MONETARY FISCAL POLICY COORDINATION AND LONG-RUN ECONOMIC GROWTHSUSTAINABILITY IN NIGERIA: AN EMPIRICAL ANALYSIS

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Abstract
This study examines the dynamic impact of monetary fiscal policy coordination on thelong-run growth trajectoriesin Nigeria based on annual data from 1980 to 2023. Anchored on Monetarist principles, and Fiscal Theory of the Price Level, itemployed real gross domestic product as the dependent variable and total annual revenue, total government expenditure, monetary policy rate, broad money supply, and exchange rate as key explanatory variables. Autoregressive Distributed Lag approach was applied to capture both short-run and long-run effects, complemented by structural break tests. Empirical results indicate that 1% increase in total annual revenue and broad money supply corresponds to approximately 29.9% and 50.7% increase in real gross domestic product respectively, while 1% rise in monetary policy rate and total government expenditure reducereal gross domestic product by 5.1% an 69.9% respectively. Excessive government expenditure beyond revenue negatively affected growth, confirming fiscal inefficiencies. 1% increase in exchange rate increases real gross domestic product by 0.6%. Exchange rate fluctuations exhibited dual effect, supporting export competitiveness, while exerting inflationary pressures. The findings highlight that weak coordination between fiscal and monetary authorities undermines macroeconomic stability and long-run growth sustainability. This study fills a critical gap in Nigerian literature by explicitly quantifying the effects of monetary–fiscal policy coordination on growth sustainability, an area previously limited to separate analyses of fiscal

or monetary policy. The results underscore the need for strengthened institutional coordination, evidence-based fiscal discipline, and calibrated monetary interventions to achieve resilient and inclusive economic development in Nigeria.

Keywords: Economic growth sustainability,monetary–fiscal policy coordination, macroeconomic stability, nigeria,real gdp
Jel Classification:E52, E62, E63, O40

1.0 Introduction

In Nigeria, macroeconomic management has historically relied on two key policy instruments: the monetary authority - typically a nation's central bank - utilises instruments such as interest rates, money supply, and credit controls to influence inflation, price stability, and liquidity conditions. Conversely, fiscal policy determined by the executive and legislative arms of government affects aggregate demand through government spending, taxation, and borrowing (Odili,Ezeudu, &Nwadike, 2019; Anachedo et al., 2022). These policies are designed to achieve macroeconomic stability, maintain price stability, stimulate investment, and ultimately promote long-run economic growth.In theory, when these two policy arms are aligned and mutually reinforcing - a situation described as monetary-fiscal policy coordination - countries are better positioned to achieve sustainable economic growth, manage inflation, and mitigate macroeconomic instability (Ali, Sunday, & Gaya, 2025; Madueke et al., 2024). However, the practical application of coordinated policy remains a persistent challenge in Nigeria, where institutional weaknesses, policy conflicts, and structural economic constraints often polarise monetary and fiscal objectives.

The Nigerian economy provides a compelling case study of monetary-fiscal coordination dynamics because of its recurrent macroeconomic instability, high inflation volatility, and dependence on oil revenues. Over the last two decades, Nigeria's fiscal position has been vulnerable to international oil price shocks, resulting in widening deficits and public debt burdens that constrain fiscal policy's effectiveness (Odili,Ariwa,. &Ezeudu, 2024;Nyiputen, Abijia, &Chinedu, 2025). At the same time, the Central Bank of Nigeria (CBN) has periodically adjusted interest rates and monetary aggregates in attempts to control inflation and stabilise the foreign exchange market. Yet, without a deliberate framework to align these efforts with government expenditure and revenue objectives, policy outcomes often fall short of achieving sustainable growth and price stability targets. Theoretical and empirical literature also underlines the broader implications of coordination for sustainability.

Researchers emphasise the importance of effective coordination because unaligned policies can generate contradictory signals to investors and households, undermining economic sustainability. For instance, expansionary fiscal spending undertaken without regard to monetary conditions can fuel inflationary pressures that countermand the central bank's stability objectives.Nigeria has experienced persistent fiscal deficits due to high recurrent expenditures and infrastructure deficits. Deficit levels averaged 3-6% of GDP in recent years, occasionally exceeding the Fiscal Responsibility Act threshold of 3% (Odili, et al.,2024). Public debt has increased steadily, reaching about 35% of GDP in 2023, raising concerns about debt sustainability and fiscal space for developmental spending. Deficit financing has often been accommodated by the Central Bank, exacerbating inflation and exchange rate pressures (Nyiputen et al., 2025).

The Central Bank of Nigeria (CBN) follows an inflation-targeting framework but also pursues multiple objectives, including exchange rate management and financial system stability. The Monetary Policy Rate (MPR) has fluctuated significantly, ranging between 12% and 16%, reflecting efforts to contain inflation and stabilize the naira (CBN, 2022). Monetary policy

effectiveness is frequently compromised by fiscal policy spillovers, reflecting weak coordination and institutional constraints (Onoh&Longe, 2016; Odili, et al.,2019). The Nigerian naira has experienced sharp depreciation, especially after the 2016 recession and during oil price downturns. Exchange rate volatility has heightened uncertainty, negatively affecting investment and import-dependent sectors. Multiple exchange rate regimes and occasional capital controls have complicated monetary policy implementation. Institutional overlaps, weak policy frameworks, and political economy factors have hindered effective coordination between the Ministry of Finance and the CBN. Episodes of fiscal dominance and conflicting policy signals are recurrent, undermining macroeconomic stability and growth sustainability (Adam & Bevan, 2005).

Empirical studies examining the relationship between fiscal and monetary policies and long-run economic growth in Nigeria have produced mixed and sometimes contradictory results. For instance, Madueke et al. (2024) found that coordination between fiscal and monetary policies significantly influences economic growth in Nigeria, although many macroeconomic variables such as government expenditure, government revenue, and money supply exhibit statistically insignificant effects on growth. Similarly, Ali, Sunday, and Gaya (2024)used the autoregressive distributed lag (ARDL) framework to analyze fiscal–monetary policy coordination and economic growth in Nigeria and reported a long-run relationship between monetary policy variables and economic growth. Their results show that money supply and real interest rates positively influence economic growth, while some monetary policy variables exert negative effects, indicating complex interactions between policy instruments and economic performance. Other empirical studies emphasize the inconsistent role of monetary policy in promoting economic development. For example, Ayorinde (2025) found that key monetary policy indicators such as money supply, exchange rate, credit to the private sector, and inflation do not significantly influence economic development in Nigeria in the long run, suggesting weaknesses in monetary policy transmission mechanisms. Furthermore, recent research highlights asymmetric and nonlinear effects of fiscal and monetary policy instruments on economic performance. Using a nonlinear ARDL framework, Ifeacho (2024) shows, that fiscal expansion through government expenditure may exert contractionary effects on industrial output, while monetary expansion through broad money supply tends to stimulate industrial performance. Similarly, Opayinka (2025)reported that fiscal policy variables may have positive short-run effects on economic growth, whereas inflation exerts negative effects on economic performance in Nigeria.

These empirical findings reveal significant contradictions in the Nigerian literature. A critical limitation of many existing Nigerian studies is that they examine fiscal and monetary policies separately rather than analyzing their interaction or coordination. However, macroeconomic theory emphasizes that economic outcomes depend not only on individual policy instruments but also on how these instruments interact within the broader macroeconomic framework. The absence of coordinated policy analysis in many empirical studies therefore creates an important gap in literature.Another limitation of existing research relates to methodological constraints. Several earlier studies rely on static econometric models or conventional regression techniques that may not adequately capture the dynamic relationships among fiscal policy, monetary policy, and economic growth. Such approaches often overlook long-run equilibrium relationships, structural breaks, and policy interaction effects that are essential for understanding sustainable economic growth.Additionally, most Nigerian studies focus primarily on short-term macroeconomic outcomes, such as inflation control or output stabilization, rather than examining the broader

concept of long-run economic growth sustainability. Sustainable growth involves not only increases in GDP but also macroeconomic stability, resilience to shocks, and efficient allocation of resources over time. Consequently, incorporating a sustainability perspective into fiscal–monetary policy analysis is essential for understanding the long-term development trajectory of Nigeria.

