THE IMPACT OF STATUTORY MONEY SUPPLY MANAGEMENT AND COMMERCIAL BANK LOANS AND ADVANCES (CBLA) ON ECONOMIC GROWTH: AN EMPIRICAL EVIDENCE IN NIGERIA

Anyanwu Uchenna N. 1
Kalu Alexandra O.U. 2

Department Of Economic, Faculty Of Social Sciences, Imo State University Owerri 1
Department Of Marketing, College Of Management Sciences, Michael Okpara University Of Agriculture Umudike Abia State 2

Abstract
The paper examines the contributions of international trade statutory instruments to economic growth in Nigeria measured by real gross domestic product (RGDP). We used time series data obtained from CBN for a period of 18 years. Financial statutory instruments is one of the macroeconomic instruments with which monetary authority in a country employs in the management of money supply and the economy thereof to attain the fundamental objectives of fundamental sustainable economic growth. The monetary policy strives to explain the correlation between macro economic variables and the monetary variable and this form the focal point of this study. The study also set out to ascertain the impact of CBN money supply on the growth of Nigeria economy, ascertain the extent of correlation that exists between money supply and economic growth. Scholars in the field opined that contractionary monetary policy negatively influences total consumption, CBLA and economic growth. Within this framework, money supply, CLBA and output variables are analyzed for the period of 18 years (1994-2012) using Statistical package for social sciences (SPSS) tool. The findings shows that change in money supply (M2) has significant effect on variables such as CBLA and output in Nigerian economy within the period under review, Also there is a significant strong multiple correlation among Real GDP, Money supply and Commercial Banks’ loans and Advances (R= 95.1%). The coefficient of Determination (R2) reveals that 90.5% of variations in RGDP were explained by our selected explanatory variables (Money supply and Commercial Banks’ loans and Advances). As such the effective and efficient management of the country’s financial system have gone a long way in improve the economic growth ratio over the period under review.

INTRODUCTION
Economic growth is reasonably unambiguous; it is the change in national income over time, usually measured over one year. National income is the amount produced by a country in one year. It can be measured it by the percentage change in the level of national income, often over
the period of one year. There are three ways of adding it up: production, or incomes, or expenditure
GDP = gross domestic product (produced within a country).
GNP = gross national product (includes income coming into or going out of country).
NNP = net national produce (an allowance is made for depreciation of capital).
National income per capita often matters most if looking at how well off a country is; how well it is doing; or if comparing it with another country (Bucknall, 2013).

Economic Growth and Development – Conceptual Approach
Though no unanimously accepted definition has been forgotten by now, most of the theoreticians think of the economic development as a process that generates economic and social, quantitative and, particularly, qualitative changes, which causes the national economy to cumulatively and durably increase its real national product (Folawewo & Osinubi, 2006).
In contrast and compared to development, economic growth is, in a limited sense, an increase of the national income per capita, and it involves the analysis, especially in quantitative terms, of this process, with a focus on the functional relations between the endogenous variables; in a wider sense, it involves the increase of the GDP, GNP and NI, therefore of the national wealth, including the production capacity, expressed in both absolute and relative size, per capita, encompassing also the structural modifications of economy. We could therefore estimate that economic growth is the process of increasing the sizes of national economies, the macro-economic indications, especially the GDP per capita, in an ascendant but not necessarily linear direction, with positive effects on the economic-social sector, while development shows us how growth impacts on the society by increasing the standard of life (Fasanaya, et al., 2013).
Typologically, in one sense and in the other, economic growth can be: positive, zero, negative. Positive economic growth is recorded when the annual average rhythms of the macro-indicators are higher than the average rhythms of growth of the population. When the annual average rhythms of growth of the macro-economic indicators, particularly GDP, are equal to those of the population growth, we can speak of zero economic growth. Negative economic growth appears when the rhythms of population growth are higher than those of the macro-economic indicators. Economic growth is a complex, long-run phenomenon, subjected to constraints like: excessive rise of population, limited resources, inadequate infrastructure, inefficient utilization of resources, excessive governmental intervention, institutional and cultural models that make the increase difficult, etc.
Economic growth is obtained by an efficient use of the available resources and by increasing the capacity of production of a country. It facilitates the redistribution of incomes between population and society. The cumulative effects, the small differences of the increase rates, become big for periods of one decade or more. It is easier to redistribute the income in a dynamic, growing society, than in a static one (Familoni, 1989).
There are situations when economic growth is confounded with economic fluctuations. The application of expansionist monetary and tax policies could lead to the elimination of recessionary gaps and to increasing the GDP beyond its potential level. Economic growth supposes the modification of the potential output, due to the modification of the offer of factors (labour and capital) or of the increase of the productivity of factors (output per input unit).
When the rate of economic growth is big, the production of goods and services rises and, consequently, unemployment rate decreases, the number of job opportunities rises, as well as the population’s standard of life.
Some economists state that a rate of the GDP growth of 3% a year allows a rise of the potential GDP with 10% in three years and a doubling in 23 years. According to the “rule of 70”, a rate of growth of 1% doubles the potential GDP over a period of seventy years [2]. Other economists think that if the rate of growth of the real GDP per capita were maintained at 2% a year, then the GDP per capita would double every 35 years and, therefore, each generation could hope for a better standard of life than in the present. For this reasons, we should take into consideration the fact that the small differences in the rate of economic growth over long periods lead to big differences between the standard of life of the different successive generations. The economic growth is also the process that allows the receding of phenomena with a negative economic and social impact, like unemployment or inflation. But, obviously, a durable economic growth sustains human development.

