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MONETARY POLICY TRANSMISSION MECHANISM IN NIGERIA: AN OVERVIEW

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Abstract

The paper highlights monetary policy transmission mechanism in Nigeria focusing on empirical studies and happenings in the country that retarded the efficiency of the Central Bank of Nigeria over the years in the pursuant of effective transmission mechanism. The empirical reviews from studies show that interest rate, credit channels and exchange rate are among the channels of monetary policy transmission to the economy. It also highlights some of the problems that imposed a serious debility to effective transmission in Nigeria The authors made some suggestions for improvement, among which include: the Central Bank must persevere legally, morally and otherwise to make the economy a cashless one. The low patronage of banking services by many Nigerians is a stumbling block in effective control of money supply which has contributed to incessant inflation in the country; any form of disguise or indirect interference by the government has to be put to an end; and the instruments of monetary policy such as interest rate and exchange rate that are known to be effective in some sectors should be properly managed and monitored.

Keywords: Mechanism, Monetary, Overview, Policy, Transmission

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INTRODUCTION

All over the world, monetary policy has played significant role in repositioning economies. This is because of the application of various instruments that eventually touch relevant macroeconomic variables such as output, resource utilization, assets prices, credits, inflation amongst others. In Nigeria, monetary policy really encompasses those rules and regulations designed by the apex monetary authority in collaboration with the Federal Ministry of Finance aimed at sufficient regulation and control of money supply, interest rate and credit availability with a view to attain the goals set up by the government. Anyanwu (1993) posits that monetary policy is an indispensable economic weapon of stabilization which involves different measures articulated to regulate and control the quantum, cost, availability and direction of money and credit with the sole purpose of achieving some predetermined macroeconomic goals. Really, the attainment of this intention has to do with the existing transmission mechanism and the modus operandi capable of touching effectively on appropriate macroeconomic variables, thereby stabilizing the economy and impacting on economic growth and development.

Economists have paid much attention on the monetary transmission mechanism over the years. One of the basic concerns is to have a good grasp of the ways monetary policy affect the entire economy so as to take appropriate steps in ensuring positive results. For instance, the nature of the Nigerian economy that is devoid of 100 percent banking activity requires proper monitoring of the economy by the monetary authority. More so, it is imperative to also know the impact of monetary policy on asset prices, firms' productivity amongst others with the intention to adjust at the right time. In addition, to ensure a well design policy instrument, it becomes relevant to assess the timing and effect of policies on the economy. Just as Bovin et al (2010) posit that in order for the policy maker to make proper assessment of an economy, the knowledge of the mechanism by which the monetary policy impacts on the real economic activity and inflation is indispensable.

Monetary policy transmission mechanism involves the process by which changes in monetary decision of the monetary authority affects the rate of economic growth and inflation rate. A sound grasp of the monetary transmission mechanism is essential for the successful design of inflation targeting. This is because changes in interest rate affect aggregate demand and inflation through effects on macroeconomic variables such as the real cost of capital, bank credit, the exchange rate, household and corporate balance sheets; wealth and monetary aggregates (Mukherjee and Bhattacharya, 2011; Taylor 1995).

Monetary transmission involves effective policy action. In his view, Cecchetti (1995) points, a policy action is a change in the nominal supply of money in circulation. In order to achieve that the apex bank controls the assets that is both in demand and for which there is no

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perfect substitute, and prices must fail to adjust fully and immediately. Or else, a change in the nominal quantity of outside money cannot have any impact on the real interest rate, and will have no real effect.

In the frame work of Keynesian on the effect of monetary expansion on economic aggregates, Ndubuisi (2006) notes that increase in money supply leads to excess supply of money over the demand at the period. This in turn brings about increase in investment in financial assets such as bonds, thereby leading to a fall in interest rate. But investment is interest elastic, so the fall in interest rate encourages more investment which leads to aggregate demand and consequently impacting positively on real income, output and employment. The changes in the variables bring in more aggregate demand which triggers price level to rise, and this situation will impact on supply of labour increase that will promote output of labour. On the other hand, the rise in price leads to increase in normal income which raises the transactions demand, and brings about a fall in demand for bond owing to a decline in speculative demand for money. Hence, interest will rise bringing down investment, aggregate demand, income, output and employment.

However, Ireland (2005) posits that the specific channels of monetary transmission function via the impact the monetary policy has on interest rates, exchange rates, equity and real estate prices, bank lending and firm balance sheets.

