfect fit for the data. The value of the R square at 0.992 is also high. This means that our independent variables explain 99.6% of the variability of our dependent variable (GDP).

Table 11: Anova Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.541E10	4	1.635E10	1.061E3	.000[a]
	Residual	5.238E8	34	1.541E7		
	Total	6.594E10	38			

a. Predictors: (Constant), Credit to Private Sector (INV), Monetary Policy Rate (MPR), Interest Rate INR), Money Supply (M2)

b. Dependent Variable: GDP

From Table 11, it could be seen that the independent variables statistically significantly predicts the dependent variable given that $F(4, 95) = 1061$, $p < .0005$. This means that the F ratio test at 4 degrees of freedom and 95 percent confidence produced a good result with probability p being less than 0.0005. Finally, the estimated coefficients are shown in Table 12

Table12: Estimated Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	3130.923	2685.421		1.166	.252	-2326.509	8588.355
	Money Supply (M2)	3.889	.638	.925	6.092	.000	2.592	5.186
	Monetary Policy Rate (MPR)	-467.638	259.416	-.045	-1.803	.080	-994.836	59.559
	Interest Rate INR)	323.074	215.127	.038	1.502	.142	-114.116	760.264
	Credit to Private Sector (INV)	.287	.802	.055	.358	.723	-1.342	1.916

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	3130.923	2685.421		1.166	.252	-2326.509	8588.355
Money Supply (M2)	3.889	.638	.925	6.092	.000	2.592	5.186
Monetary Policy Rate (MPR)	-467.638	259.416	-.045	-1.803	.080	-994.836	59.559
Interest Rate INR)	323.074	215.127	.038	1.502	.142	-114.116	760.264
Credit to Private Sector (INV)	.287	.802	.055	.358	.723	-1.342	1.916

a. Dependent Variable: GDP

From Table 12, the general form of the equation to Predict GDP from Money supply, Monetary Policy Rate, Interest Rate, Credit to private sector, is:

Predicted GDP = 3130.923 + (3.889 x Money supply) − (465.638 x Monetary Policy) + (323.074 x Interest Rate) + (0.287 x Credit Private sector). This means that for each year's increase in GDP, there is 3.889, 323.074, 0.287 increase in Money supply, Interest rate and Credit to private sector respectively while there is a decrease of 467.638 decrease in Monetary policy Rate.

Conclusion and Recommendations

Sequel to the analysis done above on the relationship between Economic growth and Monetary policy in Nigeria, it is very clear from the results obtained that monetary policy is not only for the management of inflation, unemployment and maintenance of currency exchange rates but also for the growth of the economy, hence there exists relationships not only individually with the various monetary policy variables (Broad Money supply, Monetary policy rate, Bank Lending rate and credit to the private sector) but also collectively with all the variables. This confirms the position of Umaru and Zubairu (2012), Suleman, Wasti, Lal and Hussaini (2009), Sanchita and Rina (2011) etc that monetary policy impacts on the economy of various countries.

The researcher therefore recommends that:

1. The fiscal and monetary authorities must work together in Nigeria to come up with sound fiscal and monetary policies to grow the economy.
2. The issue of economic growth is worth the attention of any progressive Government. Consequently, the researcher feels that there should be synergy between policy makers and finance practitioners including university dons so as to be coming up with sound policies that will encourage economic growth.
3. There is need for capacity development amongst policy and decision makers in order to foster good policies that will grow our economy.
4. There is need for fiscal discipline at the federal and State levels, which is expected to have effect on monetary policy control.
5. Government authority must as a matter of urgency, constitute a technical group whose job among other things will be to review researches that are related to the economy with a view to harnessing all recommendations for proper implementation.

6.   Finally, the monetary authorities must up their game to make sure that the monetary policy compliance level is high.

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