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MONETARY POLICY TOOLS/ INSTRUMENTS AND ECONOMIC DEVELOPMENT IN NIGERIA, 1986-2016

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ABSTRACT: *This study focused on Monetary Policy Tools/Instruments and Economic development in Nigeria. Specifically the study sought to; (a) determine the effect of interest Rate on Economic sustainability and Growth in Nigeria (b) ascertain the relationships between Treasury Bill Rate and Economic sustainability and Growth in Nigeria(c) Investigate the effect of Cash Reserve Requirements on Economic sustainability and Growth in Nigeria (d) examine the effect of Liquidity Ratio on Economic sustainability and Growth. The researchers adopted time series data from 1986-2016 which were drawn from Central Bank of Nigeria (CBN) statistical bulletin. The analysis of data was done using various econometric techniques like Augmented Dickey Fuller (ADF) for Unit Root Test, Johansen Co-integration Test and Error Correction Mechanism (ECM). The following results surfaced; Monetary Policy Tools had a negative and less relationship with Economic Growth in Nigeria. Some of the variables in the study attained stationarity at first difference while others are at second difference. The Co-integration result indicated that there is short run relationship among some variables with two Co-integrating vectors. The result of the vector error correction mechanism (ECM) test indicates that only Interest rate exerted significant impact on economic growth in Nigeria while other variables did not. The study recommended that CBN/monetary authorities should tighten money supply either by increasing the Cash Reserve Requirements (CRR) of banks, mopping up excess liquidity from the system through increased OMO operations or raising the Liquidity Ratio of banks.*

Key words: Monetary Policy, Interest Rate, Cash Reserve Requirements, Treasury bill Rate, Economic Growth.

1.1 INTRODUCTION:

The objectives of monetary policy include price stability, maintenance of balance of payments equilibrium, full employment and output growth and sustainable economic development and growth. These objectives are necessary for the attainment of internal and external balance and the promotion of long-run economic growth. The importance of price stability is derived from harmful effects of price volatility, which undermines the ability of policy makers to achieve other laudable macroeconomic objectives. There is indeed a general consensus that domestic price fluctuation undermines the role of money as a store of value and frustrates investment and growth (Adigwe, Echekoba and Onyeagba, 2015).

Eze (2010) asserts that Nigeria as a developing economy has since independence in 1960, been striving to achieve economic stability through the use of various tools of monetary policy .

Monetary policy tools are techniques used by CBN to influence the prices of money in an economy. They are tools for economic management that brings about sustainable economic growth and development. The monetary policy tools are classified as direct and indirect or market –based tools. It has been the pursuit of many nations in formal articulation of how money affects economic aggregates (Agu, 2010). Since the expositions of the role of monetary policy in influencing macroeconomic objectives like economic growth, price stability, equilibrium in balance of payments, promotion of full employment and a host of other objectives. Monetary authorities are saddled with the responsibility of using monetary policy to develop their economies. In general term, monetary policy refers to a combination of measures designed to regulate the value, supply and cost of money in an economy in consonance with the expected level of economic activities (Onyeiwu, 2012).

Monetary policy according to Udude (2014) is a deliberate effort by the monetary authorities to control money supply and credit creations for the purpose of achieving certain broad economic goals. Monetary policy is policy employed by Central Bank in the control of the supply of money as an instrument for achieving the objectives of general economic policy.

Effective monetary policy produces economic growth and development for a country such as Nigeria. To achieve economic stability, Udude (2014) stated that there is a need to place priority on efficient monetary policy tools. In the pursuit of macroeconomic stability, the managers of monetary policy have often set targets on intermediate variables which include the short term interest rate, growth of money supply and exchange rate. Among these intermediate variables of monetary policy, the exchange rate is argued to have a greater influence on the

economy through its effect on the value of domestic currency, inflation, external sector, macroeconomic credibility, capital flows and financial stability. Increased exchange rate directly affects the prices of imported commodities and an increase in the price of imported goods and services contributes directly to increase in inflation.

Economic growth is the expansion of economic system in one or more dimensions without changes in its structure. Economic growth is related to a quantitative sustained increase in the countries per capital income or output accompanied by the expansion in its labor force, consumption, capital and volume of trade. An economy on the other hand can be said to be developed when there is a quantitative and qualitative increase in the amount and quality of goods and services produced in the country. In its widest aspect economic growth and development implies raising the standard of living of the people and reducing inequalities in income distribution.

