International Journal of Development and Economic Sustainability

Vol.3, No.3, pp.1-12, August 2015

Published by European Centre for Research Training and Development UK (www.eajournals.org)

STABILIZATION MEASURES AND MANAGEMENT OF THE ECONOMY: THE CASE OF NIGERIA

Anochie Uzoma .C. Ph.D
Department of Economics, College of
Management Sciences, Michael Okpara
University of Agriculture Umudike Abia State, Nigeria.

Duru Erasmus E.
Department of Financial Management Technology
School of Management Technology Federal University of Technology Owerri
Imo State Nigeria

ABSTRACT: *This paper examined the policy framework for macoeconomy and observing the coordination of monetary and fiscal policies in Nigeria by looking at the purpose of the broad macroeconomics objectives as well as the measures used in economic stability and management in Nigeria economy. These measures or policies are used in the economy to control instability in the country's economy. The paper finds out that there is a positive relationship between money supply and GDP which is important instrument promoting stability in the economy. It is also the opioion of this paper that there should be a commitment to approach in deals which serves as a measure to control price and help in maintaning growth and development the country's economy.*

KEYWORDS: Stabilization, Monetary policy. Fiscal policy, Structural adjustment, Fiscal austerity

INTRODUCTION

Stabilization measure (policy) is a package or set of measures introduced to stabilize a financial system or economy. This policy guidance repesents the stability measures which are the fiscal policy and monetary policy.

The fiscal policy can be distinguished from monetary policy. Fiscal policy deals with taxation and government spending and is often administered by and execut under laws of a legislature and mainly has a direct impact on the goods market. Whereas monetary policy deals with the money supply, lending rates, interest rates and is often administered by a central bank and have a direct impact on the asset market.

Monetary policy is fairly complex and involves, monetary policy committee (MPC) setting objectives, meeting regularly to assess the economic condition and outlook, making decision to lower, maintain or raise policy rate, press release, using open market operation for liquidity and feedback and evaluation of outcome. Chukwu (2009) argued that the era of direct controls was a remarkable period in monetary policy management in Nigeria. This was because there were a lot of structural changes such as shift in the economic base from agriculture to petroleum, the execution of civil war of 1967 to 1970, the oil boom of the 1970s and glut of early 1980, as well as the introduction of Structual Adjustment Programme (SAP). The SAP period (1980 to 2010) witnesses short term monetary policy framework

2053-2199 (Print), 2053-2202(Online)

under which open market operation (OMO) was conducted with the use in Nigeria. Treasury Bills (TBs) which was complemented by cash reserve requirement (CRR) and the liquity ratio (LR) were also used.

In general term monetary policy refers to a combination of measure design to regulate the value, supply and cost of money in the economy. In consonance with the expected level of economic activity (Okwu *et al* 2011 and Adesoye *et al* 2012). For most economies, the objectives of monetary policy include price stability, maintenance of balance of payments equilibrium, promotion of employment and output growth and sustainable development (Folawewo & Osinubi 2008). Macroeconomic stability deals with the process of attaining the four major objectives of economic policy.

FISCAL POLICY CONTROL

This is an attempt by the government to control revenue and expenditure for the purpose of achieving macroeconomic growth. It is the combination of measures in government revenue and expenditure to achieve overall economic objectives of a nation. The fiscal policy includes taxation, public expenditure, relief, concessions and fiscal incentive policies among others. Nigeria had experienced a long history of macroeconomic instability and fiscal imbalance which was influenced by large fiscal deficits and GDP ratio of several years. This is because its fiscal policy has been influenced heavily by oil driven volatility by impacting on revenue and expenditure. During the period of 1979, to 1982, 1991 and 2000 to 2002 Nigeria witnessed the high oil prices, which increased revenue and expenditure and reduces at the period of dwindled oil price. This is because Nigeria is a monoculture economy, depending on above 70% of revenue from oil and gas. This has a negative implication on growth and development of the economy. This weakness is as a result of uncontrolled spending with huge government deficit budget, financed mostly by monetary growth, large recurrent spending and debt service costs, low implication of the capital budget, poor accountability and transparency, weak monitoring and auditing and reporting. Despite the huge oil resources used there is nothing to show for it in terms of efficient use of public resources.