Balcerowicz (2012) opine that economic growth is a process of quantitative, qualitative and structural changes, with a positive impact on economy and on the population’s standard of life, whose tendency follows a continuously ascendant trajectory.

Leszek Balcerowicz thinks that the economic development has four dimensions namely:
- The initial level of development (reflected, for instance, by the income per capita) or the level existing when the rhythm of development starts being determined;
- The human capital or the people’s level of education and professional training;
- The internal economic condition or the economy’s structures;
- The external economic circumstances.

The last three factors should be related to the period for which the rhythm of economic development is determined, which, in its turn, is the result of different interactions between the four groups of factors. The initial level of development is essential for the subsequent rhythm of development. Staying behind involves certain impulses of acceleration – the countries with a lower rhythm of development can reach a faster one compared to the richer countries because a state not keeping pace can us at an institutional and technological level the solutions that the developed countries have already found and could learn from their mistakes, an aspect that Balcerowicz deem more important than the former one. The developing countries have an out-of-date economic structure, most of the population working in fields of low productivity, especially in agriculture, but there are possibilities to transfer resources towards more productive domains.

The third factor is characteristic to formerly socialist countries and refers to the disproportion between the relatively high level of education of the population and the possibilities to exploit this training. The high level of education represents an advantage for the countries that joined the economic development trend. It is also worth pointing out that between economic growth and economic development there are similarities and differences

Similarities refer to the fact that:
- Growth and development are continuous processes, with stimulating effects in economy;
- Both processes involve the allotment and utilization of resources and the increase of efficiency;
- The finality of growth and development is the improvement of the standard and quality of life;
- Growth and development are cause and result of the general trend, influencing its rhythm and ensuring passages from one level to the other.

The differences between economic growth and development refer to the fact that, while economic growth concerns the quantitative side of economic activity (the increase of results, of quantities, of sizes), development has a larger scope, including qualitative changes that take place in economy and society. In fact, development is a qualitatively higher step of macro-economic evolution. We often refer to growth theories when we speak about the developed
countries and to the theories of development when we approach the economic problems that are specific to the developing or less developed countries.  

A country is able to develop fast when:

- Industries and people have the possibility to plan their activity on the long run, which requires political, legislative and monetary stability;
- The results of economic activity depend on free initiative, on the efficient utilization of resources, on efficient labour, etc.
- Investments are not sacrificed in favour of immediate consumption. When most of the current incomes are reinvested, the productive capital increases and, consequently, the real incomes too;
- The decisions regarding investments and production are correct, and the wealth accumulated in time is adequately used to achieve assets as efficient as possible from an economic standpoint;
- The degree of education and civilization rises and records a leap forward at the level of consciousness;
- Any decision takes into consideration the protection and conservation of eco-system (durable development);
- economic, social, spiritual values are respected.

Economic growth and development determine social progress, that is the progressive evolution of the society, which involves an improvement of the human condition, a step higher on the scale of the human being’s standard, based on economic progress. The accentuation of the social side of economic development should not be understood as abandonment of economic growth. The economic achievements create bases for the improvement of the standard of life, for adequate conditions of medical care, for the improvement of the educational system and a better redistribution of incomes in society. Thus, economic growth remains a priority, while the correlation of economic problems with social ones should lead to the development of any national economic system, especially when structural crises demonstrate that the limits of the system are about to be reached. The final purpose of economic growth and development is, undoubtedly, the fulfillment and multilateral development of human personality, the increase of the people’s material and spiritual wealth, their stepping higher on the scale of civilization and culture.

DIFFERENCES BETWEEN DEVELOPED AND UNDERDEVELOPED ECONOMIES

We may now distinguish between the features of an underdeveloped economy from that of developed one as follows;

1. Underdeveloped economies are distinguished from developed economies on the basis of per capita income. In general, those countries which have real per capita incomes less than a quarter of the per capita income of the United States, or roughly less than 5000 dollars per year, are categorized as under-developed countries.