In the history of Nigeria, there have been various monetary policies in place. It could be tight and at other times it is loose and mostly used to stabilize prices. The economy has also witnessed times of expansion and contraction but evidently, the reported growth has not been a sustainable one as there are evidences of macroeconomic instability. The question is, could the period of economic growth be attributed to period of appropriate monetary policy? Again could the periods of economic down turn be blamed on factors other than monetary policy tools/instruments ineffectiveness? What measures are to be considered if monetary policy would be effective in bringing about sustainable economic growth and development? These are questions this research study would attempt to answer. Thus, this research study focuses on the effect of monetary policy tools/instruments on economic sustainability and growth in Nigeria.

1.2 Statement of the Problem

The current challenges facing Nigeria are falling Gross Domestic Products (GDP) growth rate, rising inflation, persistently high interest rates, falling foreign exchange reserves and depreciating exchange rate (Emefiele, 2017). The monetary policy tools in Nigeria have failed to achieve the above. The record of growth and development has been very poor despite the various monetary regimes that have been adopted by the Central Bank of Nigeria over the years.

However, the dualistic nature of financial and product market in Nigeria constitutes a fundamental constraint militating against the formulation and efficient implementation of monetary policy (Adigwe *et al* 2015). The informal sector in Nigeria accounts for about 30 percent of the GDP, thus the existence of a large informal credit market and exchange rate market in Nigeria has many implications for the transmission mechanism of monetary policy. It is believed that inspite of the many years these policies have been used, there appears not to be seen much accompanying and noticeable economic development. In the light of the foregoing therefore, this study tends to evaluate the effects of Monetary Policy Tools on Economic Sustainability and Growth in Nigeria.

1.3 Objectives of the study

The broad objective of this study is to evaluate the effects of Monetary Policy Tools on Economic Sustainability and Growth in Nigeria.

The specific objectives include to:

- Determine the impact of Interest Rate on Economic sustainability and Growth in Nigeria.
- Ascertain the relationship between Treasury bill Rate and Economic sustainability and Growth in Nigeria.
- Investigate the effects of Cash Reserve Requirements on Economic sustainability and Growth in Nigeria.
- Examine the effect of Liquidity Ratio on Economic sustainability and Growth in Nigeria

1.4 Research Questions

- What is the relationship between Interest rate and economic sustainability and Growth in Nigeria?
- What is the relationship between Treasury bill rate and Economic sustainability and Growth in Nigeria?
- To what extent has Cash Reserve Requirements affected Economic sustainability and Growth in Nigeria?
- To what extent has Liquidity Ratio impacted on Economic sustainability and Growth in Nigeria?

2.0 REVIEW OF RELATED LITERATURE

2.1 **Conceptual Framework**

The Concept of Monetary Policy/ Monetary Policy Tools/Instruments

The concept of monetary policy has attracted lots of interest from scholars and researchers. This has also contributed to the different definitions of the concept; each author defining the concept in its own perspective. Owolabi and Adegbite (2014) define monetary policy as the combination of measures designed to regulate the value, supply and cost of money in an economy, to match with the level of economic activities. Adigwe, Echekoba and Onyeagba (2015) define monetary policy as a major economic stabilization weapon which involves measures designed to regulate and control the volume, cost, availability and direction of money and credit in an economy to achieve some specified macroeconomic policy objectives. That is, it is a deliberate effort by the money authorities (or Central Bank) to control the money supply and credit conditions for the purpose of achieving certain broad economic objectives.

Monetary Policy Tools/Instruments

Monetary Policy tools in the other hand are various tools/instruments of monetary policy which are classified into two; Direct tools and indirect or market based tools.

Anyanwaokoro (1999) defines direct tools as those tools used by the Central Bank of Nigeria to influence the price of money (interest rate) and allocation of bank credit directly without passing through market mechanism. In a free market economy according to him, market forces of demand and supply determine prices and allocation of resources. An increase in demand over supply leads to a price increase while an increase in supply over demand leads reduction in prices. Direct tools of monetary control are interest rate policy, directives, moral suasion and stabilization securities. The indirect or market –based tools of monetary policy are; open market operations (OMO), variation of reserve requirements and discount window operation.

Interest Rate: This is the price for money and credit. Those who supply money and credit(lenders and depositors) charge interest rate as compensation to them for parting with their funds and forgoing present consumption. Those who demand credit (borrowers) for investment and consumption spending pay interest for the use of credit. An increase in interest rates discourages people from borrowing from banks. A reduction in interest rate encourages people to borrow from banks.