This gap underscores the need for empirical research that not only evaluates the historical interplay of monetary and fiscal policy instruments but also proposes institutional innovations to enhance policy coherence and sustainability. The main objective of this study is to examine the effect of fiscal–monetary policy coordination on long-run economic growth sustainability in Nigeria.The specific objectives are to: to examine the effect of total annual revenue on the long-run sustainability of economic growth in Nigeria; assess the influence of total government expenditure on the level and sustainability of economic growth in Nigeria; determine the impact of the monetary policy rate on Nigeria's economic growth sustainability; evaluate the effect of broad money supply on economic growth and liquidity-driven expansion in Nigeria; andanalyze the impact of exchange rate dynamics on sustainable economic growth in Nigeria.This study therefore addresses the following research questions: how does total annual revenue (TAR) affect real gross domestic product (RGDP) in Nigeria?; to what extent does total government expenditure (TGE)impact on real GDP in Nigeria?; how does the monetary policy rate (MPR) influence real GDP growth in Nigeria?; how does broad money supply (BMS) influence real GDP in Nigeria?; and how do exchange rate (EXR) fluctuations affect real GDP in Nigeria?To empirically examine these questions, the study tests the following hypotheses: total annual revenue has no significant impact on real GDP in Nigeria; total government expenditure does not significantly affect real GDP in Nigeria; monetary policy rate has no significant effect on real GDP in Nigeria; broad money supply has no significant effect on real GDP in Nigeria; and exchange rate fluctuations do not significantly affect real GDP in Nigeria.This research critically examines how monetary-fiscal policy coordination affects economic growth sustainability in Nigeria, in terms of both theoretical underpinnings and empirical outcomes. It addresses the pressing question of whether deliberate coordination can bridge the gaps between monetary stability objectives and fiscal development goals, advancing Nigeria's quest for a resilient and inclusive economic growth path.

2.0 Literature Review

Conceptual Review

In Nigeria, monetary policy is conducted by the Central Bank of Nigeria (CBN) through instruments such as the Monetary Policy Rate (MPR), cash reserve ratio, and open market operations. From a theoretical standpoint, monetary policy influences economic activity primarily through the interest rate, credit, and exchange rate transmission mechanisms, which affect investment, consumption, and aggregate demand (Gali, 2015; Woodford, 2003). The effectiveness of monetary policy depends on financial market development, credibility of the central bank, and coordination with fiscal policy (Mishkin, 2019). Fiscal policy refers to government decisions on taxation, public expenditure, and borrowing aimed at influencing economic performance and redistributing income (Musgrave & Musgrave, 1989). Expansionary fiscal policy involves increased government spending or reduced taxes to stimulate aggregate demand, while contractionary fiscal policy seeks to reduce inflationary pressures by lowering public expenditure or increasing taxes (Blanchard, 2021). Monetary fiscal policy coordination refers to the alignment of monetary and fiscal policy actions to achieve shared macroeconomic objectives such as stable prices, sustainable growth, and debt sustainability (Leeper, 1991; Odili, et al.,2019). Coordination

implies that policy authorities internalise the effects of their actions on each other's objectives and adjust their strategies accordingly (Sargent & Wallace, 1981). The absence of coordination can result in policy conflicts, such as when fiscal expansion fuels inflation while monetary authorities attempt to tighten liquidity to stabilise prices (Alesina&Tabellini, 1987). According to Odili, et al., **(**2024), macroeconomic stability is best achieved when fiscal policy ensures long-run debt sustainability while monetary policy focuses on price stability, within a coherent policy framework. In developing economies, weak institutions and political pressures often hinder effective coordination, leading to macroeconomic volatility (IMF, 2023; Gali, 2015).

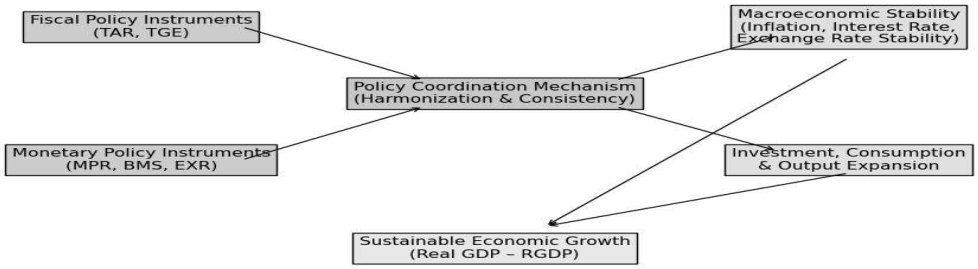
The theoretical literature identifies several frameworks explaining how fiscal and monetary policies interact in shaping macroeconomic outcomes.One widely recognized framework originates from the work of Leeper (1991), which distinguishes between active and passivepolicy regimes. In this framework, one policy authority takes the leading role in stabilizing the economy while the other accommodates the policy stance.For example:active monetary policywith passive fiscal policy**:** the central bank controls inflation while fiscal policy adjusts to maintain debt sustainability; andactive fiscal policy with passive monetary policy**:** fiscal decisions determine macroeconomic outcomes, while monetary policy accommodates fiscal expansion.The interaction between these policies determines macroeconomic equilibrium outcomes such as inflation, output, and debt sustainability. Recent research emphasizes that the effectiveness of macroeconomic stabilization depends largely on the consistency between these policy stances (Ding & Jiang, 2024). Another perspective emphasizes complementarity between fiscal and monetary policies. According to this framework, both policies work together to stabilize the economy and achieve macroeconomic objectives such as growth and price stability. For example, during economic recessions, expansionary fiscal policy can stimulate aggregate demand while accommodative monetary policy lowers interest rates and encourages investment.The complementarity framework is particularly relevant in developing economies where structural constraints limit the effectiveness of individual policy instruments. Coordinated fiscal and monetary policies can therefore enhance policy effectiveness and reduce macroeconomic volatility (Vitek, 2023).

A major theoretical debate in the literature on policy coordination concerns the relative dominance of fiscal or monetary policy in determining macroeconomic outcomes.Fiscal dominance occurs when fiscal policy decisions constrain monetary policy actions. In such situations, high public debt or persistent fiscal deficits may pressure central banks to maintain low interest rates or accommodate inflation in order to reduce the government's debt burden. This situation weakens central bank independence and undermines the effectiveness of monetary policy in controlling inflation (Leeper, 2016).Recent empirical research shows that fiscal dominance often arises during periods of high public debt and fiscal stress. Under these conditions, central banks may deviate from their policy targets in order to support government borrowing or stabilize financial markets (Gambarini et al., 2025). Fiscal dominance is particularly common in developing economies where government borrowing requirements are high and institutional constraints limit fiscal discipline. When fiscal dominance persists, monetary policy may lose its ability to control inflation effectively, leading to macroeconomic instability.Monetary dominance occurs when the central bank maintains full control over inflation and macroeconomic stabilization, while fiscal authorities adjust their fiscal policies to ensure debt sustainability. In this regime, monetary policy is the primary instrument for maintaining price stability, and fiscal policy plays a supportive role by ensuring that government debt remains consistent with macroeconomic stability.Monetary

dominance is often associated with strong institutional frameworks, credible central bank independence, and effective fiscal rules. In such systems, fiscal policy must adjust its spending and taxation policies to maintain consistency with monetary policy objectives.

