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MONETARY POLICY AND NIGERIA'S ECONOMIC GROWTH

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Abstract

The study examined the extent to which the Central Bank of Nigeria uses Monetary Policies to promote economic growth, covering the period of 2000 to 2018. The study makes use of time series data from Central Bank of Nigeria (CBN) Statistical Bulletin. The influence of Money supply and Lending rate were tested on Gross Domestic Product (GDP) using the multiple regression models as the main statistical tool of analysis. Studies show that CBN Monetary Policy measures are effective in regulating both the monetary and real sector aggregates such as employment, prices, lending rate money supply and the rate of economic growth. Findings from this study indicate that money supply have a positive and significant influence on GDP while lending rate was negative and statistically in significant relationship with the GDP. It is therefore, recommended that Central Bank Monetary Policy could be an effective tool to encourage investment, reduce unemployment, reduce lending rate and stabilize the economy of Nigeria.

Keywords: Gross Domestic Product, Money Supply, Interest rate, Economic Growth, Investment, Unemployment

INTRODUCTION

Nigeria being an import dependent economy is faced with stagnated growth, unstable business cycles and economic fluctuation. This usually results to unemployment, inflation, unproductivity and balance of payment disequilibrium. Government has in one way or the other regulated and controlled the economy to maximize the welfare of the citizens by way of ensuring that the resources are efficiently allocated and used. Like any other developing country, Nigerian government adopts three types of public policies to carry out the objective of income distribution and allocation of resources. These tools of public policy include: monetary policy, lending rate, Etc. In Nigeria, government has always relied on monetary policy as a way of achieving certain economic objective in the economy such macroeconomic objectives include; employment, economic growth and development, balance of payment equilibrium and relatively stable general price level. The reason for choosing money suppy, lending rates, etc is the fact that monetary policy and Lending rate have implications for both fiscal and income policy measures.
Monetary policy refers to the combination of measures designed to regulate the value, supply and cost of money in an economy in consonance with the level of economic activities. It can be described as the art of controlling the direction and movement of monetary and credit facilities in pursuance of stable price and economic growth in the economy (CBN 1992). There is no consensus among economist as to whether government intervention through the use of monetary policy will bring about economic stabilization. This disagreement divided the economy into different schools of thought. They are, the classical school, the Keynesian school, and the monetarist school. Each of them has its view on how variation in monetary aggregates could affect the economic stabilization. The classicists believe that given the equation of exchange and stability in the velocity of money plus the assumption that economy operates at full employment, the change in money supply will only affect price without any effect on real demand, investment and output. The Keynesians on the other hand believe that variations in money supply could lead to an increase or decrease in interest rate. A decrease in interest rate will affect aggregate investment and enhance aggregate income and output. This is based on the belief that interest rate is the key determinant of investment in the market economy.

The investment process involves the employment of factors such as labour and capital which lead to increase in total employment. The monetarists base their views on money supply as the key factor affecting the wellbeing of the economy. They believe that an increase in money supply will lead to an increase in nominal demand, and where there is excess capacity they believe that output will be increased. In the long-run, the monetarist position is that the increase in money supply will be inflationary without any effect on investment, employment and aggregate demand. In spite of these controversies, the Nigeria government in collaboration with

its monetary authority still adopts monetary policy to regulate the economy. Thus adopting monetary policy in manipulating the fluctuations experienced so far in the economy, Central Bank of Nigeria (CBN) undertake both contractionary and expansionary measures. The reason for this action is because monetary policy has been successfully being introduced and implemented in developing economy. Therefore, it becomes necessary to examine how variations in monetary policy (money supply) can be used to influence output. The examination will cover a period of eighteen years. One of the major objectives of monetary policy in Nigeria is stabilization of economic growth.

The Nigerian government has adopted various monetary policies through Central Bank of Nigeria over years to achieve economic growth. Despite the increasing emphasis on manipulation of monetary policy in Nigeria, the problem surrounding its economic growth still persists. Such problems include high unemployment rate, low investment, high rate of inflation and unstable foreign exchange rate. These perceived problems are being claimed to have caused a fast decline in the economic growth of Nigeria. It, therefore, becomes necessary to highlight the monetary policy in Nigeria and examine the extent to which it has actually contributed to the growth in the economy. This study examined the extent to which variations in money supply had been and can be used to influence output in Nigeria.

