

Monetary Policy, Inflation and Economic Growth in Nigeria

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Management and Social Sciences, Lead City University, Ibadan Oyo State,
Nigeria**

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in Economics**

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Certification

This is to certify that Kayode Olusegun Fadare with Matriculation Number LCU/PG/001774 carried out this research work titled “Monetary Policy, Inflation and Economic Growth in Nigeria” in the Department of Economics, Faculty of Management and Social Sciences, Lead City University, Ibadan, Oyo State Nigeria, for the award of Masters Degree (M.Sc) in Economics and that this has not been previously submitted.

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(Supervisor)

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Dr. O. O. Ogunjinmi
(Head of Department)

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Date

Dedication

This thesis is dedicated to the Almighty God and my late father, Mr. Roland Olalekan Fadare.

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Acknowledgement

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Abstract

This study examined the effect of monetary policy on inflation and economic growth and ascertained the monetary policy threshold of growth-inflation relationship. This is as a result of the alarming rate of inflation having devastating effects on Nigerian and the failure of policy efforts to curb it. To achieve the objectives, secondary quarterly data from 2009 to 2020 were sourced from CBN and subjected to econometric analysis using the ARDL estimation technique. It was found that only MPR was found to have significant impact on inflation in both the long run and short run, while other variables (LR, INT, GMS, EXR, YG) only have significant relationship in the short run. Also, LR, INT and GMS was found to have a significant impact on economic growth in both the long run and short run. Other variables are only found to be significant in the short run. The interaction of monetary policy (MPR) and inflation on economic growth was found to be negative and significant in the long run be positive and significant in the short run. However, the net effect for both the long and short run were positive. The monetary policy threshold at which inflation can be controlled and growth sustained was found to be 11.36 percent in the short run and 15.20 percent in the long run. The conclusion is that MPR, LR and INT are most effective policy tools in influencing inflation and economic growth in both the long run and short run. It was recommended that the monetary policy authority should increase the use of MPR, INT, and LR as tools in combating inflation and enhancing growth and that the CBN should ensure that the monetary policy rate is between 11.36 and 15.20 percent in order to produce a controlling effect on inflation and sustainable growth.

Keywords: Inflation, Monetary Policy, Economic Growth, Monetary Policy Threshold.

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Table of Contents

Content	Page
Title Page	i
Certification	2
Dedication	3
Acknowledgement	4
Abstract	6
Table of Contents	7
List of Tables	11
List of Figures	12
Chapter One: Introduction	Error! Bookmark not defined.
1.1 Background to the Study	Error! Bookmark not defined.
1.2 Statement of the Problem	Error! Bookmark not defined.
1.3 Objectives of the Study	Error! Bookmark not defined.
1.4 Research Questions	Error! Bookmark not defined.
1.5 Hypotheses	Error! Bookmark not defined.
1.6 Significance of the Study	Error! Bookmark not defined.
1.7 Scope of the Study	Error! Bookmark not defined.
1.8 Limitations of the Study	13
1.9 Operational Definitions of Terms	Error! Bookmark not defined.
Chapter Two: Literature Review	Error! Bookmark not defined.
2.1. Conceptual Review	Error! Bookmark not defined.
2.1.1. Inflation	Error! Bookmark not defined.
2.1.1.1 Types of Inflation	Error! Bookmark not defined.
2.1.2. Monetary Policy	Error! Bookmark not defined.

2.1.2.1 Monetary Policy Tools	Error! Bookmark not defined.
2.1.3. Economic Growth	Error! Bookmark not defined.
2.1.3.1 Determinants of Economic Growth	Error! Bookmark not defined.
2.2 Theoretical Review	Error! Bookmark not defined.
2.2.1 Quantity Theory of Money	Error! Bookmark not defined.
2.2.2 Keynesian Liquidity Preference Theory	Error! Bookmark not defined.
2.2.3 The Demand Pull Theories of Inflation	Error! Bookmark not defined.
2.2.4 Cost Push Theories of Inflation	Error! Bookmark not defined.
2.3. Empirical Review	Error! Bookmark not defined.
2.3.1 Monetary Policy Effects on Inflation	Error! Bookmark not defined.
2.3.2 Monetary Policy Effects on Economic Growth	Error! Bookmark not defined.
2.3.3 Inflationary Effects on Economic Growth	Error! Bookmark not defined.
2.3.4 Monetary Policy Effects on Inflation and Economic Growth	Error! Bookmark not defined.
2.4 Gaps in the Literature	Error! Bookmark not defined.
2.5 Conceptual Framework	Error! Bookmark not defined.
Endnotes	Error! Bookmark not defined.
Chapter Three: Methodology	Error! Bookmark not defined.
3.1 Model Specification	Error! Bookmark not defined.
3.1.1 Model of Investigating the Effect of Monetary Policy on Inflation Rate in Nigeria.	Error! Bookmark not defined.
3.1.2 Model of the Examination of the Effect of Monetary Policy on Economic Growth in Nigeria.	Error! Bookmark not defined.
3.1.3 Model to Ascertain the Monetary Policy Threshold for Growth-Inflation Relationship.	Error! Bookmark not defined.
3.2. Description and Measurement of Variables	Error! Bookmark not defined.

