



Monetary Policy, Trade Liberalization and Output Growth in Nigeria

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Abstract: This study examined the impact of monetary policy and trade liberalization on output growth in Nigeria from 1989 to 2020. The study was analyzed using; descriptive statistics, unit root test, co-integration test using the fully modified least squares (FMOLS) method, and granger causality test was used to verify a unidirectional and bidirectional relationship among the variables used. The results showed that a unit change in import will decrease the growth rate of the economy (RGDP) by 0.05 percent with a p value greater than 1 percent, 5 percent and 10 percent level of significance and a percentage increase in IMP, FDI, RER and INF rate will cause a decrease in growth rate by the value of the coefficients, which shows that exchange rate has a negative impact on import and inflation affects foreign direct investment. The study recommends that, there should be adequate and result oriented instruments in the monetary policies (like the direct control of credit and stable exchange rate) adopted at any given time by the government to enhance trade liberalization and output growth.

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Introduction

Nigeria government has always relied on monetary policy as a way of achieving certain macroeconomic objectives in the economy, such macroeconomic objectives include; increase in employment rate, balance of payment equilibrium, stable general price level plus economic growth and development. But evidence shows little or very insignificant effect considering the standard of livings of average Nigerians. Also, being an import dependent economy, the country is faced with stagnated growth in trade, unstable business cycles and economic fluctuation and this usually results to unemployment, high inflation rate, and balance of payment disequilibrium. Based on the experience

of the newly industrialized countries, (which grew rapidly when driven by exports and rapid industrialization, Hong Kong, Taiwan, Singapore and South Korea all retained a high rate of economic growth over a long period, hence joining the ranks of the richest countries in the world) trade liberalization has been viewed as another option for increase trade, growth and development CFI (2022)

Despite the increasing emphasis on effective and efficient of monetary policy in Nigeria, the problem surrounding its liberalization of trade still persists. Such problems include high unemployment rate, low investment, high rate of inflation and unstable foreign exchange rate. On the other hand, trade liberalization deals with the reduction or probably the removal of restrictions and barriers on the free exchange rate of goods and services between countries Banton (2021). It can be viewed as the forging of multiplicity of linkages and interconnectedness between Nations and Regions, which make up the modern World called the global village. No wonder many economists generally agree that openness to international trade accelerate growth and development.

Trade liberalization offers countries access to the global market which affords people greater opportunity to tap more and larger market around the World, giving them access to more capital flow, technology, cheaper import and larger export markets. According to the Chartered Financial Analyst (2022) trade liberalization has been beneficial to countries in a lot of ways, which includes; easing the transfer of technology, promoting the re-allocation of government funds which hitherto spend on variables like subsidies, promotes the shift of an economy to a globally scalable business model, promotes foreign direct investment(FDI), industrial growth and subsequently create more employment opportunities, it has promotes the introduction of various goods and services at reasonable prices and culture for a healthy community and finally trade liberalization has increased both exports and imports of various countries. But on the other side of the coin is the fact that trade liberalization has harm indigenous infant industries, promotes brain-drain, loss of revenue from import tariffs, over dependence on foreign products and services. It is more beneficial to stronger nations even at the expense of the weaker nations, hence, some economists advocate in support because it fosters economic growth, increase investment and physical capital, while others argue against it because of the misfortune it will bring to the weaker nations.

Economists have long been interested in factors which cause different countries to grow at different rates and achieve different levels of development and one of such factors is trade liberalization. Nigeria is basically an open economy with international transactions constituting a significant proportion of her aggregate output. To a large extent, Nigeria's economic development depends on the prospects of her trade with

other nations. Trade liberalization provides both foreign exchange earnings and market stimulus for accelerated economic growth. Small economies in particular have very little opportunity to achieve productivity and efficiency gains to support growth without tapping into large market through external trade. The use of monetary policy in Nigeria seems not to attract the desired level of economic stability because the dismal performance of the economy in recent years' evidence by the high rate of inflation (especially on foodstuffs and consumables) high exchange rate increase unemployment rate and generally high cost of living. The problems were seen to be a direct derivative of structural imbalances in our economic system. The imbalance started right from colonial era nurtured by inappropriate policies after independence in 1960, and reinforced by the wind face gains from earnings from the sales of crude oil in the 1970s. However, of all the aforementioned, the exclusive reliance on petroleum turned out to be the most devastating to the economy, the dismal economic outlook in Nigeria and above desires investigation into whether or not monetary policy as claimed by the monetarists impact on Nigeria, ensure economic stability and trade liberalization.

