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THE IMPACT OF MONETARY POLICIES ON THE ECONOMIC GROWTH OF NIGERIA

HEZEKIAH OLAWALE, PhD; & AGBADA ISMAIL C.
Department of Economics, Edo State University, Uzairue.
idodesunny@gmail.com

Abstract

The possible use of the Central Bank of Nigeria's (CBN) monetary policies to foster economic growth is examined in this study, which spans the years 2000–2023. The main statistical tool of analysis for examining the impacts of the money supply, average price, interest rate, and labor force on the Gross Domestic Product was a multiple regression model. Studies reveal that the CBN Monetary Policy techniques are effective in managing monetary and real sector aggregates, such as wages, employment, output, and the pace of economic expansion. The money supply was statistically significant, and the interest rate was both statistically significant and negative, according to the study's empirical findings. Consequently, it is suggested that monetary policy by central banks could be a helpful tool for encouraging investment, reducing unemployment, lowering lending rates, and stabilizing Nigeria's economy.

KEYWORDS: Money Supply, Liquidity Ratio, Economic Growth, Structural Changes, Inflationary Targeting

Introduction

Background of the Study

Nigeria's economy is characterized by irregular business cycles, slow growth, and economic volatility due to its heavy reliance on imports. This leads to a disequilibrium balance of payments, inflation, unemployment, and inefficiency. The government has, in one way or another, regulated and managed the economy in order to maximize citizen welfare and ensure that resources are used and allocated effectively.

Monetary policy has a significant impact on economic dynamics and the Nigerian economy in particular. The biggest economy in Africa, Nigeria, is highly dependent on the monetary policy environment for growth and stability in the future. Monetary policy,

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according to the International Monetary Fund (IMF), is the set of actions taken by a central bank or other regulatory body with the intention of influencing various economic indicators in order to achieve macroeconomic objectives, such as the control of inflation, interest rates, and the money supply. The responsibility for creating and implementing monetary policy in Nigeria rests with the Central Bank of Nigeria (CBN).

The Nigerian economy is subject to the complex influence of monetary policy, which impacts numerous domains and significant economic metrics. A World Bank study claims that through controlling inflation, preserving exchange rates, and fostering sustainable economic growth, monetary policy is a key factor in determining economic results. Through instruments including open market operations, reserve requirements, and interest rate adjustments, the CBN's monetary policy decisions directly affect the behavior of economic agents and the overall trajectory of the economy.

The Nigerian economy's structural characteristics and external linkages make the channels used to communicate monetary policy even more convoluted. Monetary policy decisions in Nigeria must consider the intricacies of both home vulnerabilities and international shocks, given the country's dependence on oil exports and susceptibility to fluctuations in the price of commodities globally. According to the African Development Bank (AfDB), Nigeria's ability to correct internal imbalances and respond to outside economic pressures determines how effective its monetary policy will be.

Nigeria has recently had a number of economic challenges, including inflationary pressures, erratic exchange rates, and poor growth rates. Economists and academics alike are evaluating how well monetary policy addresses these problems by examining the efficiency of various policy instruments and their implications for the whole economy. Research from the Nigerian Economic Society (NES) has been published, and it highlights the need of using evidence to inform policy decisions while navigating the difficulties of enacting monetary policy and assessing how it affects economic performance and welfare.

Similar to all other developing countries worldwide, the Nigerian government has employed three distinct public policy frameworks to accomplish the objectives of equitable distribution of income and distribution of resources. These tools of public policy include fiscal, income, and monetary policy instruments. Monetary policy has long been employed by the Nigerian government to steer the economy in the direction of desired outcomes. Employment, economic development and expansion, balance of payments equilibrium, and a typically stable level of prices are some of these macroeconomic objectives. Monetary policy is usually selected for that reason because it has such serious implications for fiscal and income policy initiatives.

