

The Link between Money Market and Economic Growth in Nigeria: Vector Error Correction Model Approach

Authors : Uyi Kizito Ehigiamusoe

Abstract : The paper examines the impact of money market on economic growth in Nigeria using data for the period 1980-2012. Econometrics techniques such as Ordinary Least Squares Method, Johanson's Co-integration Test and Vector Error Correction Model were used to examine both the long-run and short-run relationship. Evidence from the study suggest that though a long-run relationship exists between money market and economic growth, but the present state of the Nigerian money market is significantly and negatively related to economic growth. The link between the money market and the real sector of the economy remains very weak. This implies that the market is not yet developed enough to produce the needed growth that will propel the Nigerian economy because of several challenges. It was therefore recommended that government should create the appropriate macroeconomic policies, legal framework and sustain the present reforms with a view to developing the market so as to promote productive activities, investments, and ultimately economic growth.

Keywords : economic growth, investments, money market, money market challenges, money market instruments

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