Statement of the Problem

Monetary authorities are saddled with the responsibility of using monetary policy to grow their economies. One of the major objectives of monetary policy in Nigeria is price stability, but despite the various monetary regimes that have been adopted by the Central Bank of Nigeria (CBN) over the years, high inflation and exchange rate still remains a major threat to Nigeria's industrial growth, with inflation hovering over 20 percent. Since the 1970's, there have been four major phases of high inflation, in excess of 30 percent. The growth of money supply is related to the high inflation phases; this was because money growth was often in excess of real industrial growth. However, prior to the growth in money supply, some factors that reflect the structural characteristics of the economy are glaring. Some of these are supply factors that arise from factors like famine, currency devaluation and changes in terms of trade.

There have been various regimes of monetary policy in Nigeria, sometimes monetary policy is tight and at other times it is loose, mostly used to stabilize price. Inflation is a major and persistent key macroeconomic problem Nigeria is facing, with the Central Bank facing many difficulties in bringing the rate to a single digit over a long term. Inflation has been a merely 2 digits' rate in Nigeria until 2013 when it declines but recently it has started to rise again in the first half of 2015 (CBN, 2015). This economic problem exists despite the use of different monetary policies. On the other hand, the theoretical literature illustrates that trade liberalization can help in

the efficient allocation and utilization of resources through comparative advantage that, in turn, leads to increased economic growth (IMF, 2006). Trade liberalization can be a tool of anti-monopoly and it can also harmonize or even unify the monetary policies in an economy (IMF, 2006). But the problem here is that, theoretically there are arguments which suggest that rising level of openness to trade can be associated with high inflation even though the economy might be growing. Also, that increase in openness can translate to increase in domestic consumption by both individual consumers and producers which will lead to an increase in exchange rate depreciation and then finally resulting to higher inflation (Rogoff, 2003 and Romer, 1993).

Nigeria is also unable to achieve sustainable development through international trade due to factors such as poor implementation of trade policies and hostile business environment, lack of good governance and quality controls, corruption, political instability, poverty, insecurity, poor human capital formation and infrastructural deficit amongst others (Tokarick, 2006). The economy has also witnessed times of expansion and contraction but evidently, the reported growth in trade has not been a sustained one as there is evidence of growing poverty among the populaces. The question is, could the period of growth in trade be attributed to appropriate monetary policy? And could the periods of economic down turn be blamed on factors other than monetary policy ineffectiveness? What measures are to be considered if monetary policy would be effective in bringing about sustainable trade liberalization in the economy? These are questions the study intends to find answers to.

Literature Review

Theoretical Framework

The Keynesian model assumes a close economy and a perfect competitive market with fairly price interest aggregate supply function. The economy is also assumed not to exist at full employment equilibrium and also, it works only in the short run; because as Keynes aptly puts it, “in the long run, we also will be dead”. In this analysis too, money supply is said to be exogenously determined if wealth holder only have one choice between holding bounds. The Keynesian approach discarded the quantity theory and integrated the analysis of the monetary sector and the price level into the complete macroeconomic model for the economy. For the monetary sector, it elaborated on the motives for holding money, leading to the modern approach to the analysis of the demand for money, the Keynesian approach discarded certain aspects of the quantity theory ideas and developed others in a new and distinctive format. On the demand for money, it elaborated on the earlier Cambridge approach and also rearranged its

presentation in terms of the motives for holding money. This treatment in terms of motives eventually led to the modern treatment of the demand for money in terms of four motives: transactions, speculative, precautionary and buffer stock. The Keynesian emphasis on money as an asset, held as an alternative to bonds, also led to Friedman's analysis of the demand for money as an asset, thereby bringing this approach to money demand into the folds of the classical paradigm. At the macroeconomic level, Keynesian analysis made commodity market analysis, based on consumption, investment and the multiplier, a core part of macroeconomics. The Keynesian approach also integrated the analysis of the monetary sector into the complete macroeconomic model for the economy. In fact, Keynesian theory is rooted on one notion of price rigidity and possibility of an economy setting at a less than full employment level of output, income and employment. The Keynesian macroeconomic brought into focus the issue of output rather than prices as being responsible for changing economic conditions. In fact, based on Keynesian transmission mechanism, monetary policy works by influencing interest rate which influences investment decisions and consequently, output and income via the multipliers process (Amacher & Ulbrich, 1986; Udude, 2014).

In his general theory, Keynes attacked the classical quantity theorists for keeping separate monetary theory and value theory. He then presented a formulated quantity theory of money which brought about a transition from a monetary theory of prices to a monetary theory of output. In doing this, Keynes made an attempt to integrate monetary theory with value theory and also linked the theory of interest into monetary theory. But it is through the theory of output that value theory and monetary theory are brought into a just position with each other. Keynes does not agree with the older quantity theorists that there is a direct and proportional relationship between quantity of money and prices. According to him, the effect of a change in the quantity of money on prices is indirect and non-proportional.

Empirical Review

Khaysy & Gang (2017) examined the influence of monetary policy on economic development between 1989 & 2016 through the applications of Johansen co-integration and its associated error correction model (ECM). The study discovered that money supply, inflation rate and interest rate have negative influences on real gross domestic product (RGDP) per capita in the long run while real exchange rate has positive influence on real gross domestic product (RGDP) per capita. Also, Ufoeze (2018) investigated the effects of monetary policy on economic growth in Nigeria between 1986 and 2016, adopting OLS technique, unit root and co-integration. Findings showed that monetary policy rate, interest rate and investment all have

insignificant positive effect on economic growth but money supply and exchange rate had significant negative effect.

Onurah (2018) looked at trade liberalization and economic growth in Nigeria for 28 years, applying OLS, findings indicated that the degree of openness, inflation rate, foreign direct investment, balance of payment had negative effects and concludes that trade is an engine of growth and economic integration. Sakanko & Joseph (2019) discussed the effects of trade openness on inflation rate in Nigeria using time series data, co-integration and granger causality test and the result revealed a co-integrating and one-way granger causality between inflation rate and trade openness. Also, both long and short results demonstration a significant and negative relationship between trade openness and inflation rate.

Ogbu (2019) explicitly examined the nexus between GDP and trade liberalization in Nigeria using ordinary least square method and the result obtained showed positive connection between trade liberalization and GDP but inflation constituted an exception to the connection between GDP and inflation with negative relationship and when trade liberalization benefits increase, the economy benefits. Okoh & Otese (2020) examined the impact of monetary policy on economic growth in Nigeria, adopting Vector Auto-Regression Technique (VAR) was used between 1980 & 2017 and discovered that monetary policy has a positive impact on economic growth.

Also, Duru, *et.al* (2020) examined the relationship between trade liberalization and GDP in Nigeria, adopting ARDL Bounds techniques to co-integration between 1981 and 2018. The outcome of the study showed that trade liberalization does not support GDP in Nigeria, this brings to questions the originality of the campaign for trade liberalization in developing countries by the international organizations. Alugbo & Uremadu (2020) was of the opinion that despite the successful implementation of trade liberalization measures, some macroeconomic indicators still point to the poor performances of the Nigeria economy. After a thorough investigation of the impact of trade liberalization and trade inflows in Nigeria between 1981 and 2018 using ARDL model, the result indicated that trade openness and import volume index had a negative impact on GDP in both the short and long-run, but export volume index had a positive relationship on RGDP.

Adegoke, Okoronkwo & Aguomba (2020) looked into the correlation among trade openness, industrialization and GDP growth from 1986 to 2015 in Nigeria using descriptive analysis, VAR techniques and unit root test. Findings showed that trade openness and industrialization and GDP showed that shocks to these variables generally produce a negative response but exchange rate and inflation produced a negative response to trade openness and they responded positively to industrial output and GDP growth.

Ikpe, Ojike & Onyeonuna (2020) believed that many years after Nigeria adopted the trade liberalization policy shift, non-oil export poor performances still exist. Adopting ARDL, evidence supports trade liberalization as the growth driver for non-oil exports, they describe it as a sector that exports more but earns little in terms of revenue.

Raghutla (2020) examined the effect of trade openness on GDP growth in a panel of 5 emerging economies, between 1993 and 2016, making use of panel estimation methods. Findings showed that the long run relationship between trade openness, GDP, financial development, inflation, labour force and technology but trade openness has a positive serious impact on GDP growth rate. Ikpe, Ojike and Ahamba (2020) empirically provides answer to the question of whether trade liberalization policy enhances non-oil export trade in Nigeria. Adopting ARDL model approach, evidence provided support that trade liberalization is the engine of growth of non-oil exports, a sector that exports more but earns little in terms of revenue.

Onwioduokit & Effiong (2021) examined the impact of external sector liberalization (which includes foreign direct investment (FDI), external debt stock, trade openness and exchange rate) on the output growth from 1981 to 2019 in Nigeria. Their study adopted correlation analysis, granger causality test & VAR and the result showed that FDI, external debt stock, trade openness and exchange rate all have positive correlation with GDP. Dogara and Aisha (2022) looked into the effect of trade liberalization on poverty reduction in Nigeria, applying unit root test and ARDL techniques between 1980 and 2018. The result indicated that trade liberalization, import, export, and real exchange had a significant impact on poverty rate and GDP had significant impact on poverty rate in the long run.

Ogundipe & Adenekan (2022) looked at the impact of trade liberalization on GDP growth in Nigeria from 1981 to 2018. They adopted ADF unit root test and co-integration and the result showed that it is only FDI and labour that are statistically significant in predicting GDP growth rate but gross capital formation, trade and exchange rate all has statistically negligible effects on how fast the GDP grows. Obuje and Nnenne (2022) investigated how trade liberalization under the World trade organization has impacted on the Nigerian economy especially manufacturing, textile and the agricultural sectors, using dependency theory. Findings suggest that Nigeria's membership of the WTO was meant to open up hidden opportunities through the movement of goods across borders. And its impact is negative because Nigeria economy is not ready for full scale trade liberalization.

Model Specification

The model specification for this study followed the work of Sylvie & Wilson (2015) modeling in Rwanda. Thus, the model in functional form is expressed as:

$$RGDP = f(EXCR, INR, INF, FDI, IMP, TOP) \quad (1)$$

Where; RGDP is real gross domestic product, EXCR is the exchange rate, INR is the interest rate, FDI is the foreign direct investment, IMP is the import, TOP is the trade openness and f is the functional notion.

Stating the relationship in an econometric model, it becomes;

$$RGDP = \beta_0 + \beta_1 EXCR_t + \beta_2 INT_t + \beta_3 INF_t + \beta_4 FDI_t + \beta_5 IMP_t + \beta_6 OPEN_t + \mu_t \quad (2)$$

Where: μ = Error term, t = Time trend and β_1 - β_6 = parameters

Result and Discussion

The result presented in the descriptive statistics table 1 shows the measure of central tendency, the mean and the median. The mean and the median show consistency in the time series as they fall between the minimum and maximum value. Table 1 show an average growth rate of 4.53 percent for economic growth (RGDP), 19.5 percent for inflation rate and 37.28 percent in trade openness. The standard deviation which measures the dispersion of time series indicate a low value except for the real exchange rate (RER) value of 106.80 due to instability in the foreign exchange market and the frequent fluctuations in real exchange value. The skewness value for all the variables are close to zero indicating closeness to a normal distribution. The kurtosis value that are less than three indicate that they are platykurtic in nature and this variable less than three are IMP and TOP while the RGDP, RER, INF rate, FDI and RIR are leptokurtic because they have values greater than 3. RGDP, TOP and IMPORT are normally distributed in the table above based on the P Value > 0.05.

Table 1: Descriptive Statistics of Variables

	<i>RGDP</i>	<i>FDI</i>	<i>IMPORT</i>	<i>INFL_RATE</i>	<i>RER</i>	<i>RIR</i>	<i>TOP</i>
Mean	4.536723	0.016803	15.01719	19.52686	106.8081	2.755916	37.28239
Median	4.823564	0.015800	13.41463	12.54718	96.32105	5.918908	37.62449
Maximum	15.32916	0.048500	22.81126	72.83550	275.2927	18.18000	53.27796
Minimum	-2.035120	0.005000	8.931843	5.382224	50.16822	-31.45260	20.72252
Std. Dev.	3.992805	0.010258	3.979913	17.84149	51.63747	10.77309	8.543894
Skewness	0.432528	1.455004	0.554096	1.752831	1.929642	-1.197898	-0.04454
Kurtosis	3.299565	5.157756	2.287214	4.789879	6.287037	4.692997	2.507576
Jarque-Bera	1.047577	16.40508	2.170194	19.36666	32.12336	10.75760	0.313022
Probability	0.592272	0.000274	0.337869	0.000062	0.000000	0.004613	0.855122
Sum	136.1017	0.504090	450.5156	585.8058	3204.242	82.67748	1118.472
Sum Sq. Dev.	462.3322	0.003052	459.3515	9231.248	77326.42	3365.727	2116.945
Observations	30	30	30	30	30	30	30