Types of interest rates are; deposit rates, lending rates, re-discount rates, inter-bank rate, and treasury.

Treasury bills requirements: This is the discount rate that government pays savers who buy treasury bills. Discount rate is a form of interest rate paid in advance on the face value of the Treasury bill. This rate is very important in the economy because it gives an indication of other rates. This rate is regarded as the risk-free rate (Anyanwokoro, 1999)

Cash Reserve Ratio (CRR): This Reserve Ratio is expressed as percentage of Commercial Banks deposit liabilities and promissory notes, which must be kept by banks as cash deposits with Central Bank of Nigeria

Each year, the Central Bank gives the cash ratio to be maintained by banks. The base on which the given ratio is calculated currently include the banks total liabilities (i.e. demand savings and time deposits) Certificates of Deposit (CDS) and promissory notes held by the non-bank public. Thus the cash reserve to be kept with CBN by each Bank (CR) is given as follows:

Cash Reserve Deposit: DD+SD+TD+CDS+PNp X CR

Where;

DD = Demand Deposit

SD = Savings Deposit

TD = Time Deposit

CDS =Certificate of Deposits

PNp =Bank Promissory Notes held by non-bank public and

CR = The legal Cash Reserve Ratio (Anyanwaokoro, 1999)

Liquidity Ratio: The liquidity Ratio is the percentage of bank deposit which must be maintained in the form of specified liquid assets by the bank. Both Commercial and Merchant banks maintain this ratio. The base on which the liquidity ratio is calculated currently- comprises the entire deposit and promissory notes held by non-bank public. The amount to be kept in liquid asset is calculated as follows:

Required Liquidity Assets: LRx(DD+SD+TD+CDS+PNp)

Where:

LR is the specified liquidity ratio for the year. The actual liquidity ratio maintained by each bank is arrived at by expressing the banks specified liquidity assets as a percentage of its deposit liabilities and promissory notes.

Actual Liquidity Ratio = Specified Liquidity Assets = Deposit Liability +CD +non-bank promissory notes (CBN, 2010)

2.2 Theoretical Framework

Economic theories that existed tend to explain the role of money in the economy. Notable among them according to Luckett (1984) in Eze (2010), are the Keynesian theory and the quantity theory. Keynesians are of the opinion that money is only one financial asset among many that changes in the quantity of money affect the real sector only indirectly via portfolio adjustments, and the economic stabilization which requires the use of fiscal policy as well as monetary policy. On the other hand, modern quantity theorists believe that changes in the quantity of money directly affect the real sector and that monetary policy alone is sufficient to stabilize the economy. It is on these theories that this study was anchored.

In line with one form of these theories or the other, Nigeria and other developing economies use monetary policy as an expected means of promoting desired economic goals. The monetary policy instruments are either quantitative or qualitative. Quantitative ones can be of general type or indirect type, the qualitative ones may be selective or direct. These instruments affect the level of aggregate demand through the supply of money, cost of money and the availability of credit.

Quantitative instruments include bank rate changes, open market operations and reserve requirements changes. They are expected to regulate the overall level of credit in the economy through commercial banks. In selective credit controls, specific types of credit are aimed to be controlled. These include margin requirements and regulation of credit to the different sectors of the economy of the concerned country. According to Onoh (2007) and CBN (1979) Nigeria has used these instruments at different stages of the country's development. Baumol and Blinder (1979), Wonnacott and Wonnacott (1979), Jingan (2000), Gordan (1981) believe that the effective use of the monetary policy instruments depend on a number of factors, including the level of development of the money markets. The situation is worse because of large non-monetized sector, under-developed money and capital markets, large numbers of non-bank financial institutions (NBFIS), high liquidity nature of most of the money-deposit banks, small percentage of bank money vis-à-vis money supply and the culture of most people not having banking habit. This is so because monetary policy instruments work though transmission paths.

However, it is believed that when an economy gets deep into depression, monetary policy becomes less effective. In line, Onoh (2002) asserts that monetary policy plays better roles in

boom or recession but should unavoidable depression eventually set in, monetary policy instruments become less effective and to deal with the situation and restore macroeconomic goals, well-articulated internal and external monetary policy measures as well as fiscal and economic interventions would be required.