Significant scholarly effort have been concentrated on the impact of monetary policy on economic growth in Nigeria, but the result has been inconsistent and controversial, some recorded positive growth on GDP while other recorded negative impact. The inflation volatility in growth process is a major concern. This has created the avenue for further studies to contribute to knowledge building. The rest of the paper is organized as follows: Section two is literature Review, theoretical framework is taken up in section three. Methodology is treated in section four Data sources is taken up in section five. Model estimation is contained in section six. Analysis of data and interpretation of results is contained in section seven. Recommendations for policy formulation and implementation are in section eight, while section nine concludes the study.

REVIEW OF RELATED LITERATURE

Conceptual Framework

The term monetary policy has been defined by experts from many perspectives. According to CBN (2006), monetary policy concept was defined as “Any policy measure designed by the federal government through the CBN to control cost availability and supply of credit. It also referred to as the regulation of money supply and interest rate by the CBN in order to control inflation and to stabilize the currency flow in an economy. Also CBN (1997), defined monetary

policy as combination of measures designed to regulate the value, supply and cost of money on an economy in consonance with the expected levels of economic activities.

The Wikipedia encyclopedia (2015) defines monetary policy as the process by which the monetary authority of a country controls the supply of money, often targeting an inflation rate or interest rate to ensure price stability and general trust in the currency. Monetary policy is maintained through actions such as increasing interest rate, or changing the amount of money banks need to keep in vault. Jhingan (2002), refers monetary policy as the credit measures adopted by the central bank of a country. Nwankwo (1991), defined monetary policy as one of the macroeconomic instrument with which monetary authority of a country employed in the management of their economy to attain desired objectives. According to Wrightsman (1976), he opined that monetary policy entails those actions initiated by the central bank which aim at influencing the cost and availability of credits. Okwo et al (2012), sees monetary policy as consisting of a government formal effort to manage the money in its economy in order to realize specific economic goals. According to Ogunjimi (1997) three basic kinds of monetary policy decision can be made - the amount of money in circulation; the level of interest rate; and the functions of credit markets and the banking system. The combination of these measures is designed to regulate the value, supply and cost of money in an economy, in line with the level of economic activity. Abeng (2006) explained that monetary policy is valid only for a highly monetized economy. If the economy is not monetized, the efficacy of monetary policy is restricted. For instance, in an underdeveloped economy where a large proportion of output is produced in a subsistence sector, supply of money would be independent. Monetary policy, therefore, would not be a better tool to manage the economy. A close observation of these definitions of monetary policy shows that monetary policy boils down to adjusting the supply of money in the economy to achieve some combination of inflation and output stabilization. Most economist agree that in the long run output usually measured by gross domestic product (GDP) is fixed, so any changes in the money supply only cause prices to change. But in the short-run, because prices and wages usually do not adjust immediately, changes in money supply can affect the actual production of goods and services (Koshy, 2012).

Monetary Policy as a tool for Economic Growth

The central bank tries to maintain price stability through controlling the level of money supply. Thus, monetary policy plays a stabilizing role in influencing economic growth through a number of channels. However, the scope of such a 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.

The contribution that monetary policy makes to sustainable growth is the maintenance of price stability. Since sustained increase in price levels is adjudged substantially to be a monetary phenomenon, monetary policy uses its tools to effectively check money supply with a view to maintaining price stability in the medium to long term. Theory and empirical evidence in the literature suggest that sustainable long term growth is associated with lower price levels. In other words, high inflation is damaging to long-run economic performance and welfare. Monetary policy has far reaching impact on financing conditions in the economy, not just the costs, but also the availability of credit, banks' willingness to assume specific risks, etc. It also influences expectations about the future direction of economic activity and inflation, thus affecting the prices of goods, asset prices, exchange rates as well as consumption and investment.

A monetary policy decision that cuts interest rate, for example, lowers the cost of borrowing, resulting in higher investment activity and the purchase of consumer durables. The expectation that economic activity will strengthen may also prompt banks to ease lending policy, which in turn enables business and households to boost spending. In a low interest-rate regime, stocks become more attractive to buy, raising households' financial assets. This may also contribute to higher consumer spending, and makes companies' investment projects more attractive. Low interest rates also tend to cause currency to depreciate because the demand for domestic goods rises when imported goods become more expensive. The combination of these factors raises output and employment as well as investment and consumer spending.

According to Anyanwu (2003), countries seeking for sustainable economic growth after a period of macroeconomic imbalances must first get stabilized. In Nigeria, monetary policy effectively implemented is an important tool for stable economic growth. The effect for sustainable growth began in Nigeria in the early 1980's with the introduction of Structural Adjustment Programme (SAP), in response to the emergence and persistence of unstable macroeconomic instability. The Structural Adjustment Programme monetary policy was aimed at moderation inflation, increasing domestic savings, allocating resources efficiently, improving capital inflow and local production and employment, enhancing external reserves and enhancing external reserves and stabilizing the Naira exchange rate. According to Anyanwu (2003), countries seeking for sustainable economic growth after a period of macroeconomic imbalances must first get stabilized. In Nigeria, monetary policy effectively implemented is an important tool for stable economic growth. The effect for sustainable growth began in Nigeria in the early 1980's with the introduction of Structural Adjustment Programme (SAP), in response to

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Theoretical framework

Classical View of Monetary Policy

The classical economists' view of monetary policy is based on the quantity theory of money. The quantity theory of money is usually discussed in term of fisherian equation of exchange, which is given by the expression MV = PY. In the expression, M denotes the supply of money over which the Federal Government has some control; V denotes the velocity of circulation which is the average number of times a currency is spent on final goods and services over the course of a year; P denotes the price level GDP. Hence PY represents current nominal GDP. The equation of exchange is an identity which states that the current market value of all final goods and services (nominal GDP) must equal the supply of money multiplied by the average number of times a currency is used in transaction in a given year.

The classical economist believes that the economy is always at or near the natural level of real GDP. Thus, they assume that in the short run, the Y in the equation of exchange is fixed. They further argue that the velocity of circulation of money tends to remain constant. So that V can also be regarded as Fixed. Given that both Y and V are fixed, it follows that if the Central Bank of Nigeria (CBN) were to engage in expansionary (or contractionary) monetary policy, it will lead to an increase (or decrease) in money supply (M), the only effect would be to increase (or decrease) the price level P, in direct proportion for the change in money supply (M). In other words, expansionary monetary policy can only lead to inflation, and contractionary monetary policy can only lead to deflation of the price level.

Keynesian View of Monetary Policy

Keynesian theory did not buy the notion that the relationship between money and price is direct and proportional. They share the view that it is indirect through the rate of interest. Also they reject the notion that the economy is always at or near the natural level of real GDP so that Y in the equation of exchange can be regarded as fixed. They also reject the proposition that the velocity of circulation of money is constant. Keynesians believe that expansionary monetary

policy increases the supply of loanable funds available through banking system, causing interest rates to fall. With lower interest rate, aggregate expenditures on investment and interest-sensitive consumption goods usually increase, causing real GDP to rise. Hence, monetary policy can affect real GDP indirectly.

The Monetarist View of Monetary Policy

Monetarist is a school of thought led by Milton Friedman. This school of thought is a modern variant of classical macroeconomics. They developed a subtler and relevant version of the quantity theory of money. Like any school of thought, Friedman (1963) emphasized on the supply of money as the key factor affecting the well-being of the economy and as well, accepted the need for an effective monetary policy to stabilize an economy. He also has the notion that, in order to promote steady growth rate, money supply should grow at a fixed rate, instead of being regulated and altered by the monetary authority(ies). Friedman equally argued that since money supply might be demanded for reasons other than anticipated transaction, it can be held in different forms such as money, bonds, equities, physical goods and human capital. Each form of this wealth has a unique characteristic of its own and a different yield. These effects will ultimately increase aggregate money demand and expand output. The Monetarists acknowledge that the economy may not always be operating at the full employment level of real GDP. Thus, in the short-run, monetarists argue that expansionary monetary policies may increase the level of real GDP by increasing aggregate demand. However, in the long-run, when the economy is operating at the full employment level, they argue that the quantity theory remains a good approximation of the link between the supply of money, price level, and the real GDP. Also, in the long-run expansionary monetary policy only lead to inflation and do not affect the level of real GDP.

Monetary policy presupposes a form of relationship between the supply and demand for money on one hand, and other aggregate economic variables like general price level, output, income, savings and investment on the other hand. (Anyanwu, 1996). This relationship influences the effectiveness of the mix of policy instrument. The monetarist view has Milton Friedman as the most profound advocates, another is the Keynesian school and lastly the one represented by Raddiffe. Friedman is of the view that changes in the stock of money are closely related to changes in the price level and through it, on other general economic aggregates. The amount of money the public desires to hold relative to its income distorts the rigidity of the relationship. Lags that exist between the formulation and implementation of monetary policy is a constraint on its effectiveness. The determination of real output, general price level and other Macro-economic variables is the Keynesian postulation in the monetary transmission

mechanism. According to Keynesians, national income depends on the interplay between expected rate of profit and interest rate. The rate of interest is determined by supply of and the demand for money. Equilibrium income depends on two conditions in this model, that is: (1) Planned saving must be equal to planned investment, and, (2) At any point in time, supply of money must equal demand for money. Rate of interest influences Savings, investment, demand for and supply of money (See Anyanwu, (1996) for this and related issues). Within this content, monetary policy will consist of altering the rate of interest to achieve the desired trend in the economy. The effectiveness of monetary policy will then depend on the interest elasticity of demand for money. Here, monetary policy is likely to be effective, the less interest elastic the demand for idle balances, the less interest elastic the investment and consumption schedule that depend on active or transaction balances. Therefore, the effectiveness will be in combating depression rather than inflation. (Anyanwu, 1996).

The Raddiffe view is a departure from the Keynesian school of thought. He distinguished between the demand for money and the demand for liquidity. These two types of demand are not the same thing because there is interest yielding money substitutes, which people can easily turn to cash whenever they want. As a result of this situation, whatever is done to change the demand for money may be less effective than expected, because it is the demand that will respond to interest change in the rate of interest. Part of the accumulation of liquidity is likely to take the form of interest bearing near-money instead of non-interest yielding cash. This variance of monetary policy opined that regulating money supply is not likely to be successful in stemming inflation, since the significant variable is not money per se, but the supply relative to the demand for it. And the flexibility of demand for money makes the control of money supply alone, an unreliable tool of monetary policy. Therefore, for monetary policy to be effective it has to address the control of the volume, cost and direction of liquidity rather than money supply in the economy. Keynesian view of monetary transmission is anchored on the ability of changes in money supply to influence the cost of capital through changes in short term interest rates. Changes in the money supply through the financial market affect the level of economic activities through the monetary transmission mechanism. Modigliani (1963) analysed credit availability theory by stating that "interest rates charged to borrower by financial intermediaries are largely controlled by institutional forces and should adjust slowly at best; and that the demand for funds is accordingly limited not by lender's willingness to lend or more precisely, by the funds available to them to be rationed out among would-be borrowers". Monetary expansion includes relaxation in credit rationing by the banking sector resulting to an increase in investment, income and aggregate consumption, Increase in income increase savings which will further increase the bank’s ability to give loans and advances to the business sector. The effectiveness of the

transmission mechanism lies on the stock of money which in turn increases effective demand. The Central Bank has at its disposal a number of control mechanisms usually referred to as "tools of monetary policy". Some of these tools are quantitative while others are selective Sanusi (2002).

Empirical review

Onyeiwu (2012) viewed the impact of monetary policy on the Nigeria economy using Ordinary Least Squares. The result showed that monetary policy represented by money supply exert a positive impact on GDP growth and balance of payment but negative impact on rate of inflation and he concluded that CBN monetary policy is effective in regulating the liquidity of the economy which affects some macroeconomic variables such as output, employment and prices.

Owalabi and Adegbite (2014) were of the view that impact of monetary policy on industrial growth in Nigerian economy using multiple regression analysis, has a relationship between manufacturing output, treasury bills, deposit and lending, and rediscount rate and industrial growth, and found that the variables had significant effects on the industrial growth.

Adefeso and Mobolaji (2010) also investigated fiscal - monetary policy and economic growth in Nigerian by employing Jabansen Maximum Likelihood Cointegration procedure. The result shows that there is a long – run relationship between economic growth, degree of openness, government expenditure and broad money supply (M2). Owalabi and Adegbite (2014) examined the impact of monetary policy on industrial growth in Nigerian economy using multiple regression analysis. They analyzed the relationship between manufacturing output, treasury bills, deposit and lending, and rediscount rate and industrial growth, and found that the variables have significant effects on the industrial growth.

Chukwu (2009), analyzed the effect of monetary policy innovations in Nigeria. The study used a Structural Vector Auto-Regression (SVAR) approach to trace the effects monetary policy stocks on output and prices in Nigeria. The study also analyzed three alternative policy instrument, that is, broad money (M2), minimum rediscount rate (MRR), and the real effective exchange rate (REER). The study found evidence that monetary policy innovations have both real and nominal effect on economic parameter depending on the policy variable selected.

Micheal and Ebibai (2014), examined the impact of monetary policy on selected macroeconomic variables such as gross domestic product, inflation and balance of payment in Nigeria using OLS regression analysis. The result shows that the provision of investment friendly environment in Nigeria will increase the growth rate of GDP. Akujobi (2012), investigated the impact of monetary policy instrument on economic development of Nigeria using multiple regression technique and found that treasury bill, minimum rediscount rate and liquidity rate have significant impact on economic development of Nigeria.

Okwo, et al (2012) examined the effect of monetary policy outcomes on macroeconomic stability in Nigeria. The study analyzed gross domestic product, credit to the private sector, net credit to the government and inflation using OLS technique. None of the variables were significant, which suggested that monetary policy as a policy option may have been inactive in influencing price stability. Bernhard (2013) examined the channels of monetary transmission mechanism in Nigeria using Granger casualty test to estimate the relationship between the various channels and the selected macroeconomic aggregates. The study shows that three channels of transmission were functional for inflation targeting. They include the interest rate, exchange rate and credit channels.

Omoke and Ugwuanyi (2010) investigated the relationship between inflation and output using Co-integration and Granger Causality test analysis. They found that there was no existence of co- integrating vector in the series used. Thus, the result suggested that monetary stability can contribute towards price stability in Nigerian economy since the change in price level is mainly caused by money supply and thus concluded that inflation in Nigeria is to a large extent a monetary phenomenon.

Okoro (2013) examined the impact monetary policy on Nigeria economic growth by testing the influence of interest rate, inflation, exchange rate, money supply and credit on GDP. Augumente Dickey Fuller (ADF) test, Philips–Perron Unit Test, Co-integration test and Error Correction Model (ECM) techniques were employed. The results show the existence of long–run equilibrium relationship between monetary policy instruments and economic growth.

Umaru and Zubairu, (2012) investigated the impact of inflation on economic growth and development in Nigeria between 1970-2010 through the application of Augmented Dickey-Fuller technique in testing the unit root property of the series and Granger causality test of causation between GDP and inflation. The results of unit root suggest that all the variables in the model are stationary and the results of Causality suggest that GDP causes inflation and not inflation causing GDP. The results also revealed that inflation possessed a positive impact on economic growth through encouraging productivity and output level and on evolution of total factor productivity. A good performance of an economy in terms of per capita growth may therefore be attributed to the rate of inflation in the country.

METHODOLOGY

Research Design

The main objective of the study was to evaluate the extent to which variation in broad money supply and interest rate have been and can be used to influence gross domestic product in the Nigeria economy. To investigate the relationship between changes in these variables and

changes in aggregate output or GDP, multiple regression models was adopted because of its simplicity and ability to deal with lag.

Model Specification

To achieve the objectives of this study and test the hypotheses the following regression model was developed to capture the relationship between Money supply, Interest rate and GDP

GDP = F(MS, INT)

The above model was transformed into an equation as shown below;

$GDP = B_o + B_1MS + B_2INT + E$ (1)

Where

GDP = Gross Domestic Product which is the proxy of Economic Growth (dependent variable)

MS = Money Supply (First Independent Variable)

INT = Interest Rate (Second Independent Variable)

B_0 = Slope of the equation

B_1 and B_2 are the Co-efficients of Determination of the Independent Variables

E = Error term

Hypotheses of the Study

The following are the hypotheses to be tested in the study.

Ho1 Money supply has no significant influence on Gross Domestic Product in Nigeria.

Ho2 Interest rate has no significant influence on Gross Domestic Product in Nigeria.

The Data

Table 1 shows the series of the variables used for the study from 2000m to 2018.

Table 1 Study Data

YEAR	GDP N'Bn	LR %	M2 N'Bn
2000	67824	17.9800	878.4573
2001	73123	18.29250	1267.322
2002	93983	24.85000	1505.964
2003	102935	20.71000	1952.921
2004	130345	19.18000	2131.819
2005	169645	17.95000	2637.913
2006	222791	17.26000	3797.909
2007	262215	16.93750	5127.401
2008	330260	15.13543	8008.204
2009	297458	18.99083	9411.112

2010	369002	17.58562	11034.94
2011	419095	16.02131	12172.94
2012	460952	16.79031	13893.22
2013	514965	16.72283	15154.64
2014	568496	16.54839	16238.52
2015	493841	16.84845	18525.22
2016	405442	16.86833	21624.63
2017	376361	17.58000	22363.43
2018	397270	16.91000	25079.72