2. An underdeveloped economy, compared with an advanced economy, is underequipped with capital in relation to its population and natural resources. The rate of growth of employment and investment in such an economy lags behind the rate of growth of population. The resources are not only employed but also underemployed. In technical jargon, the production possibility frontier of a poor country is far ahead of the actual production curve, whereas the gap between the potentiality and actual utilization of resources is narrow in a developed economy.
3. High rate of growth of population is an important characteristic of most of the underdeveloped economies. Population growth in underdeveloped countries neutralizes economic growth. In advanced economies, the case is different. As Prof. Hansen points out, one of the empirical tests of secular stagnation in advanced economies is the declining rate of population growth. The stagnation problem in a developed economy is a problem of population, natural resources and technology failing to keep pace with capital accumulation.

4. The central problem of underdeveloped economies is the prevalence of mass poverty which is the cause as well as the consequence of their low level of development. Shortage and scarcity are the main economic problems in these economies, whereas the affluent societies of advanced countries have economic problems resulting from abundance.

5. In an underdeveloped economy, the fundamental problem is that of output, real income or the standard of living, as these economies are characterized by low productivity, low income and a poor standard of living. A vast majority of people in an underdeveloped country are ill-clothed undernourished and without adequate shelter. To use Rostow's terminology, economies of poor countries are similar to those of a traditional society, where modern science and technology are either not available or not regularly and systematically applied. On the other hand, most of the developed countries at present enjoy a high rate of mass-consumption. In their economies, per capita real income has risen to a level at which a large number of people can afford consumption transcending food, shelter and clothing.

6. Capital deficiency is the main cause of poverty of a poor country, while affluent capital accumulation is the main cause of stagnation of an advanced country.

7. In an underdeveloped economy, the problem of under-employment is more important than that of unemployment, whereas a developed economy may have a cyclical unemployment problem. There is chronic unemployment in an underdeveloped economy. An advanced economy may have unemployment occasionally due to business fluctuations and a low marginal propensity to consume. Whereas an under developed economy is confronted with the problem of disguised unemployment in the sense that even with unchanged techniques in agriculture could be removed without reducing agricultural output. Thus, in a developed economy, unemployment means waste of resources, while in an underdeveloped economy, it is of disguised type.

8. Poor countries are poor in technology; advanced countries are advanced in technology. In fact, the level of technology attained in production is a reliable indication of the level of economic development. Employment of advanced technology goes along with large capital resources, high attainments in the fields of scientific research, greater availability of entrepreneurial skill and a good supply of efficient skilled labour. Thus, development of technology is the basic objective of the backward economy whereas development of technology no longer remains the overriding objective of an affluent society.

OVERVIEW OF NIGERIA FINANCIAL SYSTEM

With a population of 158 million people, Nigeria is the largest in Africa and accounts for 47% of West Africa’s population. It is also the biggest oil exporter in Africa, with the largest natural gas reserve in the continent. With these large reserves of human and natural resources, the country is poised to build a prosperous economy, significantly reduced poverty, and provides health and education and infrastructural services to meet its population need. Oil-rich Nigeria has been hobbled by price instability, political instability, corruption, inadequate infrastructure and poor macroeconomics management (Anyanwu and Kalu, 2014).
Monetary policy is among the macroeconomic instruments with which the monetary authority of a country controls the supply of money, often targeting a rate of interest for the purpose promoting economic growth and stability. The prime purpose of implementing monetary policy usually includes relatively stable price, high Real GDP and low unemployment (FRB, 2006). Also it is the actions of a Central Bank, Currency Board or other regulatory committee that determines the size and rate of growth of the money supply, which in turn affects interest rates. Monetary policy is maintained through measures such as increasing or reducing the interest, or changing the amount of money banks need to keep in their vault (Bank reserves) (Investopedia, 2014).

The conduct of monetary policy in Nigeria and activities of the central Bank of Nigeria relate with the core mandate of the bank and therefore are best understood from this perspective. Consequently, in pursuance of its functions in compliance with the core mandate, the CBN undertakes monetary policy in order to:

- Maintain Nigeria’s external reserves to safeguard the international value of the legal currency.
- Promotion and maintenance of monetary stability and a sound and efficient financial system in Nigeria.
- Act as Banks banker
- Act as Banker and financial adviser to the Federal Government and
- Act as lender of last resort to banks.

Furthermore, monetary policy is the macroeconomic policy laid down by the Central Bank. It involves management of money supply and interest rate and it is the demand side economic policy used by government of a country to achieve macroeconomic objectives like employment, inflation, price stability, liquidity, consumption and growth. Monetary policy can be expansionary or contractionary in nature. Increasing money supply and reducing interest rate indicate an expansionary policy. The reverse of this is a contractionary monetary policy. For example, liquidity is important for an economy to spur growth. To maintain liquidity, the CBN does it through their monetary policy. By purchasing bonds through open market operations, the CBN introduces money into the system and reduces the interest rate, thereby encouraging investor to sort for credits (Economic Times, 2014).