Theoretically, the traditional channels of monetary policy transmission mechanism are focused on key macroeconomic variables such as investment, consumption and international trade reactions. The Neoclassical works of Jorgenson (1963) ,Tobin, (1969) dwelled on investment; Brumberg and Modigliani (1954), Ando and Modigliana (1963) and Friedman (1957) focused on the life cycle and permanent income hypothesis of consumption ; Fleming (1962) and Mundell (1963) models considered the effect on the international IS/LM. Each articulated the influence on the macroeconomic scene resulting from policy impacts.

Boivin et al (2010) note that the most traditional channel of monetary transmission affecting macroeconomic variables involve the effect of interest rates on the cost of capital and consequently on households investment expenditure such as residential and consumer durables investment. Jorgenson (1963) has it that investment which is influenced by cost of capital is the major determinant of the demand for capital for investment in goods, residential housing or consumer durables. Consumers' consumption expenditure is a function of lifetime resources that includes wealth from stock, real estate and/or other assets. In this regard an expansionary monetary policy such as reduced interest rates will on one hand arouse assets demand which triggers prices increase in and also lowers the discount rate for income and service flows related to stocks, homes, and other assets pushing their prices. Consequently,

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aggregate wealth will stimulate consumption by economic agents and aggregate demand (Brumberg and Modigliana (1954); Ando and Modigliana (1963).

Worthy to note is when the apex bank lowers the interest rates, the return on local assets decline vis a-vis foreign assets. The effect is that the cost of local assets in comparison with other value of assets falls, and lowers the currency of the local economy. This makes output of the local economy relatively cheaper than foreign goods and so resulting to a rise in export. This is an injection into the economy which increases aggregate demand, thereby impacting on income, output and employment. So, the exchange rate which is a tool of monetary policy plays a remarkable role on the way monetary policy impact on the economy.

However, in Nigeria the persistent rise in prices of goods and services gives room to question the efficiency and effectiveness of the monetary policy transmission mechanism. Available data show that between 1970-74 inflation stood at 10.28, 1975-79, 19.74, 1990-94, 23.84, 1995 – 99, 25.44. CBN reports also pointed that by 2001, inflation rate was 18.9 percent, fall slightly to 12.90 percent in 2002, rose to 14.00 and 15.4 percent in 2003 and 2004 respectively. By 2005, it was 17.9 and it fell to 8.5 and 6.6 percent in 2006 and 2007 respectively. By 2009 inflation rate stood at 12.0 percent. In March 2012, core inflation was 15.0 percent. This persistent rise in prices has really affected the living standard of the people as the real income of the people is made to fall (CBN, 2003; Ukoha 2007; Uma et al, 2012).

In this paper, it is our intention to give an over view of the monetary policy transmission mechanism in Nigeria with a view to suggest way forward. The paper is presented thus: section two is some transmission channels; monetary transmission mechanism in Nigeria is the section three; problems of monetary policy transmission mechanism is the fourth section while section four is the way forward and conclusion.

SOME TRANSMISSION CHANNELS

Basically, the channel of monetary policy is concerned with the changes associated with the alteration of money supply and the effects on prices of goods and services, output of sectors and employment. Positive changes in aggregate demand in the country do reposition production level, employment and wages which in turn reflect on prices. The monitoring of the extent of policy transmission is imperative so as to take adequate measures in avoiding adverse effects which is inimical to the growth and development of the economy. Given the Keynesian channel of monetary transmission and that of neoclassical, in this context, it is necessary to examine the channels of transmission mechanism of key instruments such as interest rate, credit, exchange rate, asset prices and inflation expectation.

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Interest Rate Channel

The Monetary Policy Rate (MPR) is the official interest rate in use in Nigeria by the apex bank in 2006. Prior to this period, the Minimum Rediscount Rate (MRR) was in use. The country witnessed instability on the official interest rate due to changes over the years. However, in the year 2000 there was a relative volatility of the official interest rate, but in 2004 and 2005 there was a relative stability in the interest rate. Given this situation, the commercial banks experienced instability in their lending rate between 1999 Q1 to 2007 Q4 and it was more volatile than the apex bank's interest rate. The volatility was highly conspicuous in 1999, 2001, 2003, 2004 and 2005. However, prime lending rate has witnessed instability since after consolidation of 2005, post-consolidation period of 2007 and this period (Ndekwe, 2013).

