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**EFFECT OF MONEY SUPPLY ON ECONOMIC GROWTH IN NIGERIA (1990-2020)**

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**ABSTRACT**

Every economy strives to achieve the highest potential level of economic growth and development over time. However, the continuous increase in money supply has been arguably identified as the major cause of high inflation with damaging effects on the economy. Thus, the study examined the trends of money supply and economic growth in Nigeria. It also determined the effect of money supply on economic growth; and determined the direction of causality between money supply and economic growth in Nigeria. These were done with the view to examining the relationship between money supply and economic growth in Nigeria. Annual secondary data from 1990 to 2020 on economic growth proxied by Gross Domestic Product (GDP), money supply proxied by M3, interest rate, exchange rate and investment proxied by gross capital formation were sourced from Central Bank of Nigeria Statistical Bulletin, 2020 Edition. Data collected were analysed using Descriptive analysis such as tables, graphs; and econometric techniques such as the Ordinary Least Square (OLS) method and Granger causality tests. The result showed that economic growth faced an upward movement while the trend of money supply was positive and followed an upward trend in Nigeria during the study period. In addition, the result showed that money supply has a significant positive effect on economic growth in Nigeria at 1% level of significance (t = 3.11; p < 0.01). Finally, the result showed a uni-directional causal relationship running from money supply to economic growth in Nigeria. Therefore, the study concluded that money supply is crucial for achieving economic growth in Nigeria.