3.3.	Sources of Data	Error! Bookmark not defined.
3.4	Estimation Technique	Error! Bookmark not defined.
3.5	Apriori Expectation	Error! Bookmark not defined.
	Endnotes	Error! Bookmark not defined.
	Chapter Four: Results and Discussion of Findings	Error! Bookmark not defined.
4.1	Preliminary Analysis	Error! Bookmark not defined.
4.1.1	Graphical Trend Analysis	Error! Bookmark not defined.
4.1.2	Descriptive Statistics of Data	Error! Bookmark not defined.
4.2	Pre-Estimation Tests	Error! Bookmark not defined.
4.2.1	Correlation Analysis	Error! Bookmark not defined.
4.2.2	Unit Root Test	Error! Bookmark not defined.
4.2.3	ARDL Bound Test for Co-integration	Error! Bookmark not defined.
4.3	Result of the Effect of Monetary Policy on Inflation Rate in Nigeria	Error! Bookmark not defined.
4.4	Result of the Effect of Monetary Policy on Economic Growth in Nigeria.	Error! Bookmark not defined.
4.5	Result of the Monetary Policy Threshold for Growth-Inflation Relationship	Error! Bookmark not defined.
4.5.1	ARDL Bound Co-integration Test	Error! Bookmark not defined.
4.5.2	Diagnostic Test	Error! Bookmark not defined.
4.6	Discussion of Findings	Error! Bookmark not defined.
	Endnotes	Error! Bookmark not defined.
	Chapter Five: Conclusion	Error! Bookmark not defined.
5.1	Summary of Findings	Error! Bookmark not defined.
5.2	Conclusion	Error! Bookmark not defined.
5.3	Recommendations	Error! Bookmark not defined.
5.4	Contribution to Knowledge	Error! Bookmark not defined.
5.5	Areas of Further Research	Error! Bookmark not defined.

Bibliography

Error! Bookmark not defined.

Appendix

Error! Bookmark not defined.

Biodata

Error! Bookmark not defined.

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Error! Bookmark not defined.

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List of Tables

Table	Title	Page
4.1	Descriptive Statistics	Error! Bookmark not defined.
4.2.1	Correlation Matrix	Error! Bookmark not defined.
4.2.2	Summary of the ADF Test	Error! Bookmark not defined.
4.2.3	ARDL Bound Test	Error! Bookmark not defined.
4.3.1	Result of the Estimates of the Effect of Monetary Policy on Inflation	Error! Bookmark not defined.
4.3.2	Post Estimation Test (Inflation Rate)	Error! Bookmark not defined.
4.4.1	Result of the Estimates of the Effect of Monetary Policy on Economic Growth	Error! Bookmark not defined.
4.4.2	Post Estimation Test (Economic Growth)	Error! Bookmark not defined.
4.5.1	ARDL Bound Test	Error! Bookmark not defined.
4.5.2	Result of the Estimates of Monetary Policy Threshold for Growth-Inflation Relationship in Nigeria	Error! Bookmark not defined.
4.5.3	Post Estimation Test (Monetary Policy Threshold)	Error! Bookmark not defined.

List of Figures

Figure	Title	Page
2.1	Illustration of Keynesian Theory of Demand Pull Inflation	Error! Bookmark not defined.
2.2	The Demand Pull Theory of Inflation (Quantity Theory Version)	Error! Bookmark not defined.
2.3	Diagram Depicting the Cost – push Inflation	Error! Bookmark not defined.
2.4	Framework of the Study	Error! Bookmark not defined.
4.1	Inflation, Monetary Policy Rate and Output Growth Trend (2009Q1-2020Q4)	Error! Bookmark not defined.
4.2	Inflation, Liquidity Ratio and Output Growth Trend (2009Q1-2020Q4)	Error! Bookmark not defined.
4.3	Inflation, Treasury Bill Rate and Output Growth Trend (2009Q1-2020Q4)	Error! Bookmark not defined.
4.4	Cumulative Sum of Recursive Residuals (CUSUM)	Error! Bookmark not defined.
4.5	Cumulative Sum of Recursive Residuals Squared (CUSUMSQ)	Error! Bookmark not defined.
4.6	Cumulative Sum of Recursive Residuals (CUSUM)	Error! Bookmark not defined.
4.7	Cumulative Sum of Recursive Residuals Squared (CUSUMSQ)	Error! Bookmark not defined.
4.8	Cumulative Sum of Recursive Residuals (CUSUM)	Error! Bookmark not defined.
4.9	Cumulative Sum of Recursive Residuals Squared (CUSUMSQ)	Error! Bookmark not defined.