

**MONETARY POLICY, INFORMAL SECTOR AND ECONOMIC
GROWTH IN NIGERIA**

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GROWTH IN NIGERIA**

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JULY, 2022

ACCEPTANCE

This is to attest that this dissertation is accepted in partial fulfilment of the requirements for the award of the degree of Master of Science in Economics in the Department of Economics, College of Management and Social Sciences, Covenant University, Ota, Ogun State, Nigeria.

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DECLARATION

I, **ONWUASOEZE, CYNTHIA NBILITE (20PAF02138)**, declare that I carried out this research under the supervision of Dr. Oluwasogo Adediran of the Department of Economics and Development Studies, College of Management and Social Sciences, Covenant University, Ota, Nigeria. I attest that the dissertation has not been presented either wholly or partially for the award of any degree elsewhere. All sources of data and scholarly information used in this dissertation are duly acknowledged.

ONWUASOEZE, CYNTHIA NBILITE

Signature and Date

CERTIFICATION

We certify that this dissertation titled "**MONETARY POLICY, INFORMAL SECTOR AND ECONOMIC GROWTH IN NIGERIA**" is an original research work carried out by **ONWUASOEZE, CYNTHIA NBILITE (20PAF02138)** in the Department of Economics and Development Studies, College of Management and Social Sciences, Covenant University, Ota, Ogun State, Nigeria, under the supervision of Dr. Oluwasogo Adediran. We have examined and found this work acceptable as part of the requirement for Master of Science, Economics award.

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DEDICATION

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LIST OF ABBREVIATION

- ADF:** Augmented Dickey-Fuller
- AIDS:** All-India Debt and Investment Surveys
- ARDL:** Auto-Regressive Distributed Lag
- CAP:** Capital
- CBN:** Central Bank of Nigeria
- CRR:** Cash Reserve Ratio
- GDP:** Gross Domestic Product
- IMF:** International Monetary Fund
- INTR:** Lending Interest rate
- LAB:** Labour
- MDAs:** Ministries, Departments, and Agencies
- MPC:** Monetary Policy Committee
- MPR:** Monetary policy rates
- MS:** Money Supply
- MSC:** Monetary Sector Credit to Private
- MTEF:** Medium-Term Expenditure Framework
- NBS:** Nigerian Bureau of Statistics
- NEEDS:** National Economic Empowerment Development Strategy
- OMO:** Open Market Operations
- SAP:** Structural Adjustment Programme
- SDGs:** Sustainable Development Goals
- SINF:** Size of Informal Sector
- SMEs:** Small and Medium-Sized Enterprises
- WEF:** World Economic Forum
- UN:** United Nations

ABSTRACT

The Central Bank of Nigeria has implemented several strategies to simplify the influence of monetary policy on the formal sector and its dissemination to the established economy. However, several variables, particularly the magnitude of the informal economy, limit such measures. Hence, the broad objective of this study is to investigate the impact of monetary policy instruments and the size of the informal sector on economic growth in Nigeria using annual time series data from 1991 to 2020. The real gross domestic product growth rate is used as a proxy for economic growth. The data comes from the Central Bank of Nigeria's (CBN) publications, the Nigerian Bureau of Statistics and the World Bank. The estimated approach used the Granger causality test and the OLS-based autoregressive distributed-lag (ARDL) method with the assistance of the EViews software. The estimated model was assessed using several diagnostic tests such as serial correlation, normality, and stability. According to the empirical findings, the short-term economic growth in Nigeria was only negatively (-0.60) and significantly impacted by interest rates. In the long run, labour, monetary sector credit to the private and Size of the informal sector had significant impacts on Nigeria's economic growth. It was advised that to use monetary policy instruments to achieve sustainable economic growth effectively, the monetary authority has to develop and implement an expansionary monetary policy capable of causing rapid growth in the money supply. This would lead to a decrease in interest rates, which in turn would lead to an increase in aggregate investment. If correctly executed, they would increase economic growth.

Keywords: Informal Sector, Monetary Policy, Auto-Regressive Distributed-Lag (ARDL), Economic growth.