The foundation of economic management in Nigeria is monetary policy, which has a big influence on the dynamics, stability, and growth trajectory of the country's economy. The monetary policy activities of the Central Bank of Nigeria (CBN) impact Nigeria, the largest economy in Africa, and have a cascading influence on a number of areas, including

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inflationary pressures, exchange rate stability, the investment climate, and overall economic performance. This lengthy introduction aims to give a comprehensive explanation of the intricate consequences of monetary policy on the Nigerian economy by drawing on a wide range of scholarly works, institutional reports, and expert analyses. Fundamentally, monetary policy involves utilizing various tools and strategies to regulate the money supply, credit availability, and interest rates with the aim of achieving macroeconomic objectives. The actions made by a country's central bank or monetary authority to influence the cost and availability of credit and money in order to achieve domestic economic goals are referred to as monetary policy by the International Monetary Fund (IMF). The CBN has considerable authority over the formulation and implementation of monetary policy measures in Nigeria, which are guided by goals such as price stability, exchange rate stability, and sustained economic growth. Beyond theoretical concepts, monetary policy has practical consequences on the Nigerian economy that impact the standard of living for millions of Nigerians. Empirical studies conducted by researchers such as Ojo (2019) and Onoh (2020) demonstrate the significance of monetary policy in Nigeria. The impact of monetary policy on significant macroeconomic variables, such as GDP growth, employment, and inflation, is highlighted by this study. Using instruments including reserve requirements, open market operations, and adjustments to the monetary policy rate, the CBN seeks to manage inflationary pressures, encourage economic growth, and maintain financial stability.

Furthermore, the Nigerian economy's structural characteristics—such as its reliance on oil exports, diversity of businesses, and quickly expanding population—bring unique challenges to the channels used to disseminate monetary policy. The Nigerian economy is susceptible to external shocks because of its reliance on oil earnings, according to the African Development Bank (AfDB). Monetary authorities must therefore adopt a proactive and adaptable approach. Furthermore, the fragmented nature of Nigeria's financial system—characterized by variations in loan availability and financial inclusion—emphasizes the importance of targeted monetary policy actions in fostering fair growth and development.

Nigeria has recently had a wide range of economic challenges, including poor GDP growth, unstable currency rates, and progressively rising inflation. The effectiveness of monetary policy remedies to these problems has been closely examined, with experts and policymakers assessing the measures' impact on the economy as a whole. Research that clarifies the intricate connections between monetary policy instruments and economic outcomes in Nigeria has been made public by the Nigerian Economic Society (NES). The study highlights the significance of employing evidence-based policymaking and proactively addressing structural constraints.

Monetary policy is the body of laws designed to regulate the quantity, value, and cost of money in an economy as well as the level of activity. Over time, it has become apparent that economists are at odds on whether government intervention in monetary policy will

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lead to economic stabilization. This disagreement led to the emergence of various schools of thought in the economy. The monetarist school, the classical school, and the Keynesian school are the three schools. Each of them has an idea about how changes to monetary aggregates could affect the process of stabilizing the economy. .. The classicists contend that because of the equation of exchange, the stability of money's velocity, and the assumption that the economy is enjoying full employment, a change in the money supply will only affect price and not actual demand, investment, or output.

On the other hand, Keynesians believe that fluctuations in the money supply could lead to an increase or decrease in interest rates. A decrease in interest rates will have an effect on total investment and raise total income and output. This is based on the notion that, in market economies, interest rates have a significant role in influencing investment decisions. Two aspects of the investment process that contribute to a rise in overall employment are the use of labor and capital.

Monetarists contend that the money supply is the main factor affecting the state of the economy. They believe that output will rise in the presence of excess capacity and that nominal demand will rise in response to an increase in the money supply. According to the monetarist perspective, expanding the money supply will only cause inflation in the end and have no effect on investment, employment, or aggregate demand.

Despite these disagreements, the Nigerian government, in collaboration with its monetary authority, keeps enforcing monetary policy to manage the country's economy. In order to control the current economic fluctuations, the Central Bank of Nigeria (CBN) has established monetary policy and has used both contractionary and expansionary measures. The reason for this action is that developing economies have created and executed monetary policies with success. It is now imperative to look at the potential effects of shifting the money supply or monetary policy on output. The examination will cover twenty-four years.

In Nigeria, one of the primary objectives of monetary policy is to stabilize economic progress. Over the years, the Central Bank of Nigeria has carried out a number of monetary policies on behalf of the Nigerian government in an effort to achieve economic growth. Even with the rising attention on the manipulation of monetary policy, Nigeria's economic growth remains problematic. These problems include, but are not limited to, high unemployment, low investment, high inflation, and an unstable foreign exchange rate. It is claimed that these purported problems are what caused Nigeria's economic growth to decline so rapidly. Therefore, it is necessary to highlight Nigeria's monetary policy and evaluate the extent to which it has actually contributed to the nation's economic growth. This study examined how much Nigerian output has been impacted by changes in the money supply and how much more they can.

To sum up, a lot of academic research has been done on how monetary policy affects the Nigerian economy. Drawing on insights from a variety of international organizations, academic research, and institutional assessments, this introduction offers background

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material for a full examination of the intricacies, challenges, and outcomes of monetary policy in Nigeria. In order to achieve economic resilience and success, it is imperative that policymakers, economists, and stakeholders possess a more profound understanding of the workings of monetary policy. The impact of monetary policy on Nigeria's economy is a dynamic, complicated phenomenon that requires close examination. By integrating information from several sources, this comprehensive introduction aims to increase understanding of the intricate relationships that exist between monetary policy decisions, economic performance, and welfare outcomes in Nigeria. It will take strategic interventions and well-informed policy making to fully utilize monetary policy to support inclusive growth, stability, and prosperity for all Nigerians as the country navigates the intricate and quickly changing global economy to meet sustainable development goals.

LITERATURE REVIEW

Conceptual Literature

Soludo (2005) emphasizes that sound monetary policy must be implemented in order to achieve both financial stability and sustainable economic growth. He is in favor of policies that maintain macroeconomic stability, price stability, and efficient financial institutions. Moghalu (2014) discusses the role that monetary policy plays in promoting economic development in Africa. He highlights the need for transparent, central bank-independent monetary policy frameworks in order to maintain price stability and long-term growth. Former Nigerian Central Bank governor Sanusi has spoken about monetary policy in a number of speeches and interviews. He emphasizes how important monetary policy is to preserving economic stability, controlling exchange rates, and keeping inflation under control. Sanusi is in favor of taking initiative to close economic gaps and promote sustainable development.

Utomi (2001) discusses the role that monetary policy plays in fostering an environment that is conducive to business and drawing in investment. He emphasizes that coordinated fiscal and monetary policies are necessary to achieve macroeconomic stability and promote the expansion of the private sector. Okonjo-Iweala (2012) discusses the challenges Nigeria faces in implementing a sound monetary policy. She underlines that institutional changes, accountability, and transparency are necessary to increase the effectiveness of monetary policy frameworks.

Theoretical Literature

Quantity Theory of Money:

The quantity of money in an economy and its price level are intimately related, according to the Quantity Theory of Money. In its simplest version, the exchange equation can be expressed as MV = PQ, where M denotes the money supply, V stands for the velocity of money (the speed at which money travels throughout the economy), P represents the price level, and Q represents the quantity of goods and services produced. This theory

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suggests that changes in the money supply lead to commensurate changes in the price level, assuming that real output and velocity remain constant. It provides the framework for understanding the long-term relationship between money growth and inflation.

The objective of the Quantity Theory of Money in Nigeria is to maintain price stability. By limiting the growth of the money supply, the Central Bank of Nigeria (CBN) aims to prevent excessive price volatility and control inflation.

To do this, the CBN uses tools including reserve requirements, open market operations, and the discount rate to regulate the money supply. By adjusting these tools, the CBN hopes to maintain price stability and ensure that the nominal production growth rate of the economy and the money growth rate are in line.

Phillips Curve

The Phillips Curve illustrates how unemployment and inflation are inversely related. It suggests that there is a temporary trade-off between these two factors: generally speaking, unemployment is low while inflation is high, and vice versa. This trade-off implies that policymakers should choose between achieving low inflation and low unemployment. However, a variety of factors, including supply shocks, expectations, and the natural rate of unemployment, could influence the Phillips Curve relationship. The possibility of stagflation—a state in which there is both high unemployment and high inflation—raises as these variables change over time and cause the curve to shift.

The two primary objectives of Nigeria's monetary policy—maintaining price stability and promoting steady economic growth with low unemployment—are impacted by the Phillips Curve relationship. The CBN seeks to strike a balance between controlling inflation and minimizing unemployment through its policy decisions. Nevertheless, a variety of factors influence the Phillips Curve trade-off, including supply-side constraints and expectations. When making monetary policy decisions, Nigerian policymakers need to consider these factors in order to avoid unanticipated consequences such as stagflation.

Monetary Policy Transmission Mechanisms:

Monetary policy transmission mechanisms are the ways in which changes in monetary policy affect the real economy. Among these channels are the credit channel, the exchange rate channel, and the interest rate channel. The aggregate demand that drives the interest rate channel is impacted by changes in interest rates, which also affect investment and consumption. Interest rate reductions stimulate the economy by encouraging borrowing and expenditure.

The exchange rate channel operates by affecting imports, exports, and net exports in response to changes in the currency rate. When a currency depreciates, import prices rise and export costs fall, raising net exports and aggregate demand.

The credit channel is driven by shifts in the price and accessibility of credit. The decisions made about borrowing and investing are influenced by monetary policy, which also

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affects bank lending rates and credit conditions, all of which have an impact on economic activity. Understanding the routes of transmission of monetary policy is essential to the effective implementation of policy initiatives in Nigeria. The CBN uses a variety of channels, including the interest rate and exchange rate channels, to influence economic activity and achieve its objectives. For example, by adjusting interest rates, the CBN can encourage investment and consumption, which will accelerate economic growth. Similarly, interventions in the foreign exchange market can help to support export-oriented industries and preserve exchange rate stability.

Mundell - Fleming Model

The Mundell-Fleming model integrates the domestic and global economies to investigate the effects of monetary and fiscal policy on output, interest rates, and currency rates. It considers capital mobility, exchange rate flexibility, and the interaction between the domestic and international product markets. The model suggests that the effectiveness of monetary policy in an open economy is contingent upon the level of capital mobility and exchange rate flexibility. Since capital flows can offset changes in interest rates, perfect capital mobility makes it more difficult for monetary policy to effect employment and output.

The Mundell-Fleming model serves as the foundation for the CBN's policy for managing capital flows and the exchange rate in Nigeria's open economy. The flexibility of exchange rates and capital mobility affect how well monetary policy performs in achieving domestic objectives.

In reaction to capital inflows or outflows, the CBN may alter its monetary policy posture in an effort to maintain exchange rate stability and foster economic expansion. The model also highlights how important it is to coordinate monetary and fiscal policy to achieve macroeconomic stability.

Rational Expectations Theory:

It is important for policymakers to take into account how economic agents will perceive and interpret their actions. If agents have reasonable expectations, they will react to anticipated policy changes by altering their behavior, which could counteract the desired benefits of monetary policy. This is the theory of rational expectations. It says that economic agents use all available information, including historical data and the acts of policymakers, to generate predictions about future economic variables. It is believed that these expectations accurately represent the underlying economic facts and are impartial and efficient.

These theoretical concepts serve as the foundation for investigating the role of money, monetary policy, and its connections to the economy as a whole. Understanding these concepts aids in the development of sound policy solutions to achieve macroeconomic objectives such as price stability, full employment, and consistent economic growth, as

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well as the evaluation of the effects of monetary policy actions by economists and decision-makers. The rational expectations theory highlights the significance of credibility and openness in the dissemination of monetary policy. The Central Bank of Nigeria's policy decisions and announcements have a considerable impact on the expectations and behavior of economic agents in Nigeria.

By providing clear and consistent guidance on its policy objectives and actions, the Central Bank of Nigeria (CBN) can enhance the effectiveness of its policy measures and stabilize inflation expectations. Moreover, reasonable expectations help policymakers anticipate and lessen any unfavorable reactions to changes in policy.

Empirical Literature

Oji and Chukwu (2018) conducted research on the impact of monetary policy on economic growth in Nigeria. This study investigated the impact of monetary policy on Nigeria's economic growth using annual time series data from 1981 to 2016. The money supply, interest rates, and economic growth all have a significant positive association, according to the findings, with monetary policy variables. The study did make the observation that complementary fiscal policies are necessary to increase the effectiveness of monetary policy in fostering economic growth.

Okoroafor and Udude (2020). A Vector Autoregressive (VAR) Approach to Monetary Policy and Economic Growth in Nigeria. This study employed a Vector Autoregressive (VAR) model to investigate the relationship between monetary policy and economic growth in Nigeria from 1990 to 2018. The results indicated that expansionary monetary policy measures can stimulate economic activity because they demonstrated a significant positive relationship between the money supply and economic growth; however, the study also highlighted the importance of addressing structural constraints in the economy in order to maximize the effectiveness of monetary policy.

Ezeaku and Ezejiofor (2019). An Autoregressive Distributed Lag (ARDL) Approach to Monetary Policy and Economic Growth in Nigeria. Using an Autoregressive Distributed Lag (ARDL) model, this study examined the long-term relationship between monetary policy determinants and economic development in Nigeria from 1981 to 2017. The findings indicated a weak but positive relationship between the money supply and economic growth, indicating that variables other than monetary policy may potentially have an impact on economic performance. The study emphasized that economic management needs to adopt a complete strategy in order to achieve sustainable growth.

An application of the Toda-Yamamoto technique to monetary policy and economic growth in Nigeria (Alieyu, 2018). Using the Toda-Yamamoto causality test, this study looked at the relationship between monetary policy and economic growth in Nigeria from 1981 to 2017. The results showed that there is a unidirectional causal relationship between monetary policy and economic growth, i.e., changes in monetary policy variables such as interest rates and the money supply affect the economic activity of Nigeria. However, the

study underscored how important it is to consider structural concerns and policy coordination for effective economic management.

Adeleke and Ayodeji (2021). Monetary Policy and Economic Growth in Nigeria: A Structural Vector Autoregressive (SVAR) Approach. Using a structural vector autoregressive (SVAR) model, this study examined the dynamic effects of monetary policy shocks on economic development in Nigeria from 1980 to 2019. The findings demonstrated that decisions about monetary policy had a significant short-term impact on economic activity, with GDP growth being positively impacted by changes in the money supply. However, the study also highlight how important it is to remove structural barriers and enhance policy coordination in order to achieve sustainable economic growth.

When everything is said and done, these empirical studies provide valuable information regarding the relationship between monetary policy and Nigeria's economic growth. Even while there is evidence that monetary policy measures, like the money supply, have a positive impact on economic activity, their effectiveness is affected by a number of factors, including the macroeconomic climate, the institutional framework, and the coordination of policies. In order to optimize the impact of monetary policy on economic growth and development in Nigeria, it is necessary to tackle structural constraints and implement complementary fiscal policies.

METHODOLOGY

Theoretical Framework

The theoretical framework is based on the Mundell-Fleming model. By combining the national and international economies, the Mundell-Fleming model investigates the effects of monetary and fiscal policy on output, interest rates, and exchange rates. It considers capital mobility, exchange rate flexibility, and the interaction between the domestic and international product markets.

The model suggests that the effectiveness of monetary policy in an open economy is contingent upon the level of capital mobility and exchange rate flexibility. Since capital flows can offset changes in interest rates, perfect capital mobility makes it more difficult for monetary policy to effect employment and output. The Mundell-Fleming model serves as the foundation for the CBN's policy for managing capital flows and the exchange rate in Nigeria's open economy. The flexibility of exchange rates and capital mobility affect how well monetary policy performs in achieving domestic objectives. In reaction to capital inflows or outflows, the CBN may alter its monetary policy posture in an effort to maintain exchange rate stability and foster economic expansion. Additionally, the model highlights the importance of coordination between monetary and fiscal policies to achieve macroeconomic stability.

Model Specification

The money supply and interest rate are the independent variables in the model used to assess how monetary policy affects Nigeria's economic growth, while the gross domestic product is the dependent variable. The model is described as follows:

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GDP=f(MS, INTR)

GDP=$\beta o+\beta_1 Ms+\beta_2 INTR+\mu$

$\beta_1 > o$ and $\beta_2 < o$

Where;
GDP= Gross domestic product
MS= Money supply
INTR= Interest rate
β_o = the constant coefficients.
β_1 and β_2 = The independent variables coefficients.
U=stochastic variable

Sources of Data

The annual time series data came from secondary sources between the years 2000 and 2023. The primary data sources were the annual reports from the Central Bank of Nigeria (CBN) and the statistics reports from the World Bank Group.

PRESENTATION AND DISCUSSION OF RESULTS

Data Presentation

Table 1: Relevant Macroeconomics Indicators (2000-2023).

Years	Gross Domestic Product	Money Supply	Interest Rate
2000	239.45	795,529.02	17.98
2001	438.7	1,274,030.40	18.29
2002	321.38	1,423,345.50	24.85
2003	241.69	1,918,925.70	20.71
2004	351.25	2,106,238.60	19.18
2005	519.47	2,568,065.30	17.95
2006	552.39	3,307,667.90	17.26
2007	759.28	4,798,317.40	16.94
2008	960.89	7,998,232.80	15.14
2009	1,152.80	8,997,817.30	18.99
2010	883.87	11,023,312.97	17.59
2011	918.55	11,653,623.81	16.02
2012	874.7	13,270,973.81	16.79
2013	1,108.39	15,667,169.15	16.72
2014	783.12	17,732,918.56	16.55
2015	818.35	19,132,363.30	16.85
2016	653.61	20,470,436.00	16.87

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2017	1,242.30	22,304,267.84	17.08
2018	1,682.10	24,424,422.14	18.93
2019	2,289.00	26.834,815.12	19.44
2020	1,614.89	31,010,122.07	19.82
2021	2,522.47	38,288,212.81	20.49
2022	3,133.82	42,366,432.74	20.67
2023	4.134.23	47, 654,324.98	17.54

Presentation of Results

The result obtained from the Ordinary Least Squares (OLS) regression analysis is discussed as follows;

Model

$GDP=\beta_0+\beta_1 Ms+\beta_2 INTR+\mu$

GDP=272.9745+42.3243MS+29.01817INTR

T-ratio=(0.477911)(9.791824)(0.930243)

R-squared (R2)=0.84(84%)

Adjusted R-squared(R-2)=0.82(82%)

F-statistics=49.64559

Durbin Watson (DW)= 0.785.

Discussion of Findings

Using the regression result described earlier, the estimated constant (β_0) is 272.9745. This implies that the dependent variable, the GDP, will rise by 272.1949. Assuming that the independent variables are zero, this is stated.The t-ratio for the constant (β_0) is 0.477911 at a significance level of 5% and a degree of freedom of 21 (where the degree of freedom is n-k=23-2=21). The calculated t-ratio (0.477911) is less than the necessary t-ratio (0.477911<2.052). Therefore, there is no statistical significance for the anticipated constant value, β_0.

The anticipated money supply (β_1) is 42.3243. This implies that there is a positive correlation between the money supply (MS) and the GDP.According to this, for every unit increase in the money supply, the GDP will grow by 42.3243. This meets the apriori expectation because the money supply and GDP continue to have a positive association. At the five percent significance threshold, the money supply ratio is 9.791824. Consequently, the estimated t-value of 9.791824>2.052 exceeds the critical ratio of 2.052. This shows that fluctuations in Nigeria's GDP may be statistically explained by changes in the money supply.

