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# Evaluation of the Impact of Central Bank of Nigeria's (CBN) Monetary Policy and its Instruments on the Economy

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**ABSTRACT**

This work evaluated the impact of the Central Bank of Nigeria monetary policy and its instruments on the economy for a period of 22 years spanning 2000 to 2022. With data drawn from CBN's statistical bulletins, gross domestic product (GDP) proxied for economic growth (dependent variable), and the monetary policy variables (independent variables) are monetary policy rate (MPR), loan to deposit ratio (LTDR), liquidity ratio (LR) and cash reserve ratio (CRR). During the period under review, loan-to-deposit-ratio appeared the most monetary policy variables used to influence economic activities in Nigeria. The unit root analysis for stationarity results using the Augmented Dickey Fuller revealed that the variables were stationary or integrated at level 1(0) and first differencing 1(1), which informed the use of the ARDL technique of estimations. Results emanating from the estimation revealed the existence of long run relationship between monetary policy initiatives and economic performance in Nigeria. The error correction mechanism (ECM) term showed a 66.13% speed of convergence to equilibrium. Thence, it recommends monetary and fiscal policies unionism since each compliments the other, adoption of a forward-looking approach, data-driven decision, movement in government expenditure like financing of deficit budgets and monetization of deficits.

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## 1.0. INTRODUCTION

Globally, it is an acceptable principle that a banking system requires a central bank which serves as the head and controller of other banks (Commercial, Merchant, Microfinance banks etc.) and non-bank financial institutions. In the Nigerian case, the Central Bank of Nigeria (CBN) established on July1, 1959 through the Central Bank of Nigeria (CBN) Act of 1958 and its subsequent amendments and backed in the Act 24 and 25 of 1991 and the consecutive amendments in 1998 and 1999. The bank (CBN) derives its mandate from the same Act. In specific terms, part one, section one of the CBN Decree No. 24 of 1991, stipulates that the principal objects of the Bank shall be to: issue legal tender currency in Nigeria, maintain external reserves to safeguard the international value of the legal tender currency, promote monetary stability and a sound financial system in Nigeria, and act as banker and financial adviser to the Federal Government. Similarly, the mission of the CBN includes; ensuring monetary, price and financial system stability as catalyst for inclusive growth and sustainable economic development. As mentioned above, the regulatory function of the Central Bank of Nigeria (CBN) is mainly directed at the objectives of maintaining monetary and price stability in the economy. This function is feasible through the monetary policy and its instruments.

According to the Central Bank brief [1], monetary policy refers to the specific actions taken by the Central Bank to regulate the value, supply, and cost of money in the economy with a view to achieving government's macroeconomic objectives. It can also be seen as a set of demand management measures intended to remove some macroeconomic imbalances, which if allowed to persist, could be inimical to long-term growth.

Specifically, the motives of monetary policy include; achievement of domestic price and exchange rate stability, maintenance of a healthy balance of payment position, development of a sound financial system, and promotion of rapid and sustainable rate of economic growth and development [2]. These objectives are made feasible by the Central Bank of Nigeria (CBN) through its constituted Monetary Policy Committee (MPC) through their regular meetings, evaluation and re-evaluation of the economic and financial performance of the monetary policy variables and thereby take decisions aimed at curtailing inflation, maintaining internal and external balance of payments as well as exchange rates stability. The aforementioned aims are achievable by the Central Bank of Nigeria through its committee through the use of different policy instruments among which are; Monetary Policy Rates (MPR), Open Market Operations (OMO), Cash Reserve Ratio (CRR), Liquidity Ratio, Moral suasion, Special Deposits etc. It is however very pertinent and plausible to state that the activities of the Central Bank of Nigeria (CBN) in controlling the value, supply and cost of money in the economy through the monetary policy and its instruments is of great importance. As a matter of fact, both the micro-economic and macro-economic matters of the economy will be adversely affected without proper monetary control instruments and policies.

Over the years, the objectives of monetary policy have remained the attainment of price stability, internal and external balance of payments and other macroeconomic objectives. However, emphasis on techniques/instruments to achieve those objectives has changed over the years. There have been two major phases in the pursuit of monetary policy, namely, before and after 1986. The first phase placed emphasis on direct monetary controls, while the second relies on market mechanisms [1].