Since the establishment of Central Bank of Nigeria in 1959, it has continued to play the traditional role expected of a Central Bank, which is to regulate the stock of money in such a way as to promote the social welfare (Ajayi, 1999).

The role of Central Bank of Nigeria is focused and centered on the use of monetary policy equilibrium, rapid economic growth, price stability and external balance (Fasanya, et al, 2013; Adesoye et al, 2012).

Over the decades, the major goals of monetary policy have often been the two later objectives. Thus money supply, employment rate and CBLA policy have dominated CBN’s monetary policy focus based on assumptions that these are essential tools of achieving macroeconomic stability (Aliyu and Englama, 2009). In order to maintain equilibrium employment rate and output and a favorable balance of payment position, monetary instruments such as total loan or CBLA, industrial production index, money supply, credit ceilings, selective credit controls, as well as the prescription of cash reserve requirements and special deposits.
FACTORS AFFECTING ECONOMIC GROWTH
The process of economic growth is a highly complex phenomenon and is influenced by numerous and varied factors such as political, social and cultural factors. As such economic analysis can provide only a partial explanation of this process. To repeat here the remark of Prof. Ragnar Nurkse in this connection, "Economic development has much to do with human endowments, social attitudes, political conditions and historical accidents. Capital is a necessary but not a sufficient condition of progress". The supply of natural resources, the growth of scientific and technological knowledge—all these too have a strong bearing on the process of economic growth. We shall briefly notice some of these factors one by one.

I. ECONOMIC FACTORS
The following are the important factors which determine the economic growth of an economy.

A. Natural Resources
The principal factor affecting the development of an economy is the natural resources. Among the natural resources, we generally include the land area and the quality of the soil, forest wealth, good river system, minerals and oil- resources, good and bracing climate, etc. For economic growth, the existence of natural resources in abundance is essential. A country deficient in natural resources may not be in a position to develop rapidly. In fact natural resources are a necessary condition for economic growth but not a sufficient one. Japan and India are the two contradictory examples. As pointed out by Lewis, "other things being equal man can make better use of rich resources than they can of poor". In less developed countries, natural resources are unutilized, underutilized or misutilised. This is one of the reasons of their backwardness. There is little reason to expect natural resource development if people are indifferent to the products or service which such resources can contribute. This is due to economic backwardness and lack of technological factors. According to Professor Lewis, "A country which is considered to be poor in resources may be considered very rich in resources some later time, not merely because unknown resources are discovered, but equally because new methods are discovered for the known resources". Japan is one such country which is deficient in natural resources but it is one of the advanced countries of the world because it has been able to discover new use for limited resources.

B. Capital Formation
Among several economic factors, capital formation is another important factor for development of an economy. Capital may be defined as the stock of physical reproducible factors of production. Capital accumulation and capital formation, both of these terms carry the same meaning which may be understood simply by the stock of capital. As we know, capital formation is cumulative and self-feeding and includes three interrelated stages; a) the existence of real savings and rise in them; b) the existence of credit and financial institutions mobilize savings and to divert them in desired channels; and c) to use these savings for investment in capital goods.
Low propensity to save in underdeveloped countries is due to low per capita income of the people, which may not be raised merely by voluntary savings. Hence, the rate of per capita savings can be increased by emphasizing forced savings which will reduce consumption and thereby release savings for capital formation. Forced savings can be possible through the implementation of a proper fiscal policy. In this regard, taxation, deficit financing and public borrowing are better instruments in the hands of the State to collect savings and accumulate
capital. Nurkse's suggestion to use unemployed or underemployed rural youths in construction works has importance for capital formation in backward economies. In addition to it, the external resources like foreign loans and grants, and larger exports can also help these economies in capital formation.

The capital formation possesses special significance, as it is the key to economic growth, particularly in backward economies. It increases sectoral productivity in the economy on the one hand and enhances ultimately national output by raising effective demand, on the other. According to Kuznets' estimates, during modern economic growth the gross capital formation and net capital formation was gradually between 11.13 to 20 percent and 6 to 12.14 percent in developed countries. According to Lewis, the rate in developing countries was 5 percent or less which should be raised to the level of 12 to 15 percent.

C. Technological Progress

The technological changes are most essential in the process of economic growth. Adam Smith, the father of political economy, pointed out the great importance of technological progress in economic development. Ricardo visualized the development of capitalist economies as a race between technological progress and growth of population. The great importance of technological progress in capitalist development was recognised by Karl Marx too.

