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MONETARY POLICY INSTRUMENTS AND TOTAL INVESTMENT SPENDING IN NIGERIA

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ABSTRACT
This study examined the relationship between monetary policy instruments and total investment spending in Nigeria, with particular focus on the effects of money supply and the monetary policy rate. The analysis was based on annual time series data covering the period from 1978 to 2023 and employed the Ordinary Least Squares (OLS) estimation technique. The empirical results revealed that money supply had a positive and statistically significant effect on aggregate investment expenditure, indicating that liquidity expansion supported investment activities within the economy. In contrast, the monetary policy rate exerted a negative and statistically significant impact, suggesting that tighter monetary conditions and higher borrowing costs discouraged investment. Furthermore, total savings was found to have a positive and statistically significant influence on aggregate investment expenditure, while real GDP, although positively related, was statistically insignificant, indicating a weak transmission from output growth to investment. The population growth rate, on the other hand, showed a negative and statistically significant effect on investment expenditure, reflecting the constraining pressure of demographic expansion on capital formation. Based on these findings, the study recommended that the Central Bank of Nigeria should have adopted a more accommodative interest rate framework through a gradual reduction in the monetary policy rate in order to reduce borrowing costs and stimulate private sector investment. It also recommended the implementation of a well-managed expansionary monetary policy, including reductions in bank reserve requirements and the maintenance of adequate liquidity in the financial system, to enhance credit availability and promote investment growth in the economy.

KEYWORDS: *Money Supply (M2); Monetary Policy Rate; Total Investment Spending*
JEL classifications: E51, E52, E22

1.INTRODUCTION

Investment represents a fundamental component of aggregate demand in any economy and plays a pivotal role in shaping output, employment, and overall economic performance. As emphasized by Laopodis (2021), variations in investment expenditure can induce substantial changes in aggregate demand, thereby affecting macroeconomic stability and growth. Beyond its role on the demand side, investment is equally crucial for capital formation through both capital widening and capital deepening. While capital widening ensures that output per capita is sustained as the labour force expands, capital deepening enhances the capital–labour ratio, leading to improved productivity and sustained long-term economic growth (Adarov, 2024). Increased investment demand stimulates the production of capital goods, facilitates technological progress through the adoption of modern equipment, and strengthens the productive capacity of the economy. Collectively, these contributions underscore the centrality of investment as a driver of sustainable economic development. For a developing economy such as Nigeria, where the need to boost domestic investment remains urgent, the importance of macroeconomic policy, particularly monetary policy cannot be overstated.

Monetary policy comprises a range of measures aimed at regulating the supply, cost, and value of money in line with macroeconomic objectives. Its primary mechanism operates through the management of liquidity conditions and the influence of interest rates within the financial system (Durante, Ferrando, & Vermeulen, 2022). Central banks are tasked with implementing monetary policy, and in Nigeria, this responsibility rests with the Central Bank of Nigeria. Over time, the apex bank has utilized various policy instruments, particularly money supply control and the Monetary Policy Rate (MPR), to achieve its objectives. Money supply refers to the total volume of money circulating within the economy, including currency in circulation and bank deposits (The Federal Reserve, 2024). Adjustments in money supply influence both liquidity conditions and interest rates. Typically, an expansion in money supply reduces interest rates, thereby encouraging investment by lowering borrowing costs. From the perspective of the monetary school, changes in money supply affect both real and financial asset investments, ultimately influencing aggregate investment expenditure (The Federal Reserve, 2024).

Conversely, the Monetary Policy Rate functions as a benchmark interest rate that guides lending behaviour within the banking sector. An increase in the MPR generally translates into higher lending rates, raising the cost of credit and shaping investment decisions (Hall, 2024; International Monetary Fund – IMF, 2023). The transmission of monetary policy to investment occurs through several interconnected channels, including interest rates, credit availability, and expectations. These channels often operate concurrently, influencing both the cost and accessibility of capital. As the cost of capital rises, firms tend to scale back investment due to higher financing expenses. Likewise, increases in real interest rates elevate the opportunity cost of consumption, leading to reduced consumption and investment, and ultimately weakening aggregate demand (Schwartz, 2024; Cloyne, Ferreira, Froemel, & Surico, 2023). In addition, higher interest rates may restrict credit supply, as financial institutions adopt more cautious lending practices in response to increased risk, thereby limiting access to funds for both investment and consumption purposes.