GDP – Gross Domestic product in billions naira

LR -- Lending rate in percentages

M2 – Money supply in billion naira

ANALYSIS AND FINDINGS

Table 2 Descriptive statistics

GDP	**LR**	**M2**	
Mean	302684.4	17.85062	10147.78
Median	330260.0	17.26000	9411.112
Maximum	568496.0	24.85000	25079.72
Minimum	67824.00	15.13543	878.4573
Std. Dev.	160999.5	2.100889	8003.640
Skewness	-0.093537	2.064815	0.405390
Kurtosis	1.739319	7.666157	1.854219
Jarque-Bera	1.285915	30.73794	1.559725
Probability	0.525735	0.000000	0.458469
Sum	5751003	339.1615	192807.8
Sum Sq. Dev.	4.67E+11	79.44725	1.15E+09
Observation	19	19	19

Table 2 shows the summary descriptive statistics of the variables used in this study. Economic growth represented by gross domestic product (GDP) has a mean value of N302,684.4bn, while the maximum and minimum values are N568,496.0 and N67,824,00 respectively. Lending rate has a mean value of 17.85% and maximum and minimum values of 24.8500% and 15.13543% respectively. Money supply produced a mean value of N10,147.78bn and maximum and minimum values of N25,079.72bn and N878.4573bn respectively.

The empirical results reveals further that all variables are normally distributed with Jaque-Bera probability values greater than 0.05 except for the Lending rate which has a probability of 00.

Table 3 OLS regression estimates

Dependent variable: GDP

Method: Least Square

Date: 10/15/19 Time: 08:33

Sample: 2000-2018

Included Observations: 19

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	550986.0	208064.4	2.648151	0.0175
LR	-21876.03	10748.48	-2.035268	0.0587
M2	14.01279	2.821386	4.966635	0.0001
R-SQUARED	0.758135	Mean dependent var		302684.4
Adjusted r-squared	0.727902	S.D dependent var		160999.5
		Akaika info criterion		
S.E. of regression	83982.19	Schwarz criterion		25.65854
Sum squared resid	1.13E+11	Hannan-Quinn criter.		25.80766
Log likelihood	-240.7561	Durbin-Watson stat		25.68377
F-statistic	25.07633			0.609702
Prob(F-statistic)	0.000012			

Table 3 shows the ordinary least square (OLS) regression estimates. The result reveals that Lending rate has a negative coefficient of -21876.03 while other explanatory variables have positive coefficient. The implication is that Lending rate has an inverse relationship to Gross Domestic product. The t-statistics show-2.035268 with a probability of 0.0587, which reveals that the relationship is negative, but insignificant.

Money supply (M2) has a positive coefficient of 14,01279, a t-statistics of 4.966635 with a significant probability of 0.0001 meaning that money supply has a positive and significant impact on Gross domestic product and on the economic growth of the country.

On the overall, the F-statistics has 25.07633 with a probability of 0,00012 meaning that the explanatory variables (Lending rate and Money supply) jointly have significant impact on the Gross Domestic Product which represent the Economic Growth of Nigeria.

Furthermore, r-squared shows 0.758135, which indicates that about 75 percent of changes in the dependent variable (GDP) are accounted for jointly by the explanatory variables (lending rate and money supply). Also, the adjusted r-squared of 0.7279 indicates that the model is good enough to explain the relationship.

CONCLUSION AND RECOMMENDATIONS

This study examined Monetary policy and Nigeria's Economic Growth. The work covers the period of 2000 – 2018. Two variables – lending rate and money supply were used as proxies of monetary policy, while gross domestic product represents economic growth. Secondary data were collected from the Central Bank of Nigeria statistical bulletin, 2018. The data were analysed using ordinary least squares and multiple regression model. The result shows that lending rate has a negative but insignificant impact on gross domestic product; while money supply has a positive and significant impact on gross domestic product. The overall results, however, indicate that the both lending rate and money supply jointly representing monetary policy have significant impact on the gross domestic product of Nigeria. The study concludes that monetary policy significantly impacts on the economic growth of Nigeria. It therefore, recommends that monetary policy measures should be well co-ordinated so that the desired behavioural changes in the real sector will be achieved. Policies adopted should be limited to the absorptive capacity of the economy. This will create jobs, promote export and revive industries that are currently far below installed capacity. More so, adequate and result oriented instrument should be injected in the policies adopted at any given time. Finally, government should direct effort towards improving the level of development of both the money and capital market. This is because a welldeveloped money and capital with wide range of both short and long-term finance are necessary for efficiency of the monetary system.

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