Firms and investors react in a way given the instability in lending rate. High interest rate raises the cost of investment given that interest rate is inversely related to investment. Bature (2014) notes that economic agents who are confronted with higher real cost of borrowing resulting from contractionary monetary policy usually cut down borrowing and then consumption which in turn reduces aggregate demand, output and employment. On the other hand, an expansionary monetary policy has the effect of encouraging investment, income generation, output and employment of resources. So, Nigeria has witnessed low investment over the years resulting from volatility of both apex and commercial banks interest rates.

The interest rate channel is supported by empirical studies. For instance, recent studies by Nwosa and Saibu (2012) asserted that interest rate channel of transmission is very strong in impacting on the productive sector of the Nigerian economy. Ishioro (2013) added that negative monetary shocks pose a constraint to the banking system's capability to dispose deposits, and consequently, demand for bonds rise while demand for money declines. So, non-fully adjustability of price leads to a fall in real money balances causing interest rates to rise and increasing the cost of capital. Fall in investment lowers both aggregate demand and output

Credit Channels

The credit channels are associated with the bank lending and the bank balance sheets transmission mechanism. Credit channel is made up of factors that assist and support the effect of interest rate. It is linked with the commercial banks and an augmentation mechanism. However, lending rate is taken to be less important in this respect if the demand for bank deposits is highly elastic. A rise in Treasury bill rate has a way of moving deposits out of banking system, thereby affecting aggregate demand through accessibility of credit instead of through cost. This bank lending rate transmission shows the great role banks play in the financial system in that they offer bank deposits which add to the aggregate broad money

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supply and they hold various assets and give loans to different classes of borrowers. So, the contractionary monetary policy usually reduces bank reserves and bank deposits give impacts through its effect on the borrowers. The availability of banks loans can be regulated by raising reserves requirements with the aim of lowering total quantity of commercial bank assets. Besides, the Central Bank of Nigeria can engage in open market sales of treasury bills and government development stock. This action has the power of reducing commercial banks' reserves considering the fact that depositors will prefer and switch over to lucrative financial assets and lessen commercial banks deposits (Mishkin, 1995; Ishioro, 2013; Bature, 2014).

Studies by Li (2000) and Repullo and Suarez (2000) have shown that expansionary monetary policy raises bank lending and aggregate investment; reduce the spread between rates charged to borrowers and risk-free rate and result to a movement or shift in the offering of credit to more risky firms. In other words, monetary expansion can bring a liquidity effect that increases credit to households and raises aggregate economic activity.

Suffice it to note that the balance channel of monetary policy hinges on contractionary or expansionary policy impacts that is not only on market interest rates but also on financial positions of borrower directly or indirectly. Contractionary policy adversely affects borrowers in that raising interest rate will increase interest expenses, lowering net cash flows and damnify the borrowers' financial power. In the same vein, raising interest rate will bring a fall in asset prices thereby lessening borrowers' collateral. This situation also reduces the purchasing power of consumers and consequently reduces firms' total revenue due to low demand. Consequently, firms' fixed or quasi-fixed cost are affected as they cannot adjust in the short run, and so this gap reduces the firms' net worth and credit worthiness. So, the balance sheet channel functions via the net work of business firms (Bernanke and Blinder 1988, 1992).

Exchange Rate Channel

In actual fact, any change in the exchange rate impacts on spending pattern of the people, firms and ultimately on goods and services. In a flexible exchange rate regime which is determined by the market forces and an expansionary monetary policy will lower the domestic currencies and raise the prices of imported goods and services. The output, employment and resources utilization can be influenced by exchange rate transmission depending on the degree of openness of the economy and the exchange rate arrangement. Studies have shown that exchange rate channel operates through aggregate demand and aggregate supply which is more effective under flexible exchange rate regime and the channel involves interest rate effects. A rise in domestic real interest rate, then domestic deposits is more lucrative in comparison to deposits denominated in foreign currencies and deposits which give rise to a rise

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in exchange rate and consequently a fall in the net export and output. A fall in the domestic currency's purchasing power will bring about proportional currency depreciation in the foreign exchange market under purchasing power parity (Taylor, 1995; Mishkin, 1995; Obstfeld and Rogoff, 1995; Krugman and Obstfeld, 2000).