With the recent rate of inflation, recession, unemployment, devaluation of the Naira etc., one will be compelled to enquire into the effectiveness and efficiency of the monetary policies and its instruments towards the regulation and stabilization of the economy. The economy has witnessed also both expansionary and contractionary phases of monetary policy, a question that has been left fully



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unanswered is, WHAT is the effect of these policies on real economic growth, economic and price stabilization?

## 2.0. LITERATURE REVIEW

### 2.1. Conceptual Review

#### 2.1.1. Central Bank

This is the apex banking institution which is charged with the paramount responsibility of managing the expansion and contraction of the volume, cost, stability and availability of money in the interest of the public welfare. It is established to keep a country's financial system under control and close supervision, owned by the government but independently managed. It owns the whole of a country's capital stocks, exercise the ultimate control over the policies of other financial institutions. In the Nigerian case, it is called the Central Bank of Nigeria (CBN). The Central Bank of Nigeria is charged with the traditional (issuance of legal tender, manages the account of the nation, acts as banker and financial adviser to the federal government etc.), developmental (eradication of malpractices in the Nigerian banking system, leadership and manpower training, mobilization of domestic savings, maintenance of independent, indigenous and stable currency with international reputation etc.) and regulatory (aimed at monetary and price stability) functions.

#### 2.1.2. Monetary Policy

The term monetary policy refers to the combination of measures and actions designed to regulate the value, volume and cost of money in the economy in consonance with the expected level of economic activity. That is, the main essence of monetary policy entails the use of discretionary measures (by the Central Bank, CBN in Nigeria) to equate money supply to the demand for it at a level compatible with expected tempo of economic activities in a given period of time. It can also be seen as a guide to action which attempts at influencing economic activities by the variation in the supply of money, availability of credit or the interest rates. In other words, it is centered on the control of the availability of credit relative to demand, volume of money supply, cost of borrowing and the general liquidity of the economy for the purpose of achieving certain broad economic objectives.

Monetary policy has thus been known to be a vital instrument that a country can deploy for the maintenance of domestic price and exchange rate stability as a critical condition for the achievement of a sustainable economic growth and external viability [3]. Monetary policy may be inflationary or deflationary depending upon the economic condition of the country. Contractionary policy is enforced to squeeze down the money supply to curb inflation and expansionary policy is to stimulate economic activity to combat unemployment in recession.

According to [4], monetary policy consists of government's formal efforts to manage the money in its economy in order to realize specific economic goals. According to him, three basic kinds of monetary policy decisions can be made about 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 according to [5], is designed to regulate the value, supply and cost of money in an economy, in line with the level of economic activity. Excess supply of money will result in an excess demand for goods and services; prices will rise and balance of payments will deteriorate. Worthy of note also is that a not well thought out monetary policy could have negative effects on the real sector of the economy and bring about lower outputs, tax revenues and employment as a result of high real interest and uncompetitive exchange rates.



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According to [6], monetary policy is the overall economic policies that regulate the level and amount of money supply and credit in the economy in order to achieve some desired macroeconomic objectives. These objectives in Odekunle, 2008 include:

- Economic Growth: this is an increase in the real value of national output or per capital income or standard of living of the people. It is usually measured in terms of real GDP or GNP per capital or GNP per man hour. Monetary policy can promote growth by creating a conducive environment for savings and investment and efficient use of scarce resources.
- Full Employment: There is no unanimity of view on the meaning of full employment. Despite this, fill employment may be considered as a situation in which employment cannot be increased by an increase in effective demand and unemployment does not exceed the minimum allowances that must be made for the effects of frictional and seasonal factors. However, the place of monetary policy in this situation should be an expansion of the credit base so as to expand consumption and investment expenditures thereby expanding output and hence employment.
- Price Stability: Moderation of inflation rate has always been the price objective of the monetary policy in Nigeria. To achieve this, price level needs to be stabilized. The policy of price stability brings uncertainties and instability into the economy because of price fluctuations. Monetary policy can only arrest demand pull inflation through the application of restrictive credit measures but cannot curtail cost push inflation arising from higher wages and increased salary demands by trade unions and imported inflation.
- Balance of Payments Disequilibrium: It shows a country's trading position, changes in its net position as foreign lenders or borrowers and the overall change in its official reserve holdings. It also means a statement of performance relating to a country's trading transactions with the outside world.