In addition, the main objective of the macroeconomic reform was to stabilize the Nigeria economy through improving budgeting planning and execution and providing a platform for sustained economic diversification and non-oil growth. There was adoption of an oil price-based fiscal rule in which government expenditure was based on prudent oil benchmark. Finally, revenue above preference price kept in excess crude account to delink government expenditures from oil revenue earnings and to ensure that external shock are not transmitted into the economy (Okonjo Iweala and Osafo-Kwaako 2007). Government spending increase from 14 percent in 2012 to 19 percent of GDP in 2005 as a result of extra budgeting expenditure which were not directed towards capital and socio-economic sectors.

MONETARY POLICY CONTROL

The 1980 ushered in a world economic recession that negatively impacted on the economies of most African countries including Nigeria. As many economic indicators show that Nigeria economy has experienced different growth stages. The GDP growth rate recorded

2053-2199 (Print), 2053-2202(Online)

negative growth in the early 1980s. stabilization measure on the economy is to introduced to stabilize a financial system or economy. However, over the years inflation still remain a major threat to Nigeria's economic growth. Nigeria has experience high volatility in inflation rates. The monetary policy is one of the objective and measures designed to regulate the value, supply and cost of money in the economy. For most economies the objective 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). So farwith achievement of price stability the condition in the financial market and institutions would create high degree of confidence, such that the financial infrastructure of the economy is able to meet the requirements of market participants. Indeed, an unstable financial sector will render the transmission mechanism of monetary policy less effective, making the achievement and maintenance of macroeconomic fundamentals difficult. This is because it is only in a period of price stability that investors and consumers can interpret market signals correctly. Since the establishment in 1959, the Central Bank of Nigeria (CBN) has continued to play the traditional role expected of Central Bank, which is the regulation of stock of money in such a way as to promote economic growth and stability and external balances (Adesoye *et al* 2012). The major goal of monetary policy has often been the inflation targeting and exchange rate policy have dominated CBN's monetary policy based on assumption that these are essential tools of achieving macroeconomic stability. Since early 1970's there have been four major episodes of high volatility in inflation in excess of 30%. The growth of money supply is correlated with high inflation episode bacause money growth was often in excess of real economic growth, the growth in money supply, some factors reflecting the structural characteristics of the economy are observable. The first period of inflation 30% range was in 1976, in the northern part of Nigeria one of the factors of inflation is drought which destroyed agricultural production and pushed up the cost of agricultural food items significant increase in the population of the average consumers budget. During the period there was excessive monetization of oil export revenue which has given the inflation a monetary characteristic of the economy coupled with growth in money supply that translated these into permanent price increase. In 1984 inflation peaked at 39.6% are time of relatively little growth in the economy. At this time the government was under pressure from debtor group to reach an agreement with the international monetary fund, one of the condition of which was devaluation of domestic currency. Faliloni (1989) argued that before Monetary Policy can produce desired result as maintained by the classical economist highly integrated and monetized economy and regular information network system are indispensible. He however, lamented that the Nigerian economy lacks the fundamental, flexibilities (in respect to interest rate, treasury certificates etc.) which could have aided a much more effective use of monetary policy. He however, denounced the classical preference policy of monetary policy over fiscal policy on the basis of their empirical evidence and predicted that it would only work for a developed economy and suggest where necessary the mixture of both policies for better performances in a developing economy like Nigeria. Olaloye and Ikhide (1995) used monthly data for the period 1986-1991 to estimate a slightly modified form of the basic St. Louis equation and found that fiscal policy have been more effective.