There is no doubt that technological progress is a very important factor in determining the rate of economic growth. In fact, even capital accumulation is not possible without technical progress. A country may be adding to its means of transportation and communications, its power resources and its factories. According to modern technique, it is called widening of capital. The use of improved techniques in production and technological progress bring about a significant increase in per capita income. Technological progress has something to do with the research into the use of new and better methods of production or the improvement of the old methods. Sometimes technical progress results in the availability of natural resources. But generally technological progress results in increase in productivity, e.g., green revolution. In other words, technological progress increases the ability to make a more effective and fruitful use of natural and other resources for increasing production. By the use of improved technology it is possible to have greater output from the use of given resources or a given output can be obtained by the use of a smaller quantity of resources.

It is a matter of common knowledge that technological progress adds greatly to our ability to make a fuller use of the natural resources, e.g., generation of hydro-electricity. With the aid of power-driven farm equipment a marked increase has been brought about in agricultural yields per acre and per worker. Technical progress also increases the ability to make a more effective use of capital equipment. Technological progress has very close connection with capital formation. In fact, both go hand in hand. Without capital formation technical progress is out of the question because heavy investment is required for making use of better and more efficient methods of production, although after they are well established, capital cost per unit of output may fall. Thus, technological progress has a very important role to play in the economic grow of a country. No backward country can hope to march ahead on the road of economic development without adopting newer and newer techniques of production and unless it is assisted in its march by technological progress. We have already brought out the importance of capital accumulation in economic growth. But capital accumulation promotes economic growth because it facilitates technological improvements, which raise labour productivity and thus add to the national and per capita income.
D. Human Resources
A good quality of population is very important in determining the rate of economic progress. Instead of a large population a small but high quality of human race in a country is better for development. Thus, for economic growth, investment in human capital in the form of educational and medical and such other social schemes is very much desirable.
Drucker (2010) opine that "The most important requirement of rapid industrial growth is people. People ready to welcome the challenge of economic change and opportunities in it. People, above all, who are dedicated to the economic growth of their country and to high standards of honesty, competency, knowledge and performance. What are needed beyond all else are leadership and example, and that, only the right kind of people can provide". Prof. Drucker stressing the significance of human capital says further : "Capital without people is sterile, but people can move mountains without capital. Development, therefore, requires rapid growth of human talents and opportunities to employ them"

E. Population Growth
Labour supply comes from population growth. But the population growth should be normal. A galloping rise in population retards economic progress. Population growth is desirable only in a under-populated country. It is, however, unwarranted in an overpopulated country like India. In fact, a high population growth at the rate of 2.5 percent per annum is very much detrimental to the economic growth of our country.

F. Social Overheads
Another important determinant of economic growth is the provision of social overheads like schools, colleges, technical institutions, medical colleges, hospitals and public health facilities. Such facilities make the working population healthy, efficient and responsible. Such people can well take their country economically forward.

G. Organization
In the process of growth, organization is very important. It is organization that emphasizes maximum use of the means of production in production. Organization is complementary to capital and labour and helps production to reach the maximum level. In the modern economic system, the entrepreneur performs the duty of an organizer and bears all risks and uncertainties. Hence, entrepreneurship is an indispensable part in the process of economic growth. For instance, the Industrial Revolution in England succeeded because of the entrepreneurship. Most of the underdeveloped countries in the world are poor not because there is shortage of capital, weak infrastructure, unskilled labour and deficiency of natural resources, but because of acute deficiency of entrepreneurship. Myrdal rightly comments, "the Asian countries lack entrepreneurship not because they are deficient in capital or raw materials but because they are deficient in persons with right attitude for entrepreneurship". Behind Japan's rapid economic growth there is only one reason that it has entrepreneurship in abundance. It is, therefore, essential in LDCs to create climate for promoting entrepreneurship by emphasizing education, new researches, and scientific and technological developments. Apart from it, the state should also give priority to necessary imports of machines, raw materials and equipments to provide facilities for wider markets, and to allow tax rebates, special grants and loans to the new entrepreneurs for starting business or industries particularly in the undeveloped areas of an economy.
H. Transformation of Traditional Agricultural Society
The transformation of traditional agricultural society into a modern industrial society, i.e., structural changes lead to enhancement of employment opportunities, higher labour productivity and the stock of capital, exploitation of the newly developed resources and improved technology. Mostly, LDCs have a very large primary sector and very small secondary and tertiary sectors. In such economies the structural changes involve the transfer of population from the primary sector to the secondary and then to tertiary sectors. Agriculture being the main occupation of the 70-80 percent population in the LDCs passes through several structural changes. The number of dependents on agriculture sector progressively reduces with the expansion of industrial or non-agricultural sector. Similarly, the proportion of contribution of agriculture in the real national income also reduces gradually. But net output in agriculture sector progressively increases in absolute terms, as it is accompanied by a strong productivity movement, relating to the implementation of several programmes like land reforms, expansion of banks, improved agricultural techniques and other farm implements, availability of better marketing facilities, means of power and irrigation, and so on.