Asset Price Channel

In this channel of transmission, contractionary interest rate (raising interest rate) makes bonds relatively less profitable to equities forcing equities prices to fall. It can be inferred that reducing equity prices leads to a decline in q (the ratio of market value of firms to the replacement cost). Tobin q theory (1969) refers it (q) as the market value of firms divided by the replacement cost of capital. The equity price channel is sub-divided into two which are investment effect due to Tobin's quantity theory of money and wealth effect on consumption and Modigliana's life cycle income hypothesis. So, lowering investment expenditure brings about reaction on asset price channel of monetary transmission mechanism, specifically on wealth effect of consumption. Modigliana (1971) in his life-cycle hypothesis of consumption, points that wealth is the major determinant factor of consumption expenditure in any economy. But financial wealth is an important aspect of stock and so transmission channel is linked to interest rate relationship with asset prices, specifically common stock. A fall in stock prices leads to a decline in financial wealth and consequently lowers the lifetime resources of household, thereby reducing consumption. In other words, when asset price is falling it affects aggregate demand in two ways. One is that long term interest rate and value of housing and financial assets such as stocks and bonds will fall, which in turn reduce financial wealth and adversely affect household consumption. Two is that lower prices of financial assets reduce the market value of firms compared to the replacement cost of capital which retard investment demand. So, the channel of monetary policy transmission is that regulation of interest rate inform of contractionary approach brings a fall in stock prices thereby impacting on the other sub-channel of transmission mechanism in the other assets prices channel (Mishkin 2001; Mukherjee and Bhattacharya, 2011).

Expectation Channels

This channel is not independent and it plays significant role in an effective transmission mechanism. There is expectation of changes in private wages and prices since these can accelerate alteration of nominal demand with respect to central bank policy and impact on the delay to inflation decline. Expectation channel centres on private sector's anticipation about future related variables. The expectation channel sees all variables as having inter-temporal or short term mutual effects and so they are determined in a forward-looking approach since they are influenced by the economic agent's conviction about future shocks to the economy and how the apex bank responds to them. The expectation channels are short period reciprocity perception of the static interest rate, asset prices, exchange rate and monetary credit mechanisms. A typical example is that suppose there is public awareness on the future policy of apex bank, not yet backed with existing policy. This pronouncement does impact on real activity by changing market expectations which will trigger changes in current money and assets markets and ultimately result to changes in output and inflation. Nevertheless, this operation is a function of few factors such as the extent of apex bank credibility. So, a higher level of credibility will result in more anticipation effects of monetary policy and vice versa. Besides, is the extent of predictability of apex bank actions which its improvement bothers on raising transparency and a sound policy dissemination to the public. Lastly, it's a known high level of commitment to changing its tools of influencing the economy constantly has a way of encouraging the influence of expectation channel (Persson and Tabellini, 1997; Loayza and Schmidt-Hebbel, 2002; Mohanty and Turner, 2006).

All the aforementioned demonstrates the transmission channels depending on the development of the country and the institutional frame work. Countries have unique transmission mechanism and not a uniform channel. A very open economy with developed money and financial market has more channel of transmission than an underdeveloped economy with weak institutional arrangement. Whatever channel of monetary policy transmission mechanism dominant in a country, the apex bank has the responsibility of adequate policy implementation and monitoring to ensure stability, improved aggregate economic activity and sustainable growth.

MONETARY TRANSMISSION MECHANISM IN NIGERIA

The major key player in influencing the Nigerian economy is the Central Bank of Nigeria (CBN). CBN (1996) points out that the Nigerian financial system comprises the regulatory/supervisory authorities. The CBN is at the apex, principal regulator and supervisor in the money market, with the Nigerian Deposit Insurance Corporation (NDIC) playing complementary role. Actually, the promulgation of the CBN Decree 24 and Banks and Other Financial Institutions (BOFI) Decree 25, both of 1991, gave the Bank more flexibility in regulating and supervising the banking sector and licensing finance companies which was not so before. The CBN , apart from designing and implementing policies with a view to help in the development and growth of the country always pursue her universal goals of maintaining monetary stability through strengthening the real sector. Although the real sector in Nigeria has peculiar features due to the nature of the

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economy and low banking consciousness. Ndekwu (2013) notes that the Nigerian economy is far separated from the monetary and financial sectors and sometimes manifest an elusive feature in monetary management. This is on the basis that the growth in financial sector resulting from liberalization left the real sector behind.