The regression estimate for interest rate (β_2) is 29.01817. This shows a positive correlation between the GDP growth rate (GDP) and the interest rate (INTR). According to this, for

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every unit increase in interest rates, the GDP will increase by 29.01817. This differs from the apriori expectation since the inverse relationship between interest rates and Nigeria's GDP is not maintained. The interest rate's critical value is 2.052 and its t-ratio is 0.930243 at the 5% level of significance. The calculated t-value is more than the critical t-ratio of 2.052. This explains why changes in Nigeria's GDP cannot be explained by changes in the interest rate in a way that is statistically significant.

R2's coefficient of determination is 0.84, or 84%.This explains why up to 84% of any systematic change in GDP can be explained by the independent variables; the remaining 16% of the change in GDP is left unexplained and is ascribed to values in the error term or other randomized variables that are not part of the model but have a large effect on GDP. 8.2 percent, or 0.82, is the adjusted coefficient of determination (R-2). This graph shows the extent to which the explanatory power of the model has declined. It continues by stating that the independent variables account for 82% of any systematic change in Nigeria's GDP, leaving the remaining 18% to be explained by values in the error term or other randomized variables that were missed by the model but had a significant effect on the dependent variable.

The f-statistics estimate, with degrees of freedom of V1 = 1 and V2 = 21 (where V1 = K-1 = 2-1 = 1 and V2 = n-k = 23- 2 = 21), is 49.64559 at a significance level of 5%. Since the estimated f-ratio (49.64559) is more than the crucial f-ratio (4.32), the model's overall parameter estimations are statistically significant.

The Durbin Watson (D.W.) statistic for the model is 0.785. This implies that there is a positive autocorrelation among the variables being studied.

RECOMMENDATIONS AND CONCLUSION

Conclusion:

In conclusion, this essay examined the ways in which the Central Bank of Nigeria's (CBN) monetary policies fostered economic expansion from 2000 to 2023. Empirical studies have shown that the CBN's monetary policy decisions have a significant effect on monetary and real sector variables such employment, prices, output level, and economic growth rate. The macroeconomic environment, institutional framework, and policy coordination are some of the aspects that impact how effective these programs are. Monetary policy has the potential to stimulate Nigeria's economy, but its benefits can only be fully realized if complementary fiscal policies are implemented and structural constraints are removed. The government should prioritize structural improvements, enhance policy coordination, look into cutting-edge monetary policy tools, and put inflation targeting frameworks into place in order to promote sustainable economic growth development.

Recommendations:

Following the discussions and conclusions in this paper, some recommendations might be made to enhance the effectiveness of monetary policy in fostering economic growth in Nigeria:

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1. Coordination of Policies: Improved coordination between the monetary and fiscal authorities is required to ensure coherence in the implementation of policy. Monetary policy should be implemented in tandem with fiscal measures aimed at addressing structural constraints and promoting sustainable economic growth.
2. Structural changes: The government should give structural reforms top priority in order to boost the productivity and competitiveness of the Nigerian economy. Spending on infrastructure, healthcare, and education has the potential to stimulate the economy, attract investment, and improve the business environment.
3. Enhanced Monetary Policy instruments: The Central Bank of Nigeria (CBN) should look into cutting-edge monetary policy instruments in addition to more traditional strategies like interest rate adjustments. Targeted interventions such as quantitative easing measures and credit easing initiatives for certain industries can more effectively address specific economic challenges and enhance growth.
4. Inflation Targeting: The efficiency and legitimacy of monetary policy can be enhanced by putting in place a systematic framework for inflation targeting. The CBN can help stabilize inflation expectations and guide the behavior of economic participants by being transparent and forthcoming about its inflation aims.
5. Exchange Rate Stability: Preserving exchange rate stability is essential for boosting investor confidence and optimizing trade and investment flows. The CBN should develop flexible exchange rate regimes and maintain adequate foreign exchange reserves in order to reduce exchange rate volatility.

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