In LDCs the agriculture and industry become complementary to each other. The progressively increasing productivity in agriculture enhances the per capita real income of the people, engaged in agriculture sector. This, in turn, expands rural demand for consumer goods and agricultural inputs which stimulates the expansion of industrial sector, and further, it also develops agriculture sector by providing improved farm techniques along with machines, fertilizers and other inputs. The scope for increasing agricultural productivity and incomes, in other words, is heavily dependent upon the structural transformation of the economy as it affects the growth of commercial demand for goods produced, the growth of alternative employment opportunities, and the increased quantity of purchased inputs available to the agricultural sector”.

II. NON-ECONOMIC FACTORS
Both of the economic or noneconomic factors do play an important role in the process of economic growth. In this regard, socio-economic, cultural, psychological and political factors are also equally significant as are economic factors in economic development of the LDCs. Cairn cross rightly observes: "Growth is not just a matter of having plenty of money, nor is it purely an economic phenomenon. It embraces all aspects of social behaviour; the establishment of law and order; scrupulousness in business dealings, including dealings with the revenue authorities; relationships between the family, literacy, familiarity with mechanical gadgets and so on".

In a nutshell, statutory financial policy refers to a combination of measures designed to regulate the value, supply and cost of money in a given economy, in consonance with the expected level of economic growth (Okwu et al, 2011; Adesoye, et al, 2012). In most of our contemporary economies, the goals of monetary policy include price stability, maintenance of balance of payments equilibrium, promotion of employment and output growth and sustainable development (Folawewo and Osinubi, 2006). These goals are necessary for the attainment of internal and external balance and the promotion of long run economic growth.

OBJECTIVES OF THE STUDY
The main objective of this study is to ascertain the effect of Statuary financial management of Commercial Bank Loans and Advances and money supply on Nigeria Economic growth.
The study also set out to achieve the following sub objectives:

i. To investigate the impact of Statutory money supply on the growth of Nigeria economy.

ii. To examine the extent of correlation that exists between money supply and economic growth.

iii. To reveal if our model is statistically significant and if it could be used for forecasting.

**STATEMENT OF HYPOTHESSE**

**Ho**: Efficient and effective money supply management of CBN has no positive impact on the (economic growth) output of Nigeria economy.

**SIGNICANCE OF THE STUDY**

This study is relevant to policy makers and investors since it tries to establish a link between monetary sector and the real sector. This will substantiate the theoretical framework of IS-LM equilibrium and show how activities in the monetary sector transmit to the real sector which in turn leads to economic growth enhancement. This will guide policy makers to ensure that equilibrium is always maintained in both monetary and real sector at all time. And also guide investor on when to invest in the economy.

**ASSUMPTION OF THE RESEARCH**

By appriori expectation, a relationship exists between the monetary sector policies and economic growth. Nigeria statutory management of money supply determines price level (Inflation Rate) of output and interest rate. At equilibrium between money supply and general output, a desired level signal for resource allocation, investors will invest more and expand output. Expansion of output will now add value to the total GDP. This translates to enhanced economic growth.

**MONEY SUPPLY MANAGEMENT**

The money supply or money stock is the total amount of monetary asset available in an economy at a specific time. Money supply data are recorded and published usually by government or Central Bank of the country. Public and private sector analyst have long monitored changes in money supply because of its effect on the price level, inflation, the exchange rate and the business circle (Taylor, 2004).

In our contemporary society, it is comparatively important to promote maximum sustainable CBLA, employment and output and promote stable prices as the fundamental goals of the monetary authority. Stability in prices and some factors which includes technology and people’s preferences for saving, working and risk taking over the long run is dependent on sustainable output growth and the rate of CBLA generates (Epstein and Heintz, 2006).