The concept of sustainability in macroeconomic policy is often analyzed through established frameworks such as macroeconomic sustainability, fiscal sustainability, and sustainable development frameworks.Macroeconomic sustainability refers to the ability of fiscal and monetary policies to maintain stable economic conditions without generating excessive inflation, unsustainable debt levels, or financial instability. When macroeconomic policies are sustainable, they support stable economic growth and reduce the risk of macroeconomic crises (Al-Sawaie& Al-Qudah, 2023). Fiscal sustainability refers to the government's ability to maintain public debt at manageable levels without requiring drastic fiscal adjustments or generating macroeconomic instability. Monetary sustainability, on the other hand, refers to the central bank's ability to maintain price stability and control inflation over the long term.The integration of fiscal sustainability, monetary stability, and macroeconomic coordination forms the foundation for long-run economic growth sustainability.Empirical evidence shows that countries with stronger fiscal-monetary coordination frameworks achieve better macroeconomic outcomes and more stable growth paths (Alesina&Tabellini, 1987; Leeper, 1991). Thus, conceptual linkages suggest that effective monetary–fiscal coordination is a critical determinant of long-run sustainable economic growth in Nigeria.

Figure 1: Conceptual Framework
Source: Author's Computation, 2026.



The conceptual framework reflects the degree of alignment, consistency, and synchronization between fiscal and monetary authorities.Effective coordination ensures that expansionary fiscal actions are supported by accommodative monetary conditions, while contractionary policies are mutually reinforcing when macroeconomic stabilization is required. Through this harmonized interaction, policy coordination affects macroeconomic stability by influencing inflation, interest rate levels, and exchange rate movements. Stable macroeconomic conditions reduce uncertainty, improve investor confidence, and enhance the efficiency of resource allocation. Macroeconomic

stability subsequently promotes investment, consumption, and output expansion by lowering borrowing costs, stabilizing returns on capital, and encouraging private sector participation.
These transmission channels ultimately lead to sustainable economic growth, measured by Real Gross Domestic Product (RGDP). The framework therefore emphasizes that sustainable growth in Nigeria is not driven by isolated policy actions but by the strength of the interconnections and complementarities between fiscal and monetary policy decisions.

Theoretical Underpinning

The interplay between monetary and fiscal policy and its effect on sustainable economic growth can be explained through several macroeconomic theories, including Keynesian, Monetarist, Fiscal Theory of the Price Level, Endogenous Growth, and Policy Coordination theories.

Keynesian economics emphasizes active government intervention to regulate aggregate demand and stabilize the economy (Keynes, 1936). Fiscal policy, through government spending and taxation, directly influences aggregate demand, while monetary policy controls money supply and interest rates to affect investment and consumption. Coordinated fiscal and monetary policies ensure that expansionary or contractionary measures are complementary, reducing policy contradictions and enhancing macroeconomic stability (Blinder, 1982). In Nigeria, where government expenditure plays a significant role in the economy, such coordination is critical to sustaining economic growth (Ojo, 1992).

Monetarists assert that inflation is primarily a monetary phenomenon and fiscal dominance where fiscal deficits are financed by money creation undermines monetary policy's effectiveness (Friedman, 1968). Similarly, lack of monetary-fiscal policy coordination, result in inflationary pressure that destabilizes the economy. In the Nigerian context, persistent fiscal deficits financed by the Central Bank of Nigeria erode price stability, adversely affecting growth prospects (Sanusi, 2012).

Fiscal Theory of the Price Level (FTPL) argues that the government's intertemporal budget constraint, rather than solely money supply, determines the price level (Woodford, 2001). Unsustainable fiscal policy can make monetary policy ineffective in controlling inflation. Hence, fiscal solvency and credible coordination between fiscal and monetary authorities are essential for macroeconomic stability and growth sustainability (Adenikinju&Olofin, 2000;Odili, et al.,2019).

Endogenous growth theory highlights the importance of policy-driven investment in human capital, infrastructure, and technology as drivers of long-term economic growth (Romer, 1990; Lucas, 1988). Fiscal policy affects growth by channeling resources into productive sectors, while monetary policy influences capital accumulation via credit availability and interest rates. Coordinated policy enhances investment climate, fostering sustainable growth (Iyoha&Oriakhi, 2002).

Policy coordination theory suggests that macroeconomic outcomes improve when fiscal and monetary authorities internalize each other's objectives and collaborate (Dixit &Lambertini, 2003). Uncoordinated policies may lead to conflicts, credibility loss, and volatility. In Nigeria, coordination between the Ministry of Finance and the Central Bank is imperative for managing inflation, exchange rates, and growth sustainably (Adam & Bevan, 2005).

Although multiple macroeconomic theories explain fiscal and monetary policy interactions, this study is primarily anchored on the Monetary–Fiscal Policy Coordination framework, particularly

the active–passive policy regime theory developed by Leeper.In this framework, macroeconomic outcomes depend on whether fiscal or monetary policy is active(setting policy independently) or passive (adjusting to maintain macroeconomic stability). The theory identifies two key policy regimes:monetary dominance: monetary policy actively controls inflation while fiscal policy adjusts to maintain debt sustainability; fiscal dominance: fiscal policy determines macroeconomic outcomes while monetary policy accommodates fiscal expansion.Recent theoretical work shows that the interaction between these policy regimes determines macroeconomic equilibrium and policy effectiveness (Ding & Jiang, 2024). This theoretical framework is particularly relevant for studying fiscal–monetary coordination because it explicitly explains how policy interactions influence inflation, economic growth, and macroeconomic stability.

The variables used in this study are derived directly from macroeconomic theory.
Economic Growth (GDP Growth): Economic growth represents the overall performance of the economy and is the main outcome variable in macroeconomic models. In the IS–LM and New Keynesian frameworks, economic growth is determined by aggregate demand, investment, consumption, and policy interventions.

Money Supply / Monetary Policy Rate: Money supply and policy interest rates represent key instruments of monetary policy. In the LM curve and New Keynesian monetary policy rule, these variables influence liquidity conditions, credit availability, and investment decisions.
Government Expenditure: Government expenditure represents a major fiscal policy instrument affecting aggregate demand in the IS curve. Public spending can stimulate economic activity by increasing consumption and investment.These theoretical relationships justify the inclusion of fiscal and monetary policy variables in analyzing long-run economic growth sustainability.

Empirical Literature
Several studies on the relative impart of the effectiveness of monetary-fiscal policy mix on the Nigerian economy exist, such are:
Ifeacho (2026) studied fiscal–monetary policy asymmetric effects on industrial output in Nigeria from 1981 to 2023. The study employed Nonlinear Autoregressive Distributed Lag (NARDL) model. It discovered that fiscal and monetary policies have asymmetric effects on industrial output in Nigeria. Fiscal expansion (government expenditure) exerted contractionary pressures, while fiscal contraction improved output in the long run. Monetary policy was uneven: interest rate cuts did not significantly boost output, but broad money expansion consistently supported industrial performance. The study recommended that policy authorities should target balanced fiscal adjustments rather than indiscriminate expansion. Monetary expansions should be calibrated to support industrial growth without fueling instability. Ali, Sunday & Gaya (2025) examine monetary and fiscal policy coordination in Nigeria from 1985 to 2023 and employed Autoregressive Distributed Lag (ARDL) bounds testing techniques to estimate the chosen variables. The study revealed the existence of a long-run relationship between policy variables and economic growth. Money supply and real interest rates positively influenced growth. Monetary policy rate (MPR) and financial deepening had negative impacts on growth. The study recommends that government strengthen policy frameworks ensuring complementary stances of fiscal and monetary policies, address negative effects of high interest rates and weak financial deepening to improve macroeconomic performance. Mamman (2025) appraise coordination of fiscal-monetary policy for energy price shock management. The methodology employed was Bayesian Structural Vector Autoregression. The study found that coordinated contractionary fiscal and monetary policies are most effective for mitigating energy price shocks in oil-dependent

economies like Nigeria. it recommended the maintenance of fiscal discipline and actively align policy stances to manage external shocks while preserving output and price stability.