Notwithstanding the acknowledged importance of investment in fostering economic growth, Nigeria continues to encounter considerable challenges in achieving adequate levels of domestic investment. Over the years, policymakers have introduced various monetary policy initiatives aimed at stimulating investment, including interest rate deregulation, the adoption of multiple policy rates, financial sector liberalization, and the shift to a flexible exchange rate regime. However, the outcomes of these measures have been mixed. Persistently high interest rates have elevated borrowing costs, discouraging investment, particularly among small and medium-sized enterprises (SMEs) and in long-term capital-intensive projects. Furthermore, frequent adjustments in monetary policy instruments, such as abrupt changes in benchmark interest rates and cash reserve requirements, have heightened uncertainty, thereby undermining long-term investment planning in critical sectors such as manufacturing and agriculture.

The investment environment in Nigeria also reflects deeper structural and policy-related constraints. Limited access to credit remains a major obstacle, constraining both domestic and foreign investment activities. This challenge is compounded by declining investor confidence, as evidenced by the downsizing or exit of several multinational corporations, including Tiger Brands, Unilever, Microsoft, and Bayer AG. According to Nwafor (2024), such developments have led to significant output losses estimated at ₦94 trillion. In addition, foreign direct investment inflows have remained subdued, declining from $5.3 billion in 2022 to $3.9 billion in 2023. The broader economic landscape has also witnessed widespread business closures, with over 767 firms shutting down in the first quarter of 2023 alone, largely due to declining purchasing power and rising operational costs (Opalo, 2024). These patterns suggest that, despite ongoing policy efforts, the level of investment required to place the economy on a sustainable growth trajectory remains insufficient.

Although existing empirical studies have extensively examined the nexus between monetary policy and private investment or overall economic growth (Olonila, Amassoma, & Babatunde, 2023; Ezeibekwe, 2020; Hailu & Debele, 2015), relatively limited attention has been devoted to the specific effects of key monetary policy instruments particularly the monetary policy rate and money supply on aggregate investment expenditure. There remains a notable gap in the literature concerning the direct relationship between these instruments and total investment spending in Nigeria. This study seeks to address this gap by empirically investigating the relationship between monetary policy, proxied by money supply and the monetary policy rate and total investment spending in Nigeria, thereby contributing to the existing body of knowledge and offering relevant insights for effective policy formulation.

2. LITERATURE REVIEW

2.1 Conceptual Literature

2.1.1 Monetary Policy Instruments

Monetary policy refers to the set of economic measures used by monetary authorities to regulate money supply, interest rates, and overall liquidity conditions in an economy. Gul, Mughal, and Rahim (2012) describe monetary policy as the manipulation of money supply and interest rates to achieve desired economic objectives aligned with government policy direction. Similarly, the Corporate Finance Institute (2024) defines monetary policy as an economic policy aimed at controlling the money supply and its rate of expansion. However, this definition is relatively narrow as it does not fully capture other instruments such as policy interest rates. In a broader sense, Investopedia (2024) conceptualizes monetary policy as a combination of tools used by a central bank to regulate money supply and stimulate economic growth, including interest rate adjustments and changes in reserve requirements. Likewise, the Reserve Bank of Australia (2024) emphasizes its role in influencing interest rates to affect aggregate demand and macroeconomic variables.

In this study, monetary policy is conceptualized as a set of actions through which the monetary authority determines the conditions for money supply in the economy and influences short-term interest rates, particularly through the monetary policy rate. Monetary policy objectives are often achieved through control of money supply, which is broadly categorized into narrow money (M1) and broad money (M2). Narrow money includes currency in circulation and demand deposits, while broad money comprises narrow money plus savings, time deposits, and foreign currency deposits. Broad money therefore provides a comprehensive measure of total money supply in the economy. According to Olweny and Chiluwe (2012), changes in money supply influence investment in both real and financial assets, thereby playing a critical role in economic growth.

Another key instrument of monetary policy is the Monetary Policy Rate (MPR), formerly known as the Minimum Rediscount Rate. The MPