MONETARY POLICY AND ECONOMIC GROWTH IN NIGERIA

By

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Abstract

Most Literatures have not clearly analysed certain key elements in the context of expansionary of monetary policy transmission mechanism .This study makes an empirical attempt on the influence of monetary policy(scheme) on the economic growth of Nigeria. The paper reviews related concepts, theories and empirical evidence from notable authors. We used time series for the secondary data retrieved from the Central Bank of Nigeria (CBN) statistical Bulletin and World Bank Development Indicators (1981-2020).Variables employed included ;Inflation, interest rate credit to private sector, money supply (m2), unemployment, household final consumption and imports of good and services as exogenous, while RGDP represented the endogenous variable. The study adopts an Augmented Dickey Fuller method where p-values of each variable exhibited stationarity (< 5%) at first difference. Results from ARDL bound test (Eviews 9) revealed that variables are co-integrated and a long run relationship exists within the model.Durbin Watson test (2.5 >2) indicated presence of auto correlation and Breusch-Godfrey LM Test discloses serial correlation in the model with prob. chi-square of 0.002 (<5%). Thus, result from heteroscedasticity of prob. chi-sq. value (0.33 > 5% level of significance) found that the model for the study is best fit. Recommendations are based on setting up an organised goal oriented monetary policy committee to mitigate unemployment surges, reduce high interest and inflation rates, improve households welfare as well as curbing any negative trend in the economic growth of Nigeria.

Keywords: *Monetary Policy, Inflation, Economic Growth (RGDP).*

JEL Classifications: A2, C1, E2