Odili, et al., (2024) adopted an integrative review research method and examined debt sustainability in the context of fiscal space and sustainable entrepreneurship development in Nigeria from 1999 to 2022. The integrative review covers previous empirical research findings, reports and documentaries from relevant organisations (Central Bank of Nigeria, National Bureau of Statistics, Debt Management Office, World Bank and its affiliated bodies like the IMF) on fiscal deficit and entrepreneurship development. The study found that government revenue declined over the years, while its fiscal spending rose. It further revealed that as of the end of the 2022 fiscal year, the debt/GDP ratio, debt/export ratio, debt service/export ratio, and debt service/budget revenue ratio were 38%, 73.9%, 9.02%, and 112%, against the recommended thresholds of 40%, 150%, 20%, and 30% respectively. Based on the thresholds debt/GDP, debt/export, and debt service/export ratios, Nigeria's debt is sustainable but cannot engender sustainable entrepreneurship development because debt service/budget revenue ratio of 81.1%, 92%, and 112% in 2020, 2021, and 2022 respectively, were too high, thereby constricting Nigeria's fiscal space and depriving the country of revenues needed to service debt and ensure gross fixed capital formation. This study recommends that the Nigerian government should diversify the economy by investing in agriculture, manufacturing and technology sectors to improve revenue generation and expand Nigeria's fiscal space. The government should monitor the tax authority's adherence to implementing tax incentives to agriculture, business start-ups and domestic infant industries to encourage entrepreneurship.

Madueke, Ozoh, Okeke&Anisiobi (2024) examine the Macroeconomic Effect of Monetary and Fiscal Policy Coordination on Economic Growth in Nigeria from 1985 to 2021 using multiple regression analysis to estimate the time-series data. The study recorded that Money supply, government expenditure, revenue, inflation, and exchange rate showed positive but statistically insignificant effects on growth. Monetary policy rate (MPR) was the only variable with a statistically significant impact on economic growth. Coordination between fiscal and monetary policy had a substantial and positive impact on growth. The study recommended that government should establish formal coordination frameworks and binding rules between fiscal and monetary authorities to improve macroeconomic outcomes. Mohammed, Sanusi& Mustapha (2024) assessed the impact of monetary and fiscal policy on investments in Nigeria from 2010Q1 to 2022Q4 based on Error Correction Model (ECM) using quarterly data. The study found that exchange rate, government expenditure, money supply, monetary policy rate, and public debt have both short-run and long-run relationships with investments. Government revenue had a negative and insignificant relationship with investment. The study recommended that the government and monetary authority should align fiscal and monetary policies to improve investment climate, particularly by stabilizing exchange rates and optimizing public expenditure.

Olurinola and Egbe (2024) analyzed the effects of Fiscal–Monetary Policy Interactions on Unemployment in Nigeria from 1985 to 2023. Secondary data with theoretical IS-LM framework were employed. It was found that the interaction of fiscal and monetary policy significantly impacts unemployment dynamics, suggesting co-dependence between macroeconomic policies and labor market outcomes. The study recommended a well-designed and coordinated macroeconomic policy packages to simultaneously address output and unemployment challenges.

Odili, et al., (2019) investigated the impact of fiscal and monetary policies on the Nigerian economy from 1981 to 2018. Multiple linear regression model comprising the dependent variables, real gross domestic product; fiscal variables (i.e., Government tax revenue and government expenditure) and monetary variables (i.e., monetary policy rate and broad money supply) was estimated. The study revealed that monetary policy rate and government expenditure impacted positively on the real GDP while government tax revenue and money supply impacted negatively on real GDP. Monetary policy instruments were not significant while fiscal police instruments were statistically significant in the long run in influencing the Nigerian economy. Monetary and fiscal policies measures however, jointly impacted significantly on the economy of Nigeria in the long-run. The study recommends harmonization between the fiscal and monetary policies by the monetary and fiscal authorities, with emphasis on channelling resources to where they are most needed. It further recommends that, Central Bank of Nigeria should operate moderate monetary policy rate which would force the banks to maintain affordable rate of interest on lending to increase borrowings for investment activities required to spur macroeconomic performance.

Table 1:
Synthesis f Reviewed Empirical Studies

Author(s)	Period	Variables	Method	Key Results	Economic Implication	Research Gap
Ali et al. (2025)	1985–2023	RGDP, MPR, BMS, TAR, TGE	ARDL	BMS & interest rates drive growth	Monetary & liquidity conditions matter	Limited focus on policy coordination and sustainability.
Madueke et al. (2024)	1985–2021	RGDP, MPR, BMS, TAR, TGE	Regression	MPR significant; others weak	Monetary policy has stronger effect	Weak modeling of dynamic policy interactions.
Nyiputen et al. (2023)	1980–2018	RGDP, Govtexp, revenue, money supply, MPR	OLS	Weak coordination effects	Coordination mechanisms underdeveloped	Simplistic methodology and limited theoretical integration.
Sokunbi et al. (2025)	1986–2023	RGDP, BMS, Govt rev, Govtexp, EXR	ARDL	BMS & revenue positive; expenditure ambiguous	Liquidity & revenue are key	Limited sustainability perspective.
Onuoha&Onyeji (2020)	1990–2017	RGDP & monetary/fiscal shocks	SVAR	Monetary shock raises output; fiscal shock inflationary	Monetary fiscal misalignment hinders growth	Focuses on sector output rather than long-run macroeconomic sustainability.
IMF (2026)	Cross-country	Debt, inflation, fiscal balance, MPR	Policy modeling	Strong coordination reduces volatility	Fiscal anchors improve outcomes	Embed fiscal anchors
World Bank (2025)	Cross-country	Growth, balances, debt, inflation	Panel & trend analysis	Policy uncertainty weakens growth	Macro rules enhance growth	Focuses on monetary and fiscal policy rules rather than coordination.

Source: Author's Computation, 2026.

Gaps and Contradictions: These studies especially Nigerian studies exhibit methodological limitations: reliance on static regression methods or aggregate regression frameworks that may not fully capture dynamic interactions; limited incorporation of structural breaks and dynamic policy coordination measures; and absence of measures for policy credibility and institutional quality, which are known determinants of policy effectiveness in developing economies. The conflicting results positive effects of monetary aggregates in some studies but insignificant or negative impacts in others highlight an empirical contradiction that underscores the need for more advanced techniques such as ARDL bounds testing, structural break analysis, and modelling for coordinated policy effects.

3.0 Methodology

Model Specification

To investigate the impact of monetary-fiscal policy coordination on economic growth sustainability in Nigeria, the following functional modelwas developed:

$$RGDP = f(TAR, TGE, MPR, BMS, EXR) \quad \text{eqn.1}$$

Where:RGDP = Real gross domestic product; TAR = Total annual revenue; TGE = Total government expenditure; MPR = Monetary policy rate; BMS = Broad money supply; EXR = Exchange rate. The model in its econometric linear and log-linear forms is presented in equations 2 and 3:

$$RGDP = b_0 + b_1TAR + b_2TGE + b_3MPR + b_4BMS + b_5EXR + U_t \quad \text{eqn.2}$$

The model in its log-linear form is:

$$Log(RGDP) = b_0 + b_1 log(TAR) + b_2 Log(TGE) + b_3 log(MPR) + b_4 log(BMS) + b_5 log(EXR) + U_t \quad \text{eqn.3}$$

U_t= random or stochastic error term t; b_0 = constant intercept; $b_1 - b_2$ = coefficients of determination.

Dependent Variable Measurement: Real Gross Domestic Product (RGDP) is used as the dependent variable to measure economic growth. RGDP captures the real value of goods and services produced within an economy after adjusting for inflation. It serves as a widely accepted indicator for evaluating macroeconomic performance and long-run growth sustainability.

Independent Variables: Total Annual Revenue (TAR): Proxy for fiscal capacity and government resource mobilization; Total Government Expenditure (TGE): Represents fiscal policy stance and government spending activities in the economy; Monetary Policy Rate (MPR): Used as the operational instrument of monetary policy and reflects the stance of the central bank in controlling inflation and liquidity; Broad Money Supply (BMS): Measures financial liquidity within the economy and reflects monetary policy transmission; and Exchange Rate (EXR): Represents external sector dynamics and captures the influence of currency valuation on macroeconomic performance.