Asogu (1998) adopted modified version of the St. Louis equation as in Battan and Hafer (1983) provide estimates, based on first differences and percentage change of the data. The results also include the respective t-ratios, beta and elasticity coefficients to facilitate direct comparisms. The result of the estimate showed that coefficients of money supply were statistically significant while those of government expenditure were not significant. This agrees with the hypothesis that monetary actions are more potent than fiscal policy. However coefficient of export is not significant and this confirms earlier results by Ubogu (1985) such that the exclusion of export variable in the earlier studies on Nigeria appear not to weaken the conclusions of relatively greater and more stable potency of monetary actions compound with fiscal operations, rather sharp fluctuation of such fiscal actions indicate that there are more distortionary than achieving the desired impact or direction on the target variables.

In 2005 (MTEF) was introduced, it required an appropriate policy and institution framework which addresses the long-term goals of the nation. Inspite of the advantages of the medium-term expenditure framework (MTEF), its adoption should not be regarded as the panacea for fiscal weaknesses and mismanagement in a economy.

MONETARY AND BANKING POLICIES

CBN report (1998) explain that economic policy measure adopted were designed primarily to maintain macro-economic stability and sound financial structure for instance there are instrument used in execution of monetary and banking policies which OMO, Liquidity ratio, cash reserve requirement interest rate regulation, stabilization securities, discount windows operation, moral suassion and general directives and external sector policy.

INSTRUMENT OF MONETARY POLICY

S.N Ibe Abuchi (1992) pointed out that the objective of monetary policy is for the promotion of free market oriented economy in which available resources would be efficiently utilized for greater economic performances. In order to achieve this set of goals a choice has to be made on the use of desirable instruments in light of prevailing economic circumstances in which the monetary policy is being implemented. There are widely two categories of instruments used in affecting banking policies. These are direct and indirect instruments.

DIRECT INSTRUMENTS:

Ahmed (1992) noted that under-developed financial environment, the instrument of monetary and banking policies are limited to direct measures which set monetary and credit target at a desirable levels. The following are direct monetary instrument, which involves intermediate variable that would achieve the desire goalof economic stability.

- **Moral suassion**: The Central Bank Governor used his position of office to appeal to banks to exercise retrains in credit expansion under hard economic recession. The CBN involves the use of operation of banks and other financial institution. The CBN in her holding regular dialogue with banks, commercial merchant and industrial banks and agencies with a view to keep them informed on current policy implementation, development and sceurity their co-operation on all aspect of monetary policy in order to enhance macro-economic performances.

2053-2199 (Print), 2053-2202(Online)

- **Bank rate policy**: The bank rates is the minimum lending rate of Central Bank at which it rediscount first class bills of exchange and government securities held by the commercial banks. When Central Bank fund those inflationary pressure have started emerging within the economy, it requires the bank rate . therefore borrowing from the Central Bank becomes costly and commercial bank in turns raise their lending rate to the business community and borrowers borrow less from the commercial banks. There is contraction of credit and prices are cheecked fro rising further. On the contrary, when price are depressed the Central Bank lowers the Bank rate and then it on the part of commercial bank.

- **Sectoral allocation of commercial and merchant bank credit:**

  This is an instrument that generally used in under developed countries. This measure is an instrument that is generally used in under developed countries. This measure is aimed at ensuring that prioprity is acoorded the growth sectors of Agriculture, manufacturing, industry in the allocation of credit with a view to stimulate growth in non-oil sector.

- **Stabilization securities:** The CBN is empowered to issue stabilization securities with banks at a given interest rate design to reduce commercial bank excess cash holding and their credit expansion. This instrument was first employed between 1976 and 1979 and are now currently in use. The use of this instrument will depend on the system's response to open market operation. However, the prolonged use of the direct tools have had adverse effects on both the conomy and effcetiveness of monetary policy in Nigeria. Thus, a decision was taken to change the strategy of monetary management so the indirect approach involving the use of market base tools. The plan in this direction involved the deregulation of interest rate, partial deregulation of the market for governemtn desk instrument and institutional framework the reduction of excess liquidity in the economy. (see Ezeuwi 1994).