Source: Authors' computation (2022)

Based on the result of the descriptive statistics we then proceed to the unit root test using the Augmented Dickey Fuller Test (ADF). The augmented dickey fuller test was employed to test for the unit root that is the stationarity of time series. The ADF test was done at level and first difference that is, the stationarity of time series was examined to avoid spurious regression result. According to the result obtained in Table 2, all the time series variables (RGDP, IMP, INF rate, RIR, FDI, RER, TOP) used in this study are non-stationary at level except the FDI & IMPORT, further test was carried out by subjecting the series to first difference. It was obtained that no variable was non stationary, therefore we reject the null hypothesis which says that the variable has a unit root and conclude that the variable has no unit root. Given that the rule for interpreting unit root test specifies that if the absolute value of ADF test statistics is greater than the critical value at 1 percent, 5 percent and 10 percent, then the null hypothesis is rejected and otherwise, it will be accepted. Having satisfied this condition, we reject the null hypothesis and proceed to test for integration as the series are of the combination of I (0) and I (1).

Table 2: Result of Unit Root Test

Variable	ADF @ LEVEL		ADF@FIRST DIFFERENCE		ORDER OF INTEGRATION
	ADF-STAT	P -VALUE	ADF -STAT	P- VALUE	
RGDP	-3.448774	0.0172**	-9.912289	0.0000***	I(0)
RER	-2.430122	0.1427	-5.037907	0.0003***	I(1)
FDI	-5.077260	0.0003***	-8.695215	0.0000***	I(0)
INFL-RATE	-2.747990	0.0784*	-5.688672	0.0001***	I(0)
RIR	-3.354492	0.0214**	-4.250413	0.0028***	I(0)
IMPORT	-3.802568	0.0074***	-6.861507	0.0000***	I(0)
TOP	-3.032619	0.0436**	-4.995018	0.0004***	I(0)

Source: Author's Computation

Note: *, ** and *** indicate 10%, 5% and 1% significance level respectively

The fully modified ordinary least square (FMOLS) was used in this study to conduct and investigate the presence of a long run impact of the independent variables on the dependent variable (RGDP) having confirmed the series to be stationary at first difference according to the rule for this method of co-integration, the results in Table 3 reveal that the adjusted R² of the independent variables (IMP, INF rate, RER, TOP, RIR, and FDI) jointly explains 8.4 percent variation in the dependent variable (RGDP) while the remaining 91.6 percent are unexplained either due to other factors or variables outside the model. The coefficient of import indicates a value of 0.08

percent decrease in economic growth in the long run when import increases by 1 percent. Similarly, RER and RIR show that a percentage increase in them will induce a decrease of 0.173 percent and 0.015 percent in economic growth. The coefficient value, in the long-run, exchange rate still has a negative impact on import in Nigeria. The coefficient of TOP and FDI indicate a positive relationship and explains that a percent change in these two variables will cause an increase of 0.17 percent and 80.98 percent respectively. The probability value of the individual explanatory variable is insignificant at 10 percent, 5 percent, and 1 percent level of significance which means they do not conform to the expected effect.

Table 3: Co-integration Result

<i>Variable</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistic</i>	<i>Prob.</i>
IMPORT	-0.087207	0.332856	-0.261995	0.7958
INFL_RATE	-0.123013	0.082506	-1.490966	0.1502
RER	-0.017372	0.016767	-1.036087	0.3114
TOP	0.176549	0.142512	1.238840	0.2285
RIR	-0.015740	0.134555	-0.116980	0.9079
FDI	80.98953	91.22410	0.887809	0.3842
C	2.309119	3.812650	0.605647	0.5509
R-squared	0.280439	Mean dependent var		4.626976
Adjusted R-squared	0.084195	S.D. dependent var		4.032216
OS.E.of regression	3.858737	Sum squared residual		327.5767
Long-run variance	11.59446			

Source: Author's Computation (2022)

Granger causality test was conducted to show the existence of a unidirectional relationship and bidirectional relationship in a model or time series. The granger causality result in Table 4 shows that a bidirectional causality relationship exists between trade openness and economic growth and also between foreign direct investment and inflation rate, which means that they don't have a significant influence. Therefore, in response to the second objective, a unidirectional relationship exists running from RGDP to IMP, INF-RATE to RER, INF-RATE to RIR, and RIR to RER, in line with the work of Akinboyo *et al* (2016).