3.0 METHODOLOGY

3.1 Research Design

This study adopted the *ex post facto* research design. The *ex-post facto* research design also known as causal comparative research involves the ascertaining of past factor on the happenings of an event. *Ex-post facto* design provides a blueprint that guides a researcher in carrying out the set investigation and analysis in the research work. It encapsulates all the essential ingredients that would allow for a systematic application of the scientific method in investigation and solving of the set research problems (Onwumere, 2009).

A good research design, according to Nweke (1999) must specify the operations for the testing of hypothesis or a group of hypotheses under a set of conditions and shall as well specify the procedures for measuring of variables and the decision criteria.

The choice of the *ex post facto* design is justified by the fact that the cost of collecting data is much lower than in any other type.

3.2 Nature and Sources of Data

By nature, the data for this work is time series data. It was extracted from already existing sources that covers the period of 1986 – 2016. The data were obtained from different sources, including Central Bank of Nigeria (CBN), Statistical Bulletin, National Bureau of statistics (NBS), Annual Publications, Journals and other Published works. The choice of the period 1986-2016 was informed by the availability of data in the form detailed enough to allow for robust analyses.

3.3 Model Specification

In specifying our model, this study adopted the model by Folaweiwo and Osinubi (2008) with some modifications by the inclusion of cash reserve ratio, liquidity ratio and treasury rate. Economic Growth as proxies by GDP is our independent variable while the dependent/explanatory variables are Interest Rate, Cash Reserve Requirements, Liquidity Ratio and Treasury Bill Rate. The model is shown as follows;

$Y = a_0 + a_1 x_1 + a_2 x_2 + a_3 x_3 \ldots\ldots\ldots\ldots\ldots a_n x_n + \varepsilon$ ---------- (3.1)

Where;

Y = Dependent Variable

$X_1, X_2, X_3 X_4$----------X_n = the independent/Explanatory Variables

a_1, a_2, a_3, a_4----------a_n = the coefficient of the parameter estimate or the slop

ε = Error or disturbance/stochastic term

In relating this to the study;

GDP =*f* (INT, CRR, LQR, TBR) ----------(3.2)

Relating it in econometric form and the variables log linearised, it will appear in this form.

$LnGDP = a_0 + a_1 LnINTR + a_2 LnCRR + a_3 LnLQR + a_4 LnTBR$---------- ε (3.3)

Where:

LnGDP = Gross Domestic Product

LnINTR= Interest Rate

LnCRR= Cash Reserve Requirements

LnLQR= Liquidity Ratio

LnTBR = Treasury bill Rate

a_0 = Intercept (constant term)

A priori expectation. It expected that $a_1 - a_4 > o$

4.0 Presentation of data, Analysis, Conclusion and Findings

4.1 Data Presentation

Table 4.1 shows the Real GDP, Interest Rate, Cash Reserve Requirements, Liquidity Ratio and Treasury Bills Rate in Nigeria from (1986-2016)

Year	GDP	INTR	CRR	LQR	TBR
1986	73,061.90	9.93	1.70	30.40	8.50
1987	108,885.10	13.96	1.40	46.50	11.75
1988	145,243.30	16.68	2.10	45.00	11.75
1989	224,796.90	20.44	2.90	40.30	17.50
1990	260,636.70	25.30	2.90	44.30	17.50

1991	324,010.00	20.04	2.90	38.60	15.00
1992	532,613.8	24.76	4.40	29.10	21.00
1993	683,869.8	31.65	6.00	42.20	20.90
1994	899,863.2	20.48	5.70	48.50	12.50
1995	1,933,211.6	20.23	5.80	33.10	12.50
1996	2,702,719.1	19.84	7.50	43.10	12.25
1997	2,801,972.6	17.80	7.80	40.20	12.00
1998	2,708,430.9	18.18	8.30	46.80	12.95
1999	3,194,015.0	20.29	11.70	61.00	18.90
2000	4,582,127.2	21.27	9.80	64.20	12.95
2001	4,725,086.0	23.44	10.80	52.90	12.95
2002	6,912,381.3	24.77	10.60	52.50	18.90
2003	8,487,031.6	20.71	10.00	50.00	15.02
2004	11,411,066.9	19.18	8.60	50.20	14.21
2005	14,572,239.1	17.95	9.70	50.20	7.00
2006	18,564,594.7	16.90	9.90	50.50	8.50
2007	20,657,325.0	16.94	9.60	50.30	8.60
2008	23,842,126.2	15.48	4.20	57.90	8.50
2009	24,794,238.66	18.36	5.60	55.10	2.53
2010	29,205,782.96	17.59	5.90	57.60	1.04
2011	55460000.35	16.02	6.20	56.20	8.27
2012	58,180000.35	12.00	6.10	54.60	14.49
2013	60,6900000.05	12.00	5.67	56.10	10.17
2014	63,9420000.85	12.00	5.81	55.60	11.92
2015	64,8540000.91	12.00	6.10	54.80	10.77
2016	60.8450012.4	12.00	22.50	30.00	5.53