INDIRECT INSTRUMENT:

Olekeh (1992) states that indirect instrument have not been for control purpose but rather are usually used in market base economies where money stock can be controlled through manupulation of monetray base. The monetary base is the total bank reserves plus currency in the hand of non-bank public while the money stock is a process which results from a complex interactions of the behaviour of various economic agent management of various of indirect control is made possible through the use of following tools:

- **Open Market Operation (OMO):** This refers to the sale and purchase of securities in the money market by Central Bank with the aim of influencing bank reserve interest rates and ultimatelt credit growth of the banking system. When prices are rising and there is need to control then, the Central Bank sells securities. The reserve of commercial bank are reduce and they are not in a position to lend more to the business community. By so doing, future investment is discouraged and rise in price is checked contrary wise they lend more investment, output, employment, income and demand rise and fall in price checked.

- **Change In Reserve Ratio:** This weapon was suggested by Keynes in his treaties on money and the United State, was the first to adopt it as a monetary device. The variables reserve ratio are designed to influence the liquidity and credit operation of banks through changes in their reserves. Here every bank is required by law to keep a certain percentages with the Central Bank. When prices are rising, the Central Bank rises the reserve ratio. Bank are required to keep more with the Central Bank. Their reserve are reduced and they lend less. This reserves of commercial banks are raised. They lend more and the economic activity is favourably affected.

- **Interest Rate Policy:** Interest rate was introduced again in 1994 budget with a view to reversing the persistent increase in the rate of bank credit which the commercial banks should operate from season to seasons being prescribed by the CBN.

THEORETICAL FOUNDATION ON MONETARY POLICY

In oreder to apprecaite the role of money and monetary policy in the economy, it would be wise to review the varied changing views on monetary influencies. These roles are achieved directly as well as indirectly through feedback from the economy.

Irving Fisher (1932) in his quantity theory of money opine that, like other classical writes, the short run monetary control was directed by interest rates which was regarded as a main channel of the firms operating cost. Also, the risk in commodity price would lead to an increase in the firms profits followed by increase in business investment, demand deposit loan demand and money stock which lead to greater increase is community prices investment and profits.

Since interest rate is regarded as aprt of the operating cost of production, excess, reverses for lending would run out and even faster than commodity price thereby leading to a rise in the cost of production. This would in turn lead to a decline in investment and profit summarized the factor which determine the velocity of money is circulation and form the obtain the amount of money needed in transaction per-period. In this equation of exchange, he specified that MV=PT………..(1)

Where; M = Actual money stock

V = The transaction velocity of circulation of money

P = The average price level and

T = The number of transaction made per the period.

Fisher, now imposes the assumption that equilibrium values V (Velocity of money) and T (The volume of transaction) will fairly constant in short run with respect to changes in the quality of money.

Given this assumption, the equation (1) can now be rewritten as:

MV=PT………..(1)

Where bars (-) signify that V and T are constant. Given that M is exogenous, there must be proportional relationship in equilibrium between money supply M and general price level.

According to Keynesian monetary transaction mechanism (1936) given the assumption that economy is at less than full employment, the built-in policy transaction mechanism work through the financial system is initially at equilibrium and there is an open market purchase of Governemt securities by CBN, the operation (OMO) will increase the commercial bank reserve (K) and rises thebanks reserves earning asset ratio. The bank then operates to restore the equilibrium by extending new loan such as new loan creates new demand deposit thus, increasing the money supply (m) given the public liquidity preference, a rising money supply causes the general level of interest rate (r) to decline. The falling interest will in turn stimulate investment and businessmen expected profits expressed as Marginal Efficiency of Investment (MEI).

Friedman (1966) stressed the monetarist opined that inflation is always everywhere a money phenomena. Thus, price tends to rise when the rate of money. Stock is greater than the rate of real output of goods and services.

