International Journal of Business and General Management (IJBGM)
ISSN(P): 2319-2267; ISSN(E): 2319-2275
Vol. 9, Issue 3, Apr–May 2020; 1-10


International Academy of Science, Engineering and Technology
Connecting Researchers; Nurturing Innovations

# EXCHANGE, INTEREST AND INFLATION RATES AND THE ECONOMIC GROWTH: NIGERIAN PERSPECTIVE (1981 –2018)

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## ABSTRACT

*The paper examined the domestic monetary and fiscal policy effects of interest rate inflation rate and exchange rate on the economy for the period 1981-2018. The study adopted Dickey –fuller test and the Johansen'sCointegeation test. The result of Johansen showed that there exist relationship between the variable over the entire period,though in the short –run there was deviation from the equilibrium. The existence of one cointegrating equation was identied,therefore, a stable equilibrium relationship was present. The coefficients result was that 1% increase in the interst rate led to 0.002% increase in growth rate, in the long run interest rate had positive impact on growth rate. The study also used Granger Causality test to examine relationship between interest rate and inflation rate, GDP and real growth rate. Results were that interest rate causes inflation and interest rate cause granger growth rate, while growth rate granger cause GDP. The result of Arch and Garch showed volatility shock, which were quite persisent so that a large excess return value of either positive or negative, which will lead future forceasts of high interest and exchange rate for a prolonged period of time. This forceast of future high interest and inflation rates will not aurgor well for use in the budget preparation, since they will reflect use budget defict or surplus that will require external borrowing.*

***KEYWORDS:*** *Economic Growth, GDP, Interest and Inflation Rates*

***Article History***

***Received:* *11 Mar 2020* | *Revised:* *17 Mar 2020* | *Accepted:* *01 Apr 2020***