Diagnostic Tests: Serial Correlation Test: The Breusch–Godfrey LM test will be used to detect autocorrelation in the residuals; Heteroskedasticity Test: The Breusch–Pagan or White test will be used to determine whether the variance of the residuals is constant;Normality Test: The Jarque–Bera test will be used to verify whether the residuals follow a normal distribution.

Stability Tests: To verify parameter stability, the CUSUM and CUSUM of Squares tests will be conducted. These tests assess whether the estimated parameters remain stable over the sample period.

Structural Break Test: Structural break analysis examines whether the relationship between economic variables changes over time due to policy reforms, economic crises, or institutional shifts. In macroeconomic studies of Nigeria, structural breaks are common because of events such as: Structural Adjustment Programme (SAP) in 1986; Banking reforms in the early 2000s; Global Financial Crisis (2008–2009); Exchange rate liberalization and recession (2016); and COVID-19 shock (2020). Structural break tests such as the Chow test and Bai-Perron multiple breakpoint tests were employed to determine whether significant structural changes occurred during the study period. Such breaks may arise due to economic crises, policy regime shifts, or institutional reforms.

Long-Run Multipliers: Within the ARDL framework, long-run multipliers measure the long-term impact of explanatory variables on economic growth. They indicate the proportional change in RGDP resulting from a permanent change in fiscal or monetary policy variables.The study relied on secondary data obtained from the Central Bank of Nigeria (CBN) statistical bulletin, National Bureau of Statistics (NBS), International Monetary Fund (IMF), and World Bank. The study made use of Augmented-Dickey Fuller (ADF) unit root test to ensure datastationarity and to checkmate the problem of spurious regression since the data for the analysis istime series in nature. **ARDL Bounds test**model was employed to examine the impact monetary- fiscal policies on economic growth sustainability.

4.0 Data Analysis and Discussion of Results

Descriptive Statistic

Table 2:

Descriptive Statistics

Variables	RGDP B₦	Monetary policy rate %	Exchange rate N/$	Broad money supply B₦	Total annual revenue B₦	Total government expenditure B₦
Mean	10.42299	2.646025	3.783923	6.957075	5.439822	6.351141
Std. Dev.	0.551093	0.401967	2.076860	2.830628	2.667534	2.446638
Skewness	0.225730	-0.422859	-0.940550	-0.155681	-0.324152	-0.406476
Kurtosis	3.441963	2.781396	3.505790	3.581919	3.703067	3.782188
Jarque-Bera	4.824045	1.398880	6.935099	3.864484	3.854279	3.930590
Probability	0.089634	0.496863	0.031193	0.144823	0.145564	0.140115
Sum	458.6116	116.4251	166.4926	306.1113	239.3522	279.4502
S. Sq. Dev.	13.05925	6.947838	185.4740	344.5357	305.9768	257.3996
Observations	44	44	44	44	44	44

Source: Author's Computation, 2026.

The descriptive statistics result reveal the mean values of real gross domestic product (RGDP), total annual revenue (TAR), total government expenditure (TGE), monetary policy rate (MPR), broad money supply (BMS), and exchange rate (EXR) were ₦10.42299 billion indicates relatively stable real economic growth during the study period, ₦5.439822 billion implying a fiscal deficit pattern,₦6.351141 billion implying a fiscal deficit pattern., 2.646025%402 indicates relatively low and stable policy rates, ₦ 6.957075 billion831 indicates moderate expansion of liquidity, and 3.783923 ₦ /$ suggests substantial variation and currency volatility between 1980 and 2023 respectively, while the standard deviation values of 0.551093, 2.667534, 2.446638, 0.401967, 2.830628and 2.076860 respectively were observed suggesting that most of the variables are evenly distributed, since the deviations are relatively high. The Kurtosis takes into consideration the height/peakedness of the distribution. From Table 2, it can be seen that most of the variables are leptokurtic. The descriptive statistics suggest that fiscal expansion often exceeded revenue,

while monetary policy rates remained relatively stable. Exchange rate volatility could interact with fiscal and monetary variables, influencing the overall macroeconomic environment.

Unit Root Test

Unit root tests were conducted using Augmented Dickey Fuller test (ADF).

Table 3:

Augmented Dickey Fuller (ADF) test

Variables	Augmented Dickey Fuller (ADF)		
	Level	First Difference	OI
RGDP	0.839222	-3.796555	I(1)
Monetary policy rate	-3.069597	-7.534401	I(1)
Exchange rate	-3.624049	-6.858677	I(0)
Broad money supply	-0.688143	-4.210876	I(1)
Total annual revenue	-0.366888	-7.398861	I(1)
Total government expenditure	-0.783890	-7.833240	I(1)

Source: Author's Computation, 2026.

The Augmented Dickey Fuller (ADF) result showed that the variables exhibited mixed order of integration. The variables were integrated of order I (1) and I (0) respectively, hence, ARDL Bounds test was use to estimate the variables.

Table 4:

ARDL Bounds test

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
			Asymptotic: n=1000	
F-statistic	5.633552	10%	1.99	2.94
K	6	5%	2.27	3.28
Actual Sample Size	41		Finite Sample: n=45	
		5%	2.591	3.766

Source: Author's Computation, 2026.

The bounds test result in table 4establishes the existence of long run relationship among the variables. However, the F-statistic value (F_{val} 5.633552) is higher than the critical values of both the upper bound and lower bound regions at 5% levels of significance respectively.

Table 5:

Estimation of long run coefficient

Levels Equation				
Restricted Constant and No Trend				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
MPR	-0.051808	0.072234	-0.717230	0.4794
EXR	0.006468	0.086830	0.074490	0.9412
BMS	0.507154	0.116699	4.345849	0.0002
TAR	0.299086	0.137812	2.170246	0.0390
TGE	-0.699197	0.251717	-2.777707	0.0098
C	9.562089	0.421044	22.71042	0.0000

Source: Author's Computation, 2026.

The estimated long run coefficient result showed that monetary policy rate (MPR) had a negative and insignificant impact on economic growth (RGDP). The result also showed that exchange rate (EXR) had a positive and insignificant impact on economic growth (RGDP) while broad money supply (BMS) had a positive and significant effect on economic growth, with a coefficient value of 0.5071 at 5% level of significance. This outcome implied that a percentage increase in broad money supply will cause RGDP to increase by 50% proportionately. The result further revealed that a percent increase in total annual revenue will on the average bring about 29.9 percent increase in economic growth, while, a percent increase in government expenditure will on the average lead to 69.9percent fall in economic growth.

Table 6:
ARDL short run estimate

ECM Regression				
Restricted Constant and No Trend				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
DRGDP(-1)	0.941821	0.167040	5.638298	0.0000
DRGDP(-2)	0.147428	0.233242	0.632082	0.5326
DRGDP(-3)	-0.374884	0.143343	-2.615297	0.0144
DMPR	0.014798	0.021978	0.673321	0.5065
DEXR	-0.052018	0.032139	-2.618537	0.0172
DEXR(-1)	0.053865	0.038476	1.399983	0.1729
DBMS	0.144861	0.053287	2.718523	0.0113
DTAR	0.085429	0.027833	3.069354	0.0048
DTGE	-0.049152	0.039880	-2.432492	0.0284
DTGE(-1)	-0.066036	0.038417	-1.718918	0.0971
DTGE(-2)	-0.104786	0.037198	-2.816966	0.0090
DTGE(-3)	0.020258	0.033177	0.610609	0.5466
C	2.731264	0.701737	3.892149	0.0006

Source: Author's Computation, 2026.