Monetary policy instruments are the economic weapons used by the Central Bank over the commercial banks and other financial institutions in order to control the credit policy of the commercial banks for a better economic development. These tools are used to change the quantity or availability, cost and direction of money and credit in circulation.

Monetary policy measures involve a variety of policy instruments such as the Monetary Policy Rates (MPR), Open Market Operations (OMO), Cash Reserve Ratio (CRR), Liquidity Ratio, Treasury Securities, etc. A choice of instrument is dependent on the motive of the Monetary Policy Committee (MPC) of the Central Bank. An expansionary monetary policy seeks to increase the total supply of money in the economy more rapidly than usual, while a contractionary monetary policy expands the money supply more slowly than usual or even shrinks it [7].

### 2.1.3. Economic Growth

This is the main object of any economic policy usually measured in the real Gross Domestic Product (real GDP) and it is seen as the monetary value of all goods and services provided in the economy within a specific period of time usually one year. Economic growth is a sustained rise in the output of goods, services and employment opportunities with the sole aim of improving the economic and financial welfare of the citizens [8]**.** [9] defined economic growth as an increase in a country's productive capacity, identifiable by a sustained rise in real national income.



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## 2.2. Empirical Review

According to [10], on the impact of monetary policy on the performance of the Nigerian economy using the NISER econometric model to assess, examine and evaluate monetary policy in Nigeria. According to them, up to the end of 1987, the government through the Central Bank pursued a deflationary policy and by the end of 1987, it became obvious that the policies undermined the recovery of the economy even though certain aspects of the economy has shown some improvement. By 1988, they claimed that the economy suffered high level of unemployment and inflation and thus negated the gains of the Structural Adjustment Program (SAP). They also arrogated that instability in the foreign exchange market and the persistent decline of the value of the Naira tended to make monetary policy ineffective.

Study by [11], traced the effects of monetary policy shock on output and price in Nigeria using the Structural Vector Auto-regression (SVAR) model. The study assumed that the Central Bank cannot observe unexpected changes in output and prices within the same period. This places a recursive restriction on the disturbances of the SVAR. Three alternative policy instruments i.e. broad money (M2), minimum rediscount rate (MRR) and the real effective exchange rate (REER) were used. Overall, the study found evidence that monetary policy innovations carried out on the quantity-based nominal anchor (M2) has modest effects on output and prices with a very fast speed of adjustment. While, innovations on the price-based nominal anchors (MRR and REER) have neutral and fleeting effects on output. The study concluded that the manipulation of the quantity of money (M2) in the economy is the most influential instrument for monetary policy implementation.

Similarly, [12] carried out an appraisal analysis of the monetary policy and its effect on macroeconomic stabilization in Nigeria for economic period covering 1986 to 2009 with a simplified Ordinary Least Square technique, unit root and co-integration test. They found out that monetary policy has experienced different policy initiatives and has improved over the years and that monetary policy has a significant effect on exchange rate and money supply while it has an insignificant influence on price instability. The study concluded that for monetary policy to achieve objective of economic growth and others, the government should reduce the excessive expenditures and align fiscal policy with the monetary policy measures.

In the work of [13], that examined the impact of monetary policy on the Nigerian economy using the Ordinary Least Square (OLS) technique to analyze data between 1981 and 2008. According to the report, monetary policy presented by money supply exerts a positive impact on the Gross Domestic Product (GDP) growth and Balance of Payment (BOP), but negative impact on rate of inflation. The study also supports the money-prices-output hypothesis for Nigerian economy.

[14] examined the impact of monetary policy on economic growth in Nigeria using secondary data from CBN's statistical bulletin covering the period of 1970 to 2010. Multiple regressions were employed to analyze data on such variable. Money supplies, inflation, exchange rate, interest rate and gross domestic product were all found to have significant effects on the Economics Growth with the Adjusted R2 of 58%. The study concluded that exchange rate stability is essential in keeping inflation low, there has been different monetary policy instruments over the time as a result of a stable and predictable changes in money supply and level of price.