Monetary policy influence the performance of the economy’s crucial factors such as output, inflation and Commercial Bank Loans Advances and also prices of goods, exchange rate, consumption rate, asset prices and investment decisions. Nevertheless, the central Bank of Nigeria

**OVERVIEW OF NIGERIAN FINANCIAL SYSTEM AND ECONOMIC GROWTH**

The relationship between money supply and economic growth has been receiving increasing attention than any subject matter in the field of monetary economics in recent years. Economists differ on the effect of money supply on economic growth. while some agreed that variations in the quantity of money is the most important determinant of economic growth and that countries that devote more time to studying the behavior of aggregate money supply experiences much variations in their economic activities(Handle, 2007), others are skeptical about the role of money on gross national income (Robinson 1950, 1952).
Evidence has shown that since 1980 some relationship exist between the stock of money and economic growth or economic activity in Nigeria. Over the years, Nigeria has been controlling her economy through variations in her stock of money. Consequent upon the effect of the collapse of oil price in 1981 and the balance of payment (BOP) deficit experienced during this period, various methods of stabilization ranging from fiscal to monetary policy were used. Ikhide and Alwoda (1993) concluded that reducing money stock of money through increased interest rates would lower gross national product (GNP). Thus the notion that stock of money varies with economic activities applies to the Nigerian economy. As already explained money supply exerts considerable influence on economic activity in both developed and developing economics. The low level of supply of monetary aggregates in general and money stock in particular had been responsible for the fundamental failure of many African countries to attain growth and development. Various scholars have laid much of the blame for the failure of monetary policies to translate into economic growth on the government and its agencies as a result of poor implementation and sincerity on the part of policy executors (MP, 2006).

In discussing the concept of statutory financial control system and its impacts on economic growth, two other issues often come to our mind which is the state of inflationary pressure and the unemployment rate. According to the monetarist, an increase in money supply in an economy causes an increase in general price level of commodities which brings about inflationary in the country (Uzougu, 2001). Also related to the issue of inflation is the issue of unemployment which is the primary goal of any economy so as to produce as many goods and services as possible while maintaining an acceptable level of price stability, but this major goal will be very difficult to attain at high inflation rate and price instabilities due to excess money supply in the economy.

Familoni (1989) agreed that before monetary policy can produce the expected results as held by the classical economists, highly integrated and monetize economy and regular information network system are indispensable. He however lamented that Nigerian economy lacks the fundamental flexibilities (in line with interest rate, treasury Certificates etc) which could have aided a much more effective use of monetary policy. He therefore denounced the classical preference of monetary policy over fiscal policy on the basis of their empirical evidence and believed that it would only work for a developed economy and suggested, where necessary, the mixture of both policies for better performance in a developing economy like Nigeria.

**REQUEST AND DIRECTIVE (MURAL SUASION)**

All central banks usually have a statutory right to make request to other banks and it necessary to issue directive ensure that these are carried out. For instance , the Central Bank of Nigeria can instruct commercial banks not to lend beyond a certain amount not to lend for certain purpose consequently the CBN could advice commercial banks to allocate, say, 60 percent of their total lending of agriculture. It has also been mention earlier that monetary police can be expansion or contrationary.

Sanusi (2002) opine that the ability of the Central Bank of Nigeria to propose an effective monetary in a globalised and rapidly integrated financial market environment depends on several factors. These include: instituting appropriate legal framework, institutional structure and conducive political environment, which allows the Bank to operate with reference to excising its instrument and operational autonomy in decision- making, the degree of coordination between monetary and fiscal policies to ensure consistency and complementary; the general macrocosmic environment, including the stage of environment, depth and stability of the financial market as well as the efficiency of the payments and settlement system; the level and adequacy of
information and communication facilities; and the availability of adequate, reliable, consistent, timely and high quality information to the Banks. He laid emphases that seeking a proper role for monetary policy in promoting strong and sustainable growth in a stable macroeconomic environment in Nigeria is an on-going challenge for the central bank. Furthermore, Nneka (2013) sectors in Nigeria for time frame 1986 to 2009. She noted that the main focus of monetary policy in relation to the manufacturing sector has always been the stimulation of output, employment and the promotion of domestic and external stability, while that of fiscal policy has been the generation of revenue for the government and the protection of domestic infant industries against unfair completion from import and dumping. Victor Error correction (VEC) and ordinary least square (OLS) estuations were sued to study the models for significance, magnitude, direction and relationship. The study revealed that money supply positively affected manufacturing output, index while company lending rate, company income tax rate, inflation rate, Exchange rate has a negative impact to the performance of the manufacturing sector over the years. They recommended that expansionary policies we vital for the growth of the manufacturing sector in Nigeria which in turn would lead to economic growth.

MONETARY POLICY AND ITS IMPACT ON NIGERIA ECONOMY
Odozi (2000), opine that monetary authorities should avoid discretionary monetary policy, but should adopt monetary growth principles that will alleviate the public skepticism about the possibilities of inflationary monetary policy in future. Milton Friedman argued that the supply of money is independent of the demand for money. He observed that bearing the development of hyper inflation. Only wealth, is the variable likely to cause significant changes in velocity (jhinghan 2001). Findings of Iyoha (1969, 1976) and taiwo (1990). Show that there is a clear relationship between money and economic growth, others in Nigeria who have confirmed a strong relationship between money supply and growth (odedokun 1996, odedokun 1998, ojo 1993, chete 2002. Saidu 2007, ojo 1993, owoye and onafowora 2007). Monetary policy refers to the combination of measures designed to regulate the volume, supply and cost of money in an economy in conjunction with the expected level of economic activities. An excessive supply of money would result in an excessive demand for goods and services which would lead to rising prices and a deterioration of the balance of payment position. On other hand, inadequate supply of money could induce inflation which leads to stagnation in the economy thereby retarding growth and development.