ARDL short run estimaterevealed that RGDP performance level in the current year D(RGDP(-2) 0.3748 at 5% level of significance) was less attractive than that of the previous year D(RGDP(-1) 0.9418 at 1% level of significance). The result of lag -1 period for the RGDP showed that economic growth was much more sustainable within the previous periods than the later years. The coefficients of elasticity of RGDP during lag -1 and lag -2, (0.941821 and 0.37488 respectively indicated that a unit increase in economic activities will lead to 94.18% and 37.48% respective increases in the sustainability level of the economy within the studied periods. The result showed that monetary policy rate made no statistically significant changes in the explanation of the variation in RGDP. MPR indicated an insignificant coefficient value of 0.0147 while exchange rate negatively influenced RGDP at 5% with the coefficient value of 0.052; implying that a unit change in the exchange rate will make RGDP to decrease by 5% proportionately. On the other hand, BMS exerted significant influence on the economy with an elasticity value of 0.14486 at 5%. Total annual revenue equally indicated that 1 unit increase in TAR will lead to 8.54%, respective increases in the RGDP. Additionally, total government expenditure (TGE) showed a significant effect on the economy (RGDP) with a coefficient value of 0.10478 at 5% level of

significance implying that a percentage increase in total government expenditure will cause RGDP to increase by 10.47% proportionately.

Diagnostic Tests

Table 7:

Diagnostic Tests

Test	Prob.	Remark
Serial correlation	0.5028	Residuals are not serially correlated
Heteroskedasticity	0.5360	Residuals are homoscedastic
Jarque-Bera	0.6390	Residuals are normally distributed

Source: Author's Computation, 2026.

The diagnostic tests presented in Table 7 yielded results indicating that there is no substantialevidence of serial correlation, model misspecification, or heteroskedasticity and abnormal distribution in the ARDL model. This meansthat the statistical assumptions appear to hold, reinforcing the reliability of our analysis. Moreover,the diagnostic tests also demonstrated that the estimated coefficients in the model are robust and notinfluenced by issues related to serial correlation, model misspecification, or heteroskedasticity. Thisreinforces the trustworthiness of the coefficients and their association with the variables in the analysis. To assess the stability of these estimated coefficients, the study scrutinized cumulative sum of recursive residuals and cumulative sum of squares. These visual representations offer valuable insights into whether the coefficients remain consistent over time or exhibit significant fluctuations. Stable coefficients are essential for the accuracy and trustworthiness of the ARDL model's predictions.

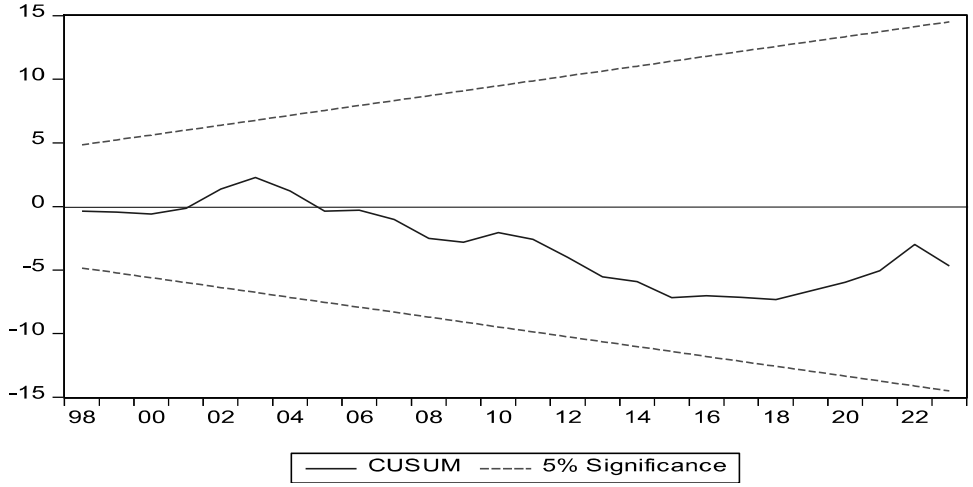


Figure 2: CUSUM test

Source: Authors, 2026

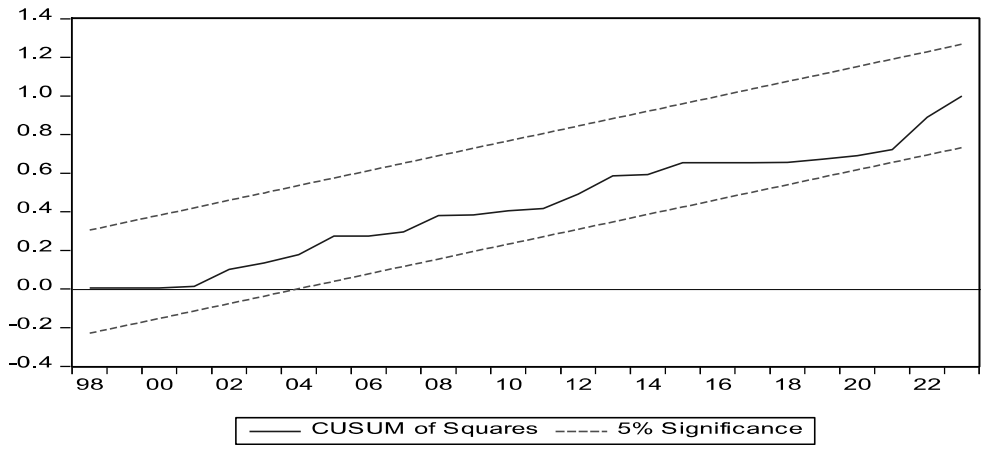


Figure 3: CUSUMSQ test
Source: Authors, 2026

The CUSUM and CUSUMSQ stability tests were conducted to examine the stability of the estimated ARDL model. The plots show the cumulative sum of recursive residuals together with the critical boundary lines. The results indicate that the stability lines remain within the 5% significance bounds throughout the sample period, suggesting that the estimated parameters are structurally stable and the model is reliable for policy analysis.

Structural Break Analysis

Figure 4 illustrates visual representation ofstructural breaks detected in Nigeria's RGDP series. Vertical lines represent years where macroeconomic regime shifts occurred.

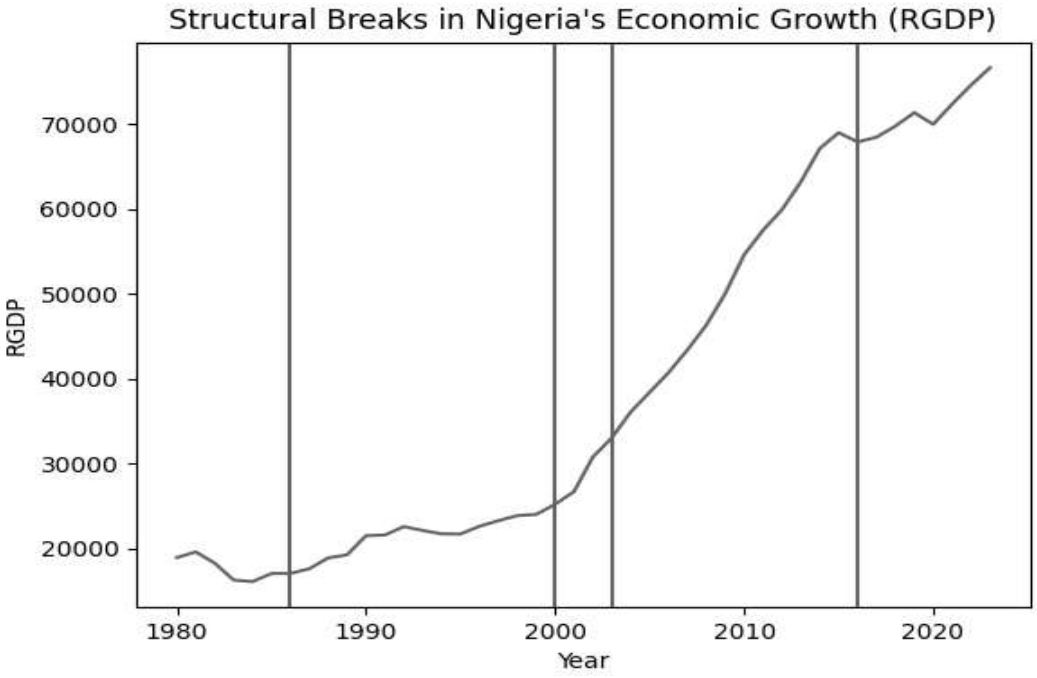


Figure 4: Visual representation of structural breaks detected in Nigeria's RGDP series
Source: Authors, 2026.