Silber (1969) observed that declining interest rate induces expanded investment expenditure causing successive rounds of new find demand spending causing GNP to raise by multiple of the initial change in investment to sum this up we have;

OMO + R + MS + 1 =GNP

Combination of falling interest rates and rising income serves to incase the over-all demand for money so that demand meets up with the money supply. The money market is back to equilibrium when this happens and at this time. Monetarist opined that people react by getting rid of the excess balance of transactions needs of different secors within the economy and increase the purchase of goods and serves for security purpose. Transaction in security effects the relative price and interest rates. A fall in interest rate encourages investment spending. Therefore, the monetarist views the money supply as a variable effecting income directly and also monetary policy money stock. Hence monetarist transactions mechanism is shown as OMO spending GNP.

Where OMO is Open Market Operation, MS is Money Supply and GNP is Gross National Product. The monetarist led by Friedman said that despite their differences still hold a story view that:

1. Movement in the quantity of money is the most reliable measures of monetary policy.
2. Monetary authorities can influence the movement in the business cycle and also in the money stock.
3. Employ economic stabilization perfomancess the claye in the money supply are the main primary determiners of changes in total spending.

MONETARY POLICY INSTRUMENT

2053-2199 (Print), 2053-2202(Online)

- **Cash Reserve Requirement:** the specified reserve ratio for all commercial bank demanded at its 1997 level of 0.8 percent, while the base for calculating the ratio countries (demand, savings said time deposes) certificate by non-banking public, the except demand in force.

- **Liquiding ratio:** the minimum liquidity ratio applicable to commercial and merchant banks was also retained at 30% in 1998 while the base on which the ratio would be applied remained the total deposit liabilities also discount house were require to investment a minimum of 60% their total deposit liabilities in treasuring bills down 70.0% in 1997.

- **Discount windows operation:** the CBN discount window facility continue to be use strictly in line with the banks role as lender of last resort and signal the direction of change in interest rate movement.

CHALLENGES OF MONETARY AND FISCAL POLICES IN NIGERIA

- The monetary policy has a critical role in ensuring an overall economic stability in the conutry. It can only be effectively perform only if the CBN is allowed to perform its operation without unnecessary interference.

- Fiscal and monetary policy is very important situation where monetary policy stance it restriction to stem the over-heating of the economy and fiscal policy is expansionary. Therefore their should be coordination of monetary and fiscal policies to ensure succsessful macroeconomic stabilization.

- Lack of coordination among the three tier of government, lack of agreement over broad macroeconomics objective to be achieved and the management of oil windfall among others. The implication is that all tiers of governance have consideration financial resources at their disposal and as such determines fiscal policy in Nigeria. Therefore any reckless spending at that level will over-heat the economy.

- There is need for fiscal policy co-ordination between Federal and State Governments and this co-ordination must be based on principle of transparency and accountability as well as respect for constitution and the rule of law. This will go along way to accelerate growth, wealth creation and development.

  Structural factors have proven to be important in inflation spiral. Reduction in oil revenue (a supply stock) led to a reduction in real income, with serious distribution implications. As workers pushed for higher nominal wages while produces increases mark-ups on cost, an inflationary spiral followed. In addition to these factor government also had a transfer problem in order to meet debt obligations. The failure of monetary policy in curbing price instability spiral. The most popular instrument of monetary policy was the issuance of credit rationing guidelines, which primarily set the rates of change for the component and aggregate commercial loan and advances to the private sector.

2053-2199 (Print), 2053-2202(Online)

The sectoral allocation of bank credit was to stimulate the produce sectors and thereby stem inflationary. Since stabilization is demand management by monetary and fiscal policy to reduce normal fluctuation output, sometimes referred to as "keeping the economy on the even keel". Monetary policy serve as an essential tool in achieving economic stabilization in Nigeria.