[15] examined monetary policy and its impact on selected macroeconomic variables (GDP, unemployment, inflation and balance of payment) in Nigeria. It adopted Augmented Dickey Fuller test, Co-integration test and the Error Correction Model on annual data for a period of 1970 to 2012. It validated previous works on the efficacy of monetary policy and therein submits that appropriate



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sanitation be carried out by the CBN to make the banking sector conducive. It recommended that indirect tools should be applied by the monetary authority to achieve the desired targeted inflation rate, reduce the spread between bank lending rate and saving's deposit rate to not more than 10%.

[8] carried out a study the efficacy of Nigeria Monetary Policy: a comparative analysis with South African economy on the backdrop of single digit inflation target of monetary policy for a period spanning 1990 to 2013. The study posits that inflationary pressure on the South African economy was lower than that of Nigeria, even when both countries faced high inflation during the early decade of 1990. They also found that although Nigeria appeared to be achieving the single digit inflation target in 2013, the existing structural constraints can still mitigate against the realization of the target in the subsequent years.

[5] on their work investigated the effect of monetary policy on economic growth in Nigeria with time series data coverage between 1986 and 2016. The study used the Ordinary Least Square (OLS) technique and also conducted the unit root and co-integration tests. It found that long-run relationship exist among the variables. The core finding of the study showed that monetary policy rate, interest rate and investment have insignificant positive effect on the economy, while money supply and exchange rate have significant positive effect on the economic growth and significant negative on GDP respectively. Monetary policy is found to have long-run relationship with the economic growth as it explains 98% of the change in economic growth and can be effectively used to control Nigerian economy and thus is a veritable tool for price stability and improve output.

## 3.0. METHODOLOGY

### 3.1. Model Specification

The study comprises of annual data of monetary policy era of twenty-two (22) years spanning 2000 and 2022 and being experimental research, it probes the cause-effect relationship between monetary policy and economic growth and development and also an ex-post facto research, the variables understudy was sourced from secondary source of Central Bank of Nigeria (CBN) annual statistical bulletin.

The study followed the model by [15] who used macroeconomic (dependent) variables of Gross Domestic Product (GDP), Inflationary Rate (INF), Unemployment Rate (UNEMP) and Balance of Payment (BOP) and the independent variables of Money Supply (MSS), Exchange Rate (EXR) and Real Interest Rate (RIR) as instruments of monetary policy. Also considered [5] that used the GDP as the dependent variable as a function of Monetary Policy Rate (MPR), Money Supply (MS), Exchange Rate (EXCH), Interest Rate (INT) and Investment (INV).

Thus, the study adopts

GDP = f (MPI)..... (1)

Where GDP (the dependent variable) is a proxy for economic growth and MPI (the independent variables) is the Monetary Policy Indicators given as Liquidity Ratio (LR), Cash Reserve Ratio (CRR), Loan to Deposit Ratio (LTDR), and Monetary Policy Rate (MPR). F is the functional notation of the model.

Thus, the functional model for the study is,

GDP = f (LR, CRR, LTDR, MPR) ..... (2)



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## 4.0. DATA ANALYSIS

### 4.1. Descriptive Analysis

Here, the variables are subjected to a descriptive statistical test to show the various measures of Central tendency, measures of dispersion, the distribution under investigation etc. The result is as follows;

**Table 4.1: Descriptive Statistics**

| | GDP | MPR | LTDR | LR | CRR |
|---|---|---|---|---|---|
| **Mean** | 4.676030 | 1.080238 | 1.802898 | 1.698616 | -0.929414 |
| **Median** | 4.774142 | 1.096562 | 1.800673 | 1.701998 | -1.028452 |
| **Maximum** | 5.245699 | 1.311754 | 1.985965 | 2.017868 | 0.000000 |
| **Minimum** | 3.848974 | 0.778151 | 1.574726 | 1.421439 | -1.439333 |
| **Std. Dev.** | 0.426686 | 0.122011 | 0.103499 | 0.136705 | 0.462896 |
| **Skewness** | -0.521080 | -0.936104 | -0.389777 | 0.077362 | 0.823423 |
| **Kurtosis** | 2.098341 | 4.180321 | 2.762965 | 3.446842 | 2.528228 |
| | | | | | |
| **Jarque-Bera** | 1.740829 | 4.490131 | 0.608565 | 0.204974 | 2.690115 |
| **Probability** | 0.418778 | 0.105921 | 0.737652 | 0.902590 | 0.260525 |
| | | | | | |
| **Sum** | 102.8727 | 23.76524 | 39.66377 | 37.36955 | -20.44711 |
| **Sum Sq. Dev.** | 3.823271 | 0.312622 | 0.224953 | 0.392455 | 4.499733 |
| | | | | | |
| Observations | 22 | 22 | 22 | 22 | 22 |