Source: CBN Annual Reports and Statistical Bulletin-Various issues CBN Statistical Bulletin 2016

4.2 Data Analysis and Discussion of Results

The methods of data analysis employed for this study are Ordinary Least Square (OLS) method, Augmented Dickey- Fuller (ADF) Unit Root Test, Johansen Co-integration Test and Error Correction Method.

Table 4.2 shows the Summary of OLS Result

Dependent/Endogenous variable	**Independent/Exogenous Variables**					**R2**	**Adj. R2**	**F-Stat**
	C	INTR	CRR	LQR	TBR			
LGDP	2.950372* (0.0140)	0.876129* (0.0000)	0.105435* (0.5735)	-0.130776 (0.2485)	0.234 (0.0000)	0.966973	0-963303	263.5010 (0.00000)

Note: Probability value are stated in parenthesis and * means significance at 5% level of significance

Source: Author's computation.

From table 4.2, the result of the intercept or constant parameter has a positive relationship with LGDP and it is statistically significant. CRR has a significant positive relationship with GDP while INTR is not statistically significant but demonstrates a negative relationship with GDP. LQR is not statistically significant and demonstrates a negative relationship with GDP. TREBR has a significant and positive relationship with GDP. The coefficient of multiple determinations (R2) with a value of 0.966973 implies that approximately 97% of total variations in GDP are explained by INTR, CRR and LQR and TBR while the remaining 3% is accounted for by factors not specified in the Model. F-statistics value of 263.5010 shows that the model is significant i.e. it sufficiently captures the effects of Monetary Tools on economic sustainability and this is further justified by the probability value of 0.000000.

4.2.1 Augmented Dickey Fuller (ADF) Unit Root Test

Time series data are assumed to be non stationary and this implies that the results obtained from the OLS method may be misleading. In this vein, it is cognizant that stationarity test should be conducted. The stationarity test is carried out using the Augmented Dickey-Fuller (ADF) Unit root test. The stationarity of data is essential for the Johnasen co-integration test. The decision rule for the ADF unit test states that the ADF Test statistic value must be greater than the Critical Value i.e. 5% at absolute term for stationarity to be established at level and if otherwise,

difference occurs using the same decision rule. The table below shows the result of the stationarity test in summary and the order of integration

Unit Root Test:

Table 4.3 **Result of Unit Root Test Analysis**

S/N	Variables	ADF t-stat	5% critical value	Order of Integration	Trend
1	(GDP)	-2.307644	-2.307644	1(1)	With intercept
2	INTR	-2.253225	-4.957110	1(2)	With intercept
3	CRR	-3.363889	-4.957110	1(2)	With intercept
4	LQR	-3.457620	-2.960411	1(2)	With intercept
5	TBR	-4.567000	-2.960411	1(1)	With intercept

Source: E-view 9 output, 2017

Table 4.3 shows the presentation of ADF Unit root test of stationality of the time series variables. The result shows that some the variables were stationary at first level 1(1), while others at 1(2) order of integration, where the absolute values of the t-test less than 5% values.

Table 4.4**:** **Result of Johansen Co-integration test**

Series**:** **GDP,INTR,CRR,LQR,TBR**				
Lags interval (in first differences): 1 to 1				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigen value	Statistic	Critical Value	Prob**
None*	0.702716	88.87634	69.81889	0.0007
At most 1*	0.541468	51.27122	47.85613	0.0231
A most 2	0.353137	27.09972	29.79707	0-0992
At most 3	0.237142	13.59546	15.49471	0.0947

Trace test indicates 2 co-integrating eqn. (s) at 0.05 level of significance.

Table 4.3 was used to estimate the Johansen co-integration to establish a long- run relationship of the variables. The result indicates the presence of two (2) co- integrating equations at 5% level of significance. The trace statistic values of 88.87 and 51.27 exceed the 5% critical values of 69.81 and 47.85 which show that co-integration exists.