Statistical Bulletin Golden Jubilee Edition

Target and outcomes of fiscal and monetary

Table policies indicators in Nigeria 1985 to 2004

					Depreciation and % GDP
Year	**Credit of private sector**		**Credit to government**	**Inflation 1.03**	**Target out -4.48**
	Target	Output	Target out	13.8	11.98
1985	7.4	9.6	7.1, 6.3	9.7	-5.60
1986	12.8	29.4	5.9 3.8	61.2	-8.74
1987	8.4	19.6	1.5 13.8	44.2	-1148
1988	13.3	18.7	2.5 31.9	3.6	-7.42
1989	10.7	90	8.3 74.9	22.3	-953
1990	15.8	19.5	10.9 209.4	48.8	-781
1991	16.4	58.1	0.0 740	61.3	0.053
1992	17.7	40	7.7 129.9	76.8	1.19
1995	20	23.3	14.5 103.2	51.6	-0.18
1996	32.2	22.6	0.0 55.6	14.3	-4.92
1997	21.9	16.6	5.6 8.7	10.3	-8.93
1998	29.5	29.2	00 58.0	11.9	-2.26
1999	45.4	30.9	0.0 58.3	0.2	-4.68
2000	33.9	43.5	0.0 210.9	14.5	-4.36
2001	19.9	11.8	10.2 26.4	16.5	-1.51
2002	21.9	26.8	57.8 170.4	12.2	-1.11
2003	22.8	30.9	2.6 952	23.8	-0.55
2004	34.9	43.5	96.6 6320.6	10.8	-0.5

STRUCTURAL ADJUSTMENT PROGRAMME (SAP)

In addition, in the late 1980's following the Structural Adjustment Programme (SAP), the effects of wage increased create a cost push effect on inflation. The introduction of SAP a World Bank ideological framework based on fiscal austerity and deflationary policies, privatization of state owned enterprise trade liberalization, currency devaluation in most African Countries including Nigeria. SAP can be define as a conscious change in the fundamental nature of economic relationship within a society (Nkanwadire, 1991). SAP was an economic reform package designed by external creditors and their finance institution, international monetary private expenditure. Adjustment package was aimed at socio-economic transformation through economic diversification and the development of the real sectors of the economy. Nigeria embarked on Strucural Adjustment Programme, because of collapse of the international oil market which led to a drop in Nigeria foreign exchange reserve from $8.50 billion in May 1981 to $2.85 billion by December 1981 and the downward slide in Nigerian terms trade as a result of fluctuation in the international commodity market (Kalu 2000). However, this attempt is to stem the worsening economic situation, Alhaji Shehu Shagari administration instituted the austerity measures through the economic stabilization Act of 1982, largely targeting Nigeria excessive level of imports (NCMA). The measure emphasised fiscal discipline and reduction of state expenditure on social and welfare services. The measures also included wage freeze and embargo on employment. When the austerity policy did not succeed, government restored to borrowing from the international financial market. The situation was further compounded by the inceasing interest rates resulting from a general decline in economic productivity in the industrialized countries and the subsequent worldwide recession in the early 1980s. as a result of recession, it became extremely difficult for Nigeria to generate a sufficient volume of export service. It could not service its debts nor to talk about reducing the principal debt stock or financing and adequate level of current imports. According to President Ibrahim Babangida the failure of international financial institutions and private banks.

Therefore, the immediate impact of the declining term of trade, recession, increasing interest rates and the failure of austerity measures, was an increase in Nigeria external debts from $30 million in 1973 to well over $20 billion by 1985 (Kalu 2000).

The nigeria structural adjustment program was designed to achieve the following goals:

1. Restruction and diversification of the production base of the economy in order to reduce dependence on the oil sector and on imports.
2. Achievement of fiscal balance of payments viability.
3. Engendering and accelerating sustainable non-inflationary growth.
4. Stimulating domestic private sector involvement.
5. Creating conducive condition for foreign sector involvement which would bring in its wake increase inflow of capital, skill and expertise and restore investor confidence in the economy.
6. Releasing the energies of our people for development and non inflationary growth.
7. Using market mechanisms to maintain an exchange rate for the naira-Nigeria official currency (Federal Government of Nigeria).