**Source: e-views output.**

The above table represents the descriptive statistics of the variables used in the analysis. The gross domestic product (GDP) for the periods 2000 to 2021 averaged ₦4.677 billion. The exogenous variables which are all expressed in percentages showed that monetary policy rates for the period under study averaged 1.08%, loan-to-deposit-ration 1.80%, liquidity ratio 1.69% and cash reserve ratio -0.92% respectively. The Jarque Bera probability values revealed that all variables of the study were normally distributed.

**Table 4.2: Summary Table of the Unit Root test Results**

| Variables | ADF t-statistic @ 5% | Critical Value @ 5% | Prob. Value | Order of Integration |
|---|---|---|---|---|
| **gdp** | *-4.342767* | *-3.012363* | *0.0030* | ***1(0)*** |
| **mpr** | *-4.919173* | *-3.020686* | *0.0009* | ***1(1)*** |
| **crr** | *-6.049766* | *-3.020686* | *0.0001* | ***1(1)*** |
| **ltdr** | *-3.827712* | *-3.052169* | *0.0112* | ***1(1)*** |
| **lr** | *-4.843887* | *-3.020686* | *0.0011* | ***1(1)*** |

**Source: e-views Output**

The Augmented Dickey Fuller stationary test results displayed on the summary table above and estimated at 5% critical value showed that while the gross domestic product (gdp) was stationary at



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levels 1(0), monetary policy rate (mpr), cash reserve ratio (crr), loan-to-deposit-ratio (ltdr), and liquidity ratio (lr) were all integrated at first differencing, that is order 1(1). These levels of integration justified the adoption of the auto-regressive distributed lag (ARDL) technique of estimations.

**Table 4.3: ARDL Bounds Test**

ARDL Long Run Form and Bounds Test

Dependent Variable: D(GDP)

Selected Model: ARDL (2, 0, 0, 0, 1)

Case 2: Restricted Constant and No Trend

Date: 03/16/23 Time: 14:39

Sample: 2000 2021

Included observations: 20

| F-Bounds Test | | Null Hypothesis: No levels relationship | | |
|---|---|---|---|---|
| Test Statistic | Value | Signif. | I(0) | I(1) |
| | | | Asymptotic: n=1000 | |
| F-statistic | 15.58905 | 10% | 2.2 | 3.09 |
| K | 4 | 5% | 2.56 | 3.49 |
| | | 2.5% | 2.88 | 3.87 |
| | | 1% | 3.29 | 4.37 |
| Actual Sample Size | 20 | | Finite Sample: n=30 | |
| | | 10% | 2.525 | 3.56 |
| | | 5% | 3.058 | 4.223 |
| | | 1% | 4.28 | 5.84 |

The ARDL Bounds test result on the above table revealed the existence of long run relationship between monetary policy instruments (cash reserve ratio, liquidity ratio, loan-to-deposit-ratio and monetary policy rate) and economic performance in Nigeria (proxied by gross domestic product). This can be established from the fact that the F-statistic (15.58905) at 5% level of significance is greater than 3.058 and 4.223 lower and upper bounds respectively. Thus, monetary policy initiatives have an impact on the economic performance of Nigeria.

**Table 4.4:** Long run and ECM Estimations

| ECM Regression | | | | |
|---|---|---|---|---|
| Case 2: Restricted Constant and No Trend | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| D(LR) | 0.125236 | 0.032237 | 3.884875 | 0.0022 |
| D(LR(-1)) | -0.067849 | 0.031820 | -2.132238 | 0.0543 |



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| | | | | |
|---|---|---|---|---|
| CointEq(-1)* | -0.661318 | 0.003309 | -18.52988 | 0.0000 |
| R-squared | 0.777489 | Mean dependent var | | 0.066503 |
| Adjusted R-squared | 0.751311 | S.D. dependent var | | 0.034800 |
| S.E. of regression | 0.017354 | Akaike info criterion | | -5.132487 |
| Sum squared resid | 0.005120 | Schwarz criterion | | -4.983127 |
| Log likelihood | 54.32487 | Hannan-Quinn criter. | | -5.103330 |
| Durbin-Watson stat | 2.322027 | | | |

* p-value incompatible with t-Bounds distribution.