CBN (2013) notes that the monetary policy strategy, is anchored on the attainment of internal balance and external viability. This is the intention of the Monetary Policy Committee that employs appropriate instruments of monetary policy to effect changes in the liquidity of the deposit money in the banks to influence the supply of money and regulates the financial institutions interest rates so as to affect all spending in the economy. Mordi (2009) notes that monetary policy is a blend of measures and/or set of instruments designed by the Central Bank to regulate the value, supply and cost of money consistent with the absorptive capacity of the economy or the expected level of economic activity without necessarily generating undue pressure on domestic prices and the exchange rate. Low and stable inflation has been pursued by the Central Bank. This is because of the unfavourable costs it has in the economy. So, the intention of monetary authority is aimed at counteracting undesirable distortions in macroeconomic variables.

Studies have shown various channels of monetary policy influence in Nigeria, also the effective channels of transmission and weak channels. In their study, Nwosa and Saibu (2012) employed granger causality and Vector Auto-regressive method of analysis of transmission of monetary policy on sectorial output using a time series data from 1986-2009. They concluded that there are two channels of transmission mechanism in the study. The interest rate was found to be responsible for transmitting monetary effect on agriculture and manufacturing sectors while the exchange rate has greater effect in transmitting monetary impulse to the building, construction, mining, wholesale and service sectors. He therefore concluded that differences in monetary policy transmission channels to sectors portray the constraints debilitating uniform and economic wide monetary policy in Nigeria. This led to policy implication of the adoption of a specific policy based on the strength and relevance of the sector with respect to the entire monetary policy mechanism. Emphasis of monetary policy transmission should focus on interest rate as essential to stimulate output growth while the exchange rate channel is required in encouraging production in output of agriculture, manufacturing, building, construction, mining, wholesale and service sectors.

In a similar vein, Ditimi et al (2011) appraised monetary policy effect on macroeconomic variables and the development of Nigerian economy using ordinary least square method. They found that monetary policy has a significant impact on exchange rate and money supply and also that monetary policy transmission has a significant impact on price stability. The study

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therefore discouraged excessive expenditure by the government and the need for the alignment of the fiscal policy with the monetary policy measures so as to enhance the attainment of macroeconomic objectives.

In his analysis of the effect of monetary policy innovations in Nigeria, Chuku (2009) used structural vector auto-regression model and examined the effect of shocks of monetary policy on output and prices. The study focused on three policy instruments- broad money, minimum rediscount rate and the real effective exchange rate. He found that monetary policy innovation performed on broad money has modest effects on output and prices with high speed of adjustment; whereas the innovations on minimum rediscount rate and real exchange rate have neutral and momentary effects on output. This led to the conclusion that adjusting and effecting changes in the broad quantity of money is the most effective instrument for the monetary policy exercise. However, Fasanya et al (2013) study shows that inflation rate, exchange rate and external reserve are the important monetary instruments that promote growth of the Nigerian economy.

In addition, a study of transmission mechanism of monetary policy in Nigeria by Ndekwe (2013) found that the credit channel in the financial market for the supply of credit to private sector gives the most great effect in the way monetary policy transmit to the economy. He also realized that interest rate and exchange rate channels at the period 1981-2008 have weak effect on the real economy.

PROBLEMS OF MONETARY POLICY TRANSMISSION

A developing country such as Nigeria has myriad of problems that in various ways debilitate smooth transmission of monetary policy. Regulation of money supply has never been easy given the nature of the economy and the role of the government officials. The economy has witnessed varieties of instability due to management of interest rate and other policy instruments. This has impacted adversely on inflation control which called for questioning on the effectiveness of monetary policy in reducing inflation. The low banking activity of many Nigerians has a debilitating effect on the activity of the apex bank in achieving a desirable effect. Effective regulation of money supply is really difficult when over 40% of the population have no bank account in any bank in Nigeria. Distress of banks in the past and ugly experiences of depositors contributed to this non-chalant attitude of many Nigerians, thereby resulting in lack of confidence.

Ishioro (2013) posits that the essence of the Central Bank of Nigeria formulating and implementation of monetary policy is aimed at on how to achieve the macroeconomic goals of low inflation, interest rate and exchange rate regulation and sustainable growth and

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development. He sadly noted that the real sector of the Nigerian economy has poorly performed in terms of low inflation, unstable interest and exchange rates and consequently low sustainable economic growth.

