

**AN EMPIRICAL ANALYSIS OF THE IMPACT OF INFLATION ON ECONOMIC
GROWTH IN NIGERIA**

AROME VICTOR

15PAF01056

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**EMPIRICAL ANALYSIS OF THE IMPACT OF INFLATION ON ECONOMIC
GROWTH IN NIGERIA**

BY

AROME VICTOR

15PAF01056

BEING

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COVENANT UNIVERSITY, OTA, OGUN STATE, NIGERIA**

2017

DECLARATION

I Arome Victor hereby declare that this dissertation is my original work and that no portion of this work has been submitted or will be submitted in support of an application for another degree or qualification of this or any other university or institution of learning

AROME VICTOR

.....

Signature and Date

CERTIFICATION

This is to certify that this research work, written by AROME Victor was supervised and approved in partial fulfilment for the requirement of Masters of Science (M.sc) Degree in Economics of the Department of Economics and Developmental Studies Covenant University, Ota, Ogun State Nigeria

Dr. Olabanji EWETAN
(Supervisor)

.....
Signature and Date

Dr. Evans OSABUOHEN
(Head of Department)

.....
Signature and Date

Prof. Risikat DAUDA
External Examiner

.....
Signature and Date

Prof. Samuel WARA
(Dean, School of Postgraduate Studies)

.....
Signature and Date

DEDICATION

I dedicate this research work to the glory of the only wise and gracious and loving GOD who had brought my humble self this far in my academic pursuit.

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ABSTRACT

This research focused on the empirical analysis on the impact of inflation on economic growth in Nigeria on the long run. Inflation is a major macroeconomic challenge confronting both developing and developed countries of the world. Therefore the primary objective of this study is to examine the impact of inflation as it relates to economic growth and suggest possible solutions and ideas that can help reduce the impact on the economy as well as boost economic growth. In Nigeria for instance the prices of goods and services have been on the increase this is due to the velocity of money supply in circulation coupled with little or no productions of good and services to match in other words aggregate demand is more than aggregate supply there by making more money to chase fewer goods leading to inflation. The increase in inflation rate is also traceable to the budget allocation. The major aspect of the budget is allocated on recurrent expenditure and less on capital expenditure resulting in low infrastructural and institutional growth there by having sluggish economic growth. The data collected for this study are explained using econometric methods which are Augmented Dickey-Fuller, and Ng-Peron (NP) unit root test, Johansson Cointegration test. Also, autoregressive threshold technique for identification of inflation threshold as well as Vector Error Correction Model (VECM) was employed. This study employed the structural theory of inflation which states that increase in investment expenditure and the expansion of money supply are the only proximate and not the ultimate factor responsible for inflation in a developing economy. This is of the view that irrespective of monetary policies the problem of inflation will still persist if the policies are not adequately enforced. Also it was discovered that there is a positive relationship between economic growth and Exchange rate monetary policy Gross capital formation Active labour force which will help to control inflation if fully implemented .Therefore it is recommended that in order to reduce the rate of inflation and boost economic growth the monetary authorities need to implement monetary policies that will strengthen the above listed institutions to boost productivity thereby bringing down the prices of goods and services hence a better economy.