**Source: e-views output**

In the course of the long run estimations, it was ascertained that only liquidity ratio has a positive significant effect on economic performance in Nigeria, especially current periods liquidity ratio. Furthermore, revelations from the results showed that the error correction (ECM) term was appropriately signed with a negative coefficient of -0.661318 and significant t-statistic of -18.52988. This means that short run disequilibrium in economic performance can be significantly corrected in the long run via monetary policy instruments at the speed of 66% per annum given the probability value of 0.0000 which was significant.

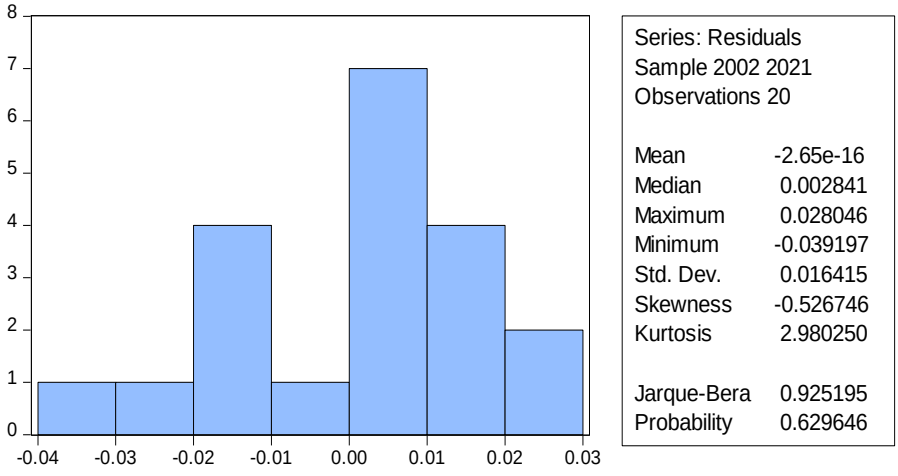
**Table 4.5: Diagnostics tests**

Heteroskedasticity Test: Breusch-Pagan-Godfrey

| | | | |
|---|---|---|---|
| F-statistic | 1.154558 | Prob. F(7,12) | 0.3940 |
| Obs*R-squared | 8.048944 | Prob. Chi-Square(7) | 0.3283 |
| Scaled explained SS | 2.869006 | Prob. Chi-Square(7) | 0.8968 |

**Source: e-views output**

From the result depict in the above table, the Breusch-Pagan-Godfrey heteroscedasticity test showed that all the probability values are all greater than the 5% benchmark. This is evidence that the model is free of heteroscedasticity. The errors of the model for different observations are adjudged to be homoscedastic over time.




**Normality Test**

**Source: e-views output**



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The probability value (0.629646) of the Jarque-Bera test statistic from the normality test result is greater than the 5% level of significance. This showed that the model of the study is normally distributed.