Discussion of Findings

The result shows that a unit change in import will decrease the growth rate of the economy (RGDP) by 0.05 percent with a p value greater than 1 percent, 5 percent and

Table 4: Granger Causality Test

<i>Null Hypothesis</i>	<i>F-Statistics</i>	<i>P-Value</i>
RGDP does not Granger cause Import	4.51860	0.0221
TOP does not Granger cause RGDP	2.77596	0.0832
RGDP does not Granger cause TOP	2.64327	0.0926
INF-Rate does not Granger cause RER.	5.35801	0.0123
INF-Rate does not Granger cause RIR	5.33825	0.0125
FDI does not Granger cause INF-Rate	3.10420	0.0641
INF. Rate does not Granger cause FDI	3.08666	0.00649
RIR does not Granger cause RER	6.12129	0.0074

Source: Authors' Computation, 2022

10 percent level of significance and a percentage increase in IMP, FDI, RER and INF rate will cause a decrease in growth rate by the value of the coefficients, which shows that exchange rate has a negative impact on import and inflation affects foreign direct investment in a negative way. There was a positive relationship between trade openness, real interest rate and economic growth such that a 1 percent increase in trade openness (TOP) and real interest rate (RIR) will increase economic growth (RGDP) by 0.14 percent and 0.02 percent, meaning that interest rate has a positive impact on trade openness in Nigeria. Therefore, if the rate of interest can be regularized to favor traders in the economy, it will encourage more openness to trade, therefore bringing about a substantial growth in economy. The coefficient of IMP in the co-integration test indicates a value of 0.08 percent decrease in economic growth in the long run when import increases by 1 percent. Similarly, RER and RIR show that a percentage increase in them will cause a decrease of 0.173 percent and 0.015 percent in economic growth. Therefore, according to the result of the coefficient value, in the long-run, exchange rate still has a negative impact on import in Nigeria.

The coefficient of TOP and FDI indicate a positive relationship and explains that one percent change in these two variables will cause an increase of 0.17 percent and 80.98 percent respectively that is they affect the economy positively. The Pairwise Granger Causality result above shows the existence of a bi-directional causality relationship between trade openness and economic growth and also between FDI and inflation rate, meaning that they don't have a significant influence. Which shows that inflation has no significant influence on FDI. A unidirectional relationship exists running from RGDP to IMP, INF-RATE to RER, INF-RATE to RIR, and RIR to RER, showing that these variables have a significance influence on one another. That is a positive change in one can lead to a positive change in the other and a negative change in one

can also cause a negative change in another. The results show that monetary policy, if effectively used can impact positively in trade liberalization in Nigeria. Therefore, with careful observation and reliable result we do not reject the null hypothesis which states that “There is no significant impact between monetary policy and trade liberalization in Nigeria” but rather a positive impact alone exists and this impact is insignificant”.

Conclusion

Monetary policy variables when it is not handled in the proper way can bring about a decline in the liberalization of trade thereby retarding the growth of the economy. The study accepts and indicates that there is a positive impact of monetary policy on trade liberalization, but the impact is still not significant. Therefore, trade and its related activities should be closely monitored by the monetary policy authorities so as to bring about an equilibrium in the economy. Situations like persistence increase in the price of goods (Inflation) should be reduced to the barest minimum so as to encourage foreign direct investment in the economy. This will help in creating more jobs, promoting export and will also help to increase the level of trade openness in the economy. The coefficient of determination in the result shows that the relationships among the variables employed in this study are weak. After considering all evidences from the study, the following recommendations on how the use of monetary policy can have a positive impact on trade liberalization in the economy are given. There should be adequate and result oriented instrument in the policies adopted at any given time by the government. Government should direct effort towards improving the level of development of the money market. There should be a moderation in interest rate so as to make the economy more open to trade. Government should ensure that the rate of inflation is minimized in order to encourage foreign direct investment in the economy.

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