

FEDERAL UNIVERSITY OYE-EKITI DEPARTMENT
OF ECONOMICS AND DEVELOPMENT STUDIES
THE IMPACT OF MONETARY POLICY ON THE
ECONOMIC GROWTH IN NIGERIA. (1986-2013)

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ABSTRACT

Distortion of price has been a major bottleneck to the attainment of growth in developing countries. Monetary policy serves as the macroeconomic tool used to combat and alter the negative outcomes in order to maintain viability and balance in the economy. However, the dissatisfaction of the actual outcome in relation to the targeted outcome has led to the discussion on the roles and effects of monetary policy on the economy in terms of growth. The study investigated the impact of monetary policy on economic growth in Nigeria. The research utilized data gathered from the World Bank and various statistical bulletins and annual reports from the Central Bank of Nigeria for the period 1986-2013. The Cointegration method is employed in the analysis of the data gathered with the aid of E-Views on the model consisting of exchange rate, interest rate, broad money supply and inflation as the exogenous variable while Gross Domestic Product is the endogenous variables. The findings indicate that monetary policy instrument (exchange rate) has a positive impact on the Gross Domestic Product by playing a crucial role in the increase in productivity for the 29 years span period and inflation, broad money supply, interest rate have negative impact on Gross Domestic Product. The study recommends that the monetary policy authorities and other financial regulatory body have to come up with possible solution that can help in addressing the long time negative influence of inflation, broad money supply and interest rate on economic growth. They must also ensure that the stability of the exchange rate is protected in order to ensure steady growth in the economy.