Consequently, the monetary policy authorities must attempt to keep the money supply growing at an appropriate rate so as to secure a sustainable economic growth and maintain internal external ability. The discretionary control of money stock by the monetary authorities thus involves the expansionary or contractionary measures of money which influences the interest rate in order to make money cheaper or more expensive, depending on the prevailing economic policy expected level of economic activities. An excessive supply of money would result in an excessive demand for goods and services which would lead to rising prices and a deterioration of the balance of payment position. On other hand, inadequate supply of money could induce inflation which leads to stagnation in the economy thereby retarding growth and development.

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expansionary or contractionary measures of money which influences the interest rate in order to make money cheaper or more expensive, depending on the prevailing economic policy.

**GOALS OF MONETARY POLICY**

According to some renowned economic authors like Anyanwu, Jhingan and okpara, they agree on the general objectives of monetary policies which are as follows:

- Maintenance of general price stability so as to restore confidence and maintain international competitiveness.
- Achievement of a high balance of payment (BOP) equilibrium in Nigeria.
- Achievement of a high, rapid and sustainable economic growth thus, raising the general standard of living of the Nigerian masses.
- Maintenance of exchange rate stability in Nigeria.
- Ensuring that the rate of inflation in Nigeria is at its lowest possible level.

**DATA ANALYSIS AND INTERPRESENTATION**

**REGRESSION**

<table>
<thead>
<tr>
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<th>MS</th>
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**Descriptive Statistics**

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<td></td>
<td>CBLA</td>
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<td>.000</td>
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<tr>
<td>N</td>
<td>19 RGDP</td>
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### Variables Entered / Removed

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<th>method</th>
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a. dependent Variable: RGDP  
b. All requested Variables entered

### Model Summary

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<th>Adjusted R Square</th>
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### Model Summary

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a. Predictors(constant), CBLA, MS  
b. Dependent Variable: RGDP

### ANOVA

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a. Dependent Variable: RGDP  
b. Predictors(constant), CBLA, MS
**Coefficients**

<table>
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<tr>
<th>Model</th>
<th>Unstandardized Coefficient</th>
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<th>Standardized coefficient</th>
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**Coefficients**

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<tr>
<th>Model</th>
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**Residuals Statistics**

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</table>

**REGRESSION SUMMARY**

\[
\text{RGDP} = 332,608.459 + 0.33\text{Ms} + 0.009\text{CBLA} + \varepsilon
\]

\[
\text{S.E} = (20,816.213) \quad (0.012) \quad (0.018)
\]

\[
\text{R}^2 = 95.1\% \\
\text{R} = 90.5\%
\]

Where:
- \(\text{RGDP}\) = Real GDP (Economic growth),
- \(\text{Ms}\) = money supply,
- \(\text{CBLA}\) = Commercial bank loans and Advances to the economy.

**INTERPRETATION**

Our result shows that there is a significant strong multiple correction among RGDP, money supply and commercial banks loans and Advance (R=95.5%).
The coefficient of determination ($R^2$) reveals that 90.5% variations in RGDP were explained by our selected explanatory variables (money supply and commercial banks loans and Advances). From our Regression summary, CBN management of money supply has a statistical impact on the RGDP (economic growth). This is shown on the value of money supply coefficient which has a value of 0.033 implying that a unit charge (100% charge) in money supply attracted 0.033 unit charge (3.3%) in RGDP with the year under view. The presence of autocorrelation (Durbin water on= 0.299) shows omission of other explanatory variables that accounted variation in RGDP but were captured by our stochastic variable $et$. Our entire model is statistically significant and has forecasting power. We therefore, reject our null hypothesis (Ho) and accept our Alternative Hypothesis (Hi) and concluded that efficient and effective money supply management of CBN has positive impact on the (economic growth) output of Nigeria economy. In conclusion, we make inference that with the year under view CBN through effective management of money supply has achieved a desired price level that has propelled investors into committing more investment resources for expansion of output, the increase in output added value to the total RGDP and create more employment in the economy. These have been translated to significant level of economic growth in the overall economy.

**REFERENCE**


Sanusi, J. (2002). Central Bank and the macroeconomic environment in Nigeria’. Being a Lecture delivered to participants of the senior executive course No. 24 of the national Institute for policy and strategic studies (NIPSS), Kuru on 19th August.