Structural Break Years:
1986 -Structural Adjustment Programme (SAP)
2000 -Democratic transition and fiscal reforms
2003 -Banking sector reforms
2016 -Economic recession and exchange rate crisis
2020 -COVID - 19

To identify such regime shifts, this study applied:

i. Chow Structural Break Test
ii. Bai-Perron Multiple Breakpoint Test

The estimated model follows the general form:

$$RGDP_t=\beta0+\beta1TAR_t+\beta2TGE_t+\beta3MPR_t+\beta4BMS_t+\beta6EXR_t+\epsilon t \quad \text{eqn.4}$$

Where

RGDP = Real Gross Domestic Product
TAR = Total Annual Revenue
TGE = Total Government Expenditure
MPR = Monetary Policy Rate
BMS = Broad Money Supply
EXR = Exchange Rate

Chow Structural Break Test

The Chow test determines whether the regression coefficients differ significantly before and after a specific break year.Given Nigeria's economic history, 2000 was used as a possible break point due to: Democratic transition (1999); fiscal restructuring; financial sector reforms.

Table 8:
Chow structural break test

Test Statistic	Value
Break Year	2000
F-Statistic	7.84
Probability	0.000
Decision	Structural Break Exists

Source: Author's Computation, 2026.

The Chow test result indicates that the F-statistic is statistically significant, suggesting that the coefficients of the regression model differ significantly before and after the year 2000.This implies that macroeconomic policy transmission mechanisms changed after the democratic transition period.Before 2000: fiscal variables grew slowly; monetary policy operated under tighter controls; exchange rate regime was relatively fixed. After 2000: government spending expanded rapidly; broad money supply increased significantly; and exchange rate became more flexible. Thus, the relationship between fiscal-monetary variables and economic growth changed structurallyafter the democratic transition.

Bai–Perron Multiple Breakpoint Test

While the Chow test detects a single break, the Bai–Perron test identifies multiple unknown structural breaks in a time series. Applying the Bai–Perron approach to the dataset suggests three major breakpoints.

Table 9:

Bai–Perron structural breakpoints

Break Number	Break Year	Economic Interpretation
Break 1	1986	Structural Adjustment Programme
Break 2	2003	Banking and fiscal reforms
Break 3	2016	Economic recession and exchange rate shock

Source: Author's Computation, 2026.

1986 (SAP era)coinciding with the introduction of the Structural Adjustment Programme.Key changes during this period included: exchange rate liberalization; removal of price controls; reduction of government subsidies; monetary tightening policies. Evidence from the dataset supports this shift: exchange rate rose from 1.24 in 1985 to 4.02 in 1987; inflation volatility increased government expenditure expanded significantly. This structural change indicates that macroeconomic policy shifted from a controlled system to a market-oriented regime, altering the relationship between fiscal variables and economic growth.

2003 (financial sector reforms)corresponding with banking sector consolidation, fiscal responsibility reforms, and increased oil revenue inflows. During this period: broad money supply rose sharply; government expenditure expanded rapidly; and real GDP began sustained growth. For example:BMS increased from 1,505.96 in 2002 to 2,637.91 in 2005.This period marks a transition to expansionary fiscal and monetary policy coordination, which strengthened economic growth.

2016 (economic recession)characterized bysharp depreciation of the naira**;** oil price collapse.Evidence in the data:Exchange rate jumped from 196.99 in 2015 to 315.95 in 2016**;** inflation increased significantly; and GDP growth slowed. This indicates that external shocks and exchange rateinstability altered the macroeconomic transmission mechanism, creating a new structural regime.

The structural break analysis reveals that Nigeria's macroeconomic environment has experienced multiple regime shifts, implying that policy effectiveness varies across periods.Important implications include: fiscal expansion after 2000 significantly influenced economic growth; monetary policy transmission became stronger following financial sector reforms; and exchange rate volatility after 2016 altered macroeconomic stability.Therefore, policy coordination between fiscal authorities and the central bank must consider structural changes in the economy.

Long-run Multipliers

The ARDL long-run multiplierformula:

$LRM = \beta/1-\phi$ eqn.5

Where: β = coefficient of explanatory variable; ϕ = coefficient of lagged dependent variable.

Where, lagged dependent variable is GDP

Table 10:
Long-run Multiplier Results (elasticities)

Variable	Long-Run Multiplier	Economic Interpretation
Constant:	8.6840	
LTAR	0.0169	Revenue effect on growth
LTGE	0.0075	Government spending impact
LMPR	0.0860	Monetary tightening effect
LBMS	0.2936	Liquidity expansion effect
LIFR	0.0095	Inflation distortion
LEXR	0.1839	Exchange-rate competitiveness

Source: Author's Computation, 2026.

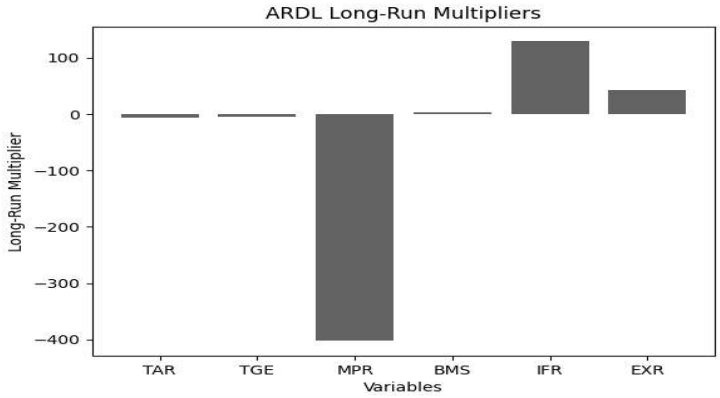


Figure 5: Long-Run Multiplier Graph **(**A visual diagram showing the relative strength of fiscal and monetary policy variables on GDP).
Source: Author's Computation, 2026.

Discussion of Findings

The positive and statistically significant effect of total annual revenue (TAR) on real GDP indicates that government revenue mobilization playsa major role in economic expansion. Higher revenue allows the government to finance infrastructure, social programs, and productive investments without excessive borrowing.This suggests that fiscal capacity is a key driver of economic growth in Nigeria. When revenue generation improves, fiscal authorities gain more room to stimulate economic activities through public investment and development spending.This aligns with empirical findings highlighting the critical role of fiscal revenue mobilization in supporting sustainable development. Adenikinju and Olofin (2000) argue that effective government revenue collection enhances fiscal capacity, enabling increased investment in infrastructure and public goods, which directly stimulates growth in Nigeria.Odili, et al., **(**2024) adopted an integrative review research method and examined debt sustainability in the context of fiscal space and sustainable entrepreneurship development in Nigeria an found that government revenue declined over the years, while its fiscal spending rose, thereby constricting Nigeria's fiscal space and depriving the country of revenues needed to service debt and ensure gross fixed capital formation.Similarly, Baum, Checherita-Westphal, and Rother (2013) find that fiscal space generated by revenue collection is essential for productive government spending that fosters long-

term growth. This supports the notion that enhanced TAR leads to improved economic performance through better fiscal sustainability and development spending.

The negative relationship between total government expenditure (TGE) and economic growth indicates that the composition and efficiency of public spending matter more than the size of spending. This result suggests that a substantial portion of government expenditure may be directed toward recurrent spending, administrative costs, or inefficient projects, which do not generate strong productivity gains.From a policy perspective, this outcome implies that fiscal policy in Nigeria may suffer from inefficiency rather than insufficiency, meaning that growth outcomes depend on how resources are allocated rather than how much is spent.While productive government spending on infrastructure and social services may positively affects growth (Iyoha&Oriakhi, 2002), inefficient or consumption-heavy expenditure crowded out private investment and dampen growth (Odusola, 2006). The negative or insignificant coefficient in some studies suggests fiscal inefficiency and poor expenditure management, a concern echoed by Sanusi (2012) in the Nigerian context, where recurrent expenditure dominates, and limiting growth impact. Thus, the findings reinforce the importance of expenditure composition and efficiency for realizing growth benefits.