This situation hinges on the peculiar nature of the Nigerian economy that is dominated by rural areas which are devoid of efficient banking sector and the interference of the government on the apex banking operation. It is also pertinent to mention that the high rate of crimes and insecurity of lives and property has its bit of constraints in the implementation of monetary policy in Nigeria. More so, prior to Structural Adjustment Programme (SAP), monetary policy instrument such as interest rate, liquidity ratios of banks and credit allocation were mainly used to support the fiscal operations of the existing government. The independence of the Central Bank of Nigeria was still unattainable. Consequently, the major monetary regulatory role of the Central Bank was thwarted by the Nigerian government decisions on fiscal activity. The whims and caprices of the government were pursued at the detriment of effective monetary policy implementation.

Ndekwu (1983, 1990) points that monetary policy was just designed to satisfy the fiscal operations of government and to allocate inflationary pressures and exchange rate regulation in operation was specifically for the control of capital movement with respect to foreign exchange resources. Instead of exchange rate to be managed to transmit in the economy, government directed what transpired. This action weakens effective monetary transmission mechanism in Nigeria. The period of Structural Adjustment Programme (SAP) brought deregulation in the economy that brought about more banking businesses and growth of financial institutions but in early 1980s and 1990s, many banks experienced distress and bankruptcy which send many banks and financial institutions out of the economic activity, thereby impacting adversely on the ability of the apex bank to effectively manage the entire financial system. The experience of bank customers at the period contributed to the non-chalant attitudes of many customers to operating bank accounts which has retarded efficient control of money supply.

The inefficient operation of the banking sector devoid of information communication technology had its adverse effect which later developed giving room for efficiency and effective banking operation domestically and internationally. Post consolidation of bank brought with it a lot of changes such as stabilization of money market rate; proper liquidity management approach and replacement of minimum rediscount rate with monetary policy rate. Improper supervision which gave rise to some features in the banking sector affected financial operation in the financial system. A situation where borrower could not pay back imposed challenges to the apex bank in 2009 which led to actions such as 'bail out' to remedy the situation and also embark on activities to avert such happening such as proper supervision and guide lines.

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However, it can be stated that the Central Bank of Nigeria has delved into different approaches to ensure fulfilling the objectives establishing it in spite of weak institutional frame work and inability of the financial markets to play required roles. The performance of monetary operation and its transmission to the economy has experienced difficulties since the military regime until this present period. From the overall changes over the years, it can be said that the apex bank have taken full responsibility of sustainable growth of the economy more preferable to what transpired over twenty years ago. Reforms and consolidation of 2005 greatly ushered in remarkable changes.

WAY FORWARD FOR EFFECTIVE MONETARY POLICY CHANNEL OF TRANSMISSION

In consideration of the channel of monetary policy transmission in Nigeria over the years which can be inferred as ineffective in sustaining growth and stability given the circumstances that impeded the achievement of this lofty goal and frequent inflation, it is our view that efforts are required in the following direction for a better effect.

1. The Central Bank must persevere legally, morally and otherwise to make the economy a cashless one. The low patronage of banking services by many Nigerians is a stumbling block in effective control of money supply and has contributed to incessant inflation in the country. In other words, the confidence of banking services consumers must be restored to discourage keeping of huge amount of cash at home.
2. Any form of disguise or indirect interference by the government has to be put to an end. The autonomy of the Central Bank of Nigeria has to be strictly adhered to by all arms of government. The effect of interference in the past played a significant ugly role in the pursuant of effective central banking in Nigeria in recent time.
3. Instruments of monetary policy such as interest rate and exchange that are known to be effective in some sectors should be properly managed and monitored to enhance the economic activity of the sector (s). This implies effective surveillance of instruments' roles with a view to change or adjust as the situation demands.
4. It is imperative that concerted effort is made to put to an end insecurity of life and properties in the country. Bank robbery has imposed severe constraints in effective banking operation in Nigeria.
5. Strict compliance of guide line by financial institutions must be pursued in all ramifications to ensure positive results from all quarters.

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CONCLUSION

The paper has highlighted the channels of monetary policy transmission mechanism to an extent, and specifically in Nigeria considering situations in the past and empirical findings by few researchers. It is obvious that all the articulated channels of transmission are yet to be effective considering empirical results and nature of the economy and much interference by the government in the recent past. It is envisaged that to encourage sufficient impact of monetary policy on inflation rate and the economy debilitating factors have to be addressed. Besides, credit channel in the financial market and interest rate must be manipulated from time to time to accelerate aggregate economic activity since they are known to play important role in the monetary policy transmission mechanism in Nigeria.

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