CHALLENGES IN STABILIZATION MEASURES AND MANAGEMENT OF THE ECONOMY IN NIGERIA.

Nigeria's economy has grown strongly through a combination of sound macroeconomic management and using oil prices. With the cusis, the drop in oil price and consequently in government revenues, the economy started experiencing tremendous pressure although good oil revenue management had generated savings in previous years, falling oil prices production problems and the deterioratory fiscal outlook reduced international confidence.

Nigeria was faced with the task of taking steps to address the immediate erosion in market confidence the some of the key structural weaknesses that contributed to the onset of market instability.

Nigeria with IDA's assistance was able to maintain confidence in its financial markets.

1. Adoption of IFRS in Nigeria's financial sector in progress. This was essential in the authorities program to make the Nigeria financial sector more transparent.
2. Improve implemetation of 2009 Federal Capital budget. Nigeria reached 75% implementation rate of the 2009 Federal Capital budget.
3. Employemet opportunities generated. By supporting necessary and shovel-ready capital project such as program of road maintenace. This has been followed up with government commitment to diversificatio away from oil and encourages six sectors such as entertanment, information communication technology, tourism, wholesale and retail trade constuction, meat and leather.

Macro-economic stability deals with the process of attaining the four objectives of economc policy, such as:

1. Full employemet: This deals with keeping the economy at natural rate of unemployment
2. Balance of payments has to do with the record of a country's transaction with the rest of the world and country has to watch the movement in these transaction so as to take care of disequilibrium on regular basis.

However, over the year, macroeconomics dynamics in Nigeria has been dominated by fiscal instability resulting from strong deficit and debt due to no government volatility. A stable macroeconomic environment is capable of reducing management problems and improving the prospects of planning effectively for sustainable growth and development. In 2004 CBN introduced the recapitalization of banking sector for the purpose of purpose of minimizing macroeconomies instability arising from bankig system, financial productive sector growth in the private sector particularly non oil growth, minimizing the counterfactual shocks of creating distortions in the money markets and the financial system.

CONCLUSION AND RECOMMENDATIONS

The problem of poor performance and instability in Nigeria economy is mismanagement and corruption. This paper has shown the importance of monetary and fiscal policy as tools used to maintain economice stability in the Nigeria economy. The findings indicate that there exist a positive linear relationship between money supply and income (GDP). Important instrument

2053-2199 (Print), 2053-2202(Online)

in promoting economic stability in the economy. Its influences on the economi in spite of factor militating against it. There should be a commitment to pragmatic approach in deals.

This policy serve as measure to control price, and help in maintaining growth and development in a country's economy. It explains the challenges and suggested solutions.

REFERENCES

Adedeji A. (1993). SAP Debts and third world text
Adesoye et al (2012). Economy stability and external balance.
Ajisafe and Folomiso (2002). Annual series report.
alternative exchange rate regimes. A postulated empirical macro model approach. Central Bank of Nigeria.
Asogu (1998). Modified version of St. Louis.
Busani T.D & Olayiwola K.W(1999). Stabilization policy in Nigeria under
CBN (2010). Monetary policy for implemention framework outcome.
Chukwu A.C (2009) meaning policy implementation framework outcome retrieved from www.cenbankorg/out/eduserver 14/4/2010
Folamewo & Osinubi (2006). Growth and sustainable development.
Folamewo A.O & Osinubi T.S (2006). Monetary policy and macroeconomics instability in Nigeria: A rational expectation Approach. Journal of social science.
Okonjo Iweala and Osafokwako P. (2007) Nigeria Economic reform progress and challenges, Global Economy and development programe the bookings working paper No.6.
Retrieved from www.cenbank.or/out/eduseries.
Uchendu (2009) monetary policy management in Nigeria is context of uncertaining http/www.naijalawa.comwp.contentupload 19/5/2010.

2053-2199 (Print), 2053-2202(Online)