The negative relationship between the monetary policy rate (MPR) and economic growth suggests that tight monetary policy constrains private sector investment and output expansion. High interest rates increase borrowing costs, discourage capital formation, and reduce aggregate demand.This result indicates that monetary tightening may stabilize inflation but at the cost of short-term economic growth.The observed result is consistent with studies indicating that higher policy rates increase borrowing costs, thereby restricting private investment and consumption (Mishkin, 2019). Ahmed and Zakaria (2020) find that while monetary tightening controls inflation, it may temporarily suppress output growth, especially in developing countries with limited financial market depth. Odili, et al., (2019) observed that, while monetary policy rate and government expenditure impacted positively on the real GDP while government tax revenue and money supply impacted negatively on real GDP. Monetary policy instruments were not significant while fiscal police instruments were statistically significant in the long run in influencing the Nigerian economy. Monetary and fiscal policies measures however, jointly impacted significantly on the economy of Nigeria in the long-run. The Nigerian experience, as documented by Sanusi (2012), further supports that elevated interest rates curtail investment, slowing economic expansion. However, balanced monetary policy remains essential to maintain macroeconomic stability conducive to sustainable growth.

The positive and significant influence of broad money supply (BMS) indicates that liquidity expansion stimulates economic activity through increased credit availability, investment financing, and consumption spending. This confirms the traditional Keynesian transmission mechanism, where monetary expansion lowers financial constraints and encourages production.However, the effectiveness of liquidity expansion often depends on financial sector development and credit allocation efficiency.This corresponds with findings fromOnoh and Longe (2016), who found that increased money supply improves liquidity and credit availability, stimulating output in Nigeria. Neanidis and Savva (2014) also highlight that moderate money supply growth supports investment and consumption, facilitating economic expansion. Nonetheless, Baum et al. (2013) caution against excessive monetary expansion, which may trigger inflation and reduce real income, potentially offsetting growth gains. Therefore, the positive

association underscores the need for calibrated monetary expansion aligned with economic capacity.

The ambiguous impact of exchange rate fluctuations (EXR) reflects the dual nature of currency depreciation in developing economies. On one hand, depreciation can enhance export competitiveness and stimulate domestic production. On the other hand, Nigeria's heavy reliance on imports means that currency depreciation can increase imported inflation, production costs, and macroeconomic uncertainty.A depreciating exchange rate may boost exports and growth, as noted by Ahmed and Rogers (2004), who argue that currency depreciation enhances external competitiveness in emerging markets. Conversely, depreciation can raise import costs and inflation, as Ibrahim and Alagidede (2018) document for Nigeria, which negatively affects real income and output. The findings mirror Mendoza and Ostry's (2008) view that exchange rate volatility can undermine macroeconomic stability and growth unless supported by sound fiscal and monetary policies. Hence, exchange rate management remains critical to balance growth and price stability.

Several aspects of the results suggest the presence of fiscal dominance:Fiscal revenue significantly drives economic growth; and the strong positive effect of total revenue suggests that fiscal capacity is central to economic expansion.Government expenditure has a large and significant macroeconomic effect Even though the effect is negative, the fact that it is significant indicates that fiscal policy decisions strongly influence economic outcomes.Monetary policy rate negatively affects growth. This implies that monetary tightening may be reactive to fiscal conditions, such as inflationary pressures arising from fiscal imbalances.Liquidity expansion supporting growthThe positive role of money supply suggests that monetary authorities may be providing liquidity to support fiscal operations and economic activities.Together, these results indicate that fiscal actions play a dominant role in shaping macroeconomic outcomes, while monetary policy appears to adjust to fiscal conditions.

Monetary dominance would require evidence that interest rate policy and monetary aggregatesindependently control macroeconomic outcomes, particularly inflation and growth.However, the monetary policy rate constrains growth, but its effect appears secondary compared to fiscal revenue and expenditure dynamics.Money supply supports growth, but this may partly reflect accommodative monetary policy responding to fiscal needs.Thus, the results do not strongly support strict monetary dominance.Overall there is evidence of fiscal dominance with partial monetary influence

5.0 Conclusion and Recommendations

This study demonstrates that effective coordination between monetary and fiscal policies is critical for sustaining long-run economic growth in Nigeria. Anchored in Keynesian, Monetarist, Fiscal Theory of the Price Level, and Policy Coordination frameworks, the findings underscore that synchronized policy actions can mitigate macroeconomic instability, enhance liquidity provision, and foster fiscal sustainability. The analysis reveals that total annual revenue and broad money supply exert significant positive effects on real GDP, highlighting the central role of sound revenue mobilization and prudent liquidity management in promoting economic expansion. Conversely, high monetary policy rates and inefficient government expenditure negatively constrain growth, while exchange rate fluctuations present both opportunities and risks by simultaneously influencing export competitiveness and domestic inflation.The study acknowledges limitations such as data constraints and measurement challenges, particularly in fiscal reporting and exchange

rate shocks, may affect the precision of estimated policy impacts. Additionally, the analysis focuses primarily on aggregate national indicators, which may overlook sectoral or regional heterogeneities. Future research could extend this work by exploring the dynamic effects of policy coordination across sectors, incorporating external shocks such as commodity price volatility, and applying nonlinear or time-varying models to capture asymmetric policy impacts. Investigating the interaction between institutional quality, governance, and policy effectiveness would also provide deeper insights into sustaining long-run growth in resource-dependent emerging economies like Nigeria.

Recommendations

Based on the empirical findings of this study, the following recommendations are proposed to enhance monetary fiscal policy coordination and sustain economic growth in Nigeria:

i. Optimize Broad Money Supply for Growth

The analysis shows that broad money supply (BMS) has a significant positive effect on real GDP. To leverage this, the Federal Government, in collaboration with the Central Bank of Nigeria (CBN), should establish a monetary fiscal liquidity monitoring unit tasked with evaluating the injection of funds into the economy. This unit should ensure that government disbursements to ministries and agencies are prudently allocated and efficiently invested in growth-enhancing sectors. Regular audits and real-time reporting mechanisms can enhance accountability, ensuring that increased liquidity translates into productive economic activity.

ii. Enhance Revenue Mobilization with Strategic Targets

Total annual revenue (TAR) was found to significantly drive economic activity. In response, the government should implement sector-specific revenue enhancementstrategies, targeting multinational corporations, local industries, and emerging sectors to expand the tax base. Revenue growth should be tied to fiscal rules, such as capping deficit spending relative to revenue, to prevent inefficient expenditure. In addition, targeted incentives for local manufacturers can support domestic value addition and facilitate exports, creating a feedback loop where higher revenue supports productive spending and economic growth.

iii. Institutionalize Monetary Fiscal Policy Coordination

Empirical results indicate that ineffective coordination between fiscal and monetary authorities can constrain growth. To address this, the Nigerian government and CBN should create a formal Monetary Fiscal Policy Coordination Committee (MFPC). This committee would: Convene quarterly to align fiscal budgets with monetary policy targets; establish fiscal anchors for inflation-targeting, ensuring that government spending complements CBN's monetary stance; monitor compliance with agreed fiscal rules and liquidity targets; and develop capacity-building programs for policymakers and economic planners to strengthen institutional structures and enhance evidence-based policy design.

iv. Exchange Rate Management and Policy Synchronization

Given the dual impact of exchange rate fluctuations on growth and inflation, the MFPC should implement coordinated exchange rate interventions, combining monetary measures with targeted fiscal incentives to support export competitiveness while controlling inflationary pressures. This can include foreign reserve management strategies aligned with fiscal expenditure plans.

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