### Discussion of Results

The data set for the study were ab-initio subjected to descriptive analysis which assisted in describing the behavior of the data set employed. It was observed that during the period under review, loan-to-deposit-ratio appeared the most monetary policy variables used to influence economic activities in Nigeria. This is not surprising because bank lending operations are usually bench-marked on the proportion of deposit mobilized and the maturity structure of the said deposits. The data arrays were further exposed to unit root analysis for stationarity results using the Augmented Dickey Fuller unit root test technique. The result of the analysis from the ADF result revealed that the variables were stationary or integrated at level 1(0) and first differencing 1(1), which informed the use of the ARDL technique of estimations. Results emanating from the estimation revealed the existence of long run relationship between monetary policy initiatives and economic performance in Nigeria. Monetary policy variables were captured by monetary policy rate (mpr), cash reserve ratio (crr), liquidity ratio (lr) and loan-to-deposit-ratio (ltdr). Economic performance on the other hand was represented by gross domestic product (gdp). It was further observed that only liquidity ratio was statistically significant in the long-run. This may not be unconnected with the fact that the amount or quantity of money supply in circulation in an economy infers the state of liquidity and to a large extent the pace and volume of economic activities. When an economy is liquid, financial positions tend to be solid because holdings within the system can be quickly converted into cash. Businesses and individuals with high liquidity can reliably pay off their financial obligations in contrast to those with low liquidity who may undoubtably find themselves in a precarious financial position. In an event of disequilibrium or any distortion in the long relationship between monetary policy programs of the government and economic performance, the error correction mechanism (ECM) term showed a 66.13% speed of convergence to equilibrium. Given the significant t-statistic of -18.52988 and probability values of 0.0000, it can be inferred that monetary policy has significant impact on economic performance in Nigeria. The diagnostic test results showed that the model of the study is homoscedastic, normally distributed and by extension valid and reliable.

## 5.0. CONCLUSION AND RECOMMENDATIONS

The study evaluated the impact of Central Bank of Nigeria (CBN) monetary policy and its instruments on economic growth in Nigeria covering 22 years of 2000 to 2022. The choice of variables was economic growth proxied by gross domestic product (GDP), monetary policy rate (MPR), loan to deposit ratio (LTDR), liquidity ratio (LR) and cash reserve ratio (CRR) with all data from the various corresponding CBN's statistical bulletins. It was observed that during the period under review, loan-to-deposit-ratio appeared the most monetary policy variables used to influence economic activities in Nigeria. The data arrays were further exposed to unit root analysis for stationarity results using the Augmented Dickey Fuller unit root test technique. The result of the analysis from the ADF result revealed that the variables were stationary or integrated at level 1(0) and first differencing 1(1), which informed the use of the ARDL technique of estimations. Results emanating from the estimation revealed the existence of long run relationship between monetary policy initiatives and economic performance in Nigeria.

In line with the findings revealed by the study and the conclusion made thereof, the following recommendations are made;



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Price and Exchange Rate Stability: One of the primary goals of monetary policy is to maintain price stability. The Central Bank of Nigeria should continue to focus on controlling inflation within a reasonable range. High and volatile inflation can erode people's purchasing power, disrupt business planning, and create uncertainty in the economy. Similarly, given Nigeria's dependence on oil exports, exchange rate stability is crucial. A managed floating exchange rate system can help maintain competitiveness in international trade while avoiding excessive volatility that could harm economic stability.

Monetary and Fiscal Policies unionism. The government's fiscal policies should complement the objectives of the Central Bank's monetary policies. If fiscal policy is expansionary (increased government spending), the monetary policy might need to be more restrictive to prevent overheating and inflation. Regardless of how good any monetary policy is, if not complemented with an effective fiscal policy, it cannot be effective. Therefore, monetary policy implementation should be regular and in line with set goals and formulated to complement fiscal policies for efficient and enhanced economic growth and development in Nigeria.

Long-Term Planning: Monetary policy actions often have lagged effects. Therefore, the central bank should adopt a forward-looking approach, taking into account the potential future impact of current policy decisions. The policy should not focus solely on short-term goals. It's important to consider the long-term health and sustainability of the economy, including investments in education, infrastructure, and diversification.

Government Fiscal Operations: Movement in government expenditure like financing of deficit budgets and monetization of deficits, existence of large informal credit markets has for many years constituted the single most important factor influencing the growth of the money stock, liquidity and inflationary pressures on the economy. There should be effective war against corruption, improvement and sustenance of the Single Treasury Account (STA) to help curtail leakage of revenues accruals to the government.

Data-Driven Decisions, Communication and Transparency: Monetary policy decisions should be based on accurate and up-to-date economic data. This should involve regular monitoring of economic indicators such as inflation rates, GDP growth, unemployment rates, and balance of payments which are essential for effective decision-making. Also, clear communication from the central bank about its monetary policy objectives and actions can help guide market expectations. Transparency enhances the credibility of the central bank's policies and reduces uncertainty in financial markets.

Finally, it should be noted that the effectiveness of monetary policy depends on the specific economic conditions of the country at any given time. It's essential to continuously evaluate and adapt policies based on changing circumstances and global economic trends.

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