4.3 Error correlation model

Table 4.5: Result of Error Correlation Modeling (ECM)

Dependent Variables: (GDP)

Method: Least Squares

Date: 13/01/2018

Sample (adjusted): 1986 2016

Included observations: 30 after adjustments

Variables	Coefficient	Std. Error	t-Statistic	Prob.
C	5388083	18.24943	2.952450	0.0071
D(INTR)	-0561754	0-388416	-1.446270	0.1616
D(CRR)	-0.000298	0.0000257	-1.159593	0.2581
D(LQR)	0.357663	1.082345	0.330451	0.7441
D(TBR)	-1.24856	3.544412	-0.052205	0.9648
ECM(-1)	-0.840410	0.192910	-4.356477	0.0002
R-Squared	0.437049	Mean dependent var		-0.028437
Adjusted R-square	0.328789	S.D. dependent var		3.675407
S.E. of regression	3.011167	Akaike info criterion		5.209893
Sum squared resid	235.7452	Schwarz criterion		5.484718
Log likelihood	-77.35829	Hannan- Quinn criter		5.300990
F-statistic	4.037041	Durbin-Watson stat		2-023053
Prob(F-static)	0.007623			

Table 4.5 presents the result of the error correction model analysis. The F-statistic indicates that all the explanatory variables are jointly significant the probability of the F- ratio falls below 5 percent (0.05). The coefficients for the individual t-statistic indicate that all our variables of focus; Gross Domestic Product (GDP), Interest Rate (INTR) Cash Reserve Requirements (CRR) Liquidity Ratio (LQR) and Treasury bill Rates (TBR) are statistically significant at 5 percent, since their *p* value is less than 0.05.

The model is dynamic since the ECM coefficient is well behaved. It is negative, but it is statistically significant. This indicates that the speed of adjustment from the short time to the long run equilibrium is only 84.04%

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of findings

(i) The testing of time series data for stationarity using the ADF unit root test indicates that most variables were stationary after first order while others are stationary at second order. The Engle-Granger and Johansen Co-integration test confirmed the presence of long-run relationship between Economic growth and Monetary Policy Tools in Nigeria.

(ii) The regression analysis revealed that the adoption of various monetary policy tools/instruments by CBN has no significant impact on the GDP in Nigeria. This suggests that the low impact of monetary tools on GDP is attributable to the structural rigidity in Nigeria. This is understandable as Nigeria is operating far below full employment equilibrium and the increase in GDP does not translate to improved purchasing power because poverty index has continued to worsen over the years. This finding was in agreement with Adigwe *et al,(* 2015)

(iii) The general poor impact of the monetary policy instruments studied in the promotion of Nigeria's economic development may not be unconnected with what happened along the transmission paths of the monetary policy instrument's such as monetary base, bank liabilities and assets. This findings were also in agreement with Eze (2010)

5.2 Conclusion

The objective of this study is to examine the effects of Monetary Policy Tools on Economic Sustainability and Growth in Nigeria for the period of 1986-2016. The study employed the Johansen co integrated test and Error correction method which analyses secondary time series data obtained from Central Bank of Nigeria. The co- integration test shows the existence of indirect equilibrium relationship among the variables. It was found that Monetary Policy had negative influence on economic growth in Nigeria in the short -run, but had significantly positive influence on economic growth in the long- run. On the other hand, interest rate and liquidity ratio, treasury bill rate and cash reserve ratio had significantly negative influence on economic

growth in Nigeria in the long-run and a significantly positive influence on the economic growth in the short-run.

5.3 Recommendations

- Monetary authorities/government should bridge the gap between monetary policy formulation and implementation. The non significance of most of the monetary policy in Nigeria. This assertion was in agreement with Adigwe *et al* (2015).
- This study agrees with the recommendation of CBN governor which suggests that "to tackle the current challenges facing Nigeria such as falling Gross Domestic Products (GDP) growth rate, rising inflation, persistently high interest rate, falling foreign exchange reserves is by introducing monetary policy measures which would be to tighten money supply either by increasing the Cash Reserve Requirements (CRR) of banks, mopping up excess liquidity through increased OMO operations or raising the Liquidity Ratio of banks. (Emefiele, 2017)
- Monetary policies should be used to create favourable investment climate by facilitating the emergence of market based on interest rate and exchange rate regimes that attract both domestic and foreign investments, create jobs, promote non oil export and revive industries that are currently operating far below installed capacity.
- Now that Nigerian economy is heading towards depression, the monetary instruments have become less effective. To deal with the situation and restore macroeconomic goals, well-articulated internal and external monetary policy measures as well as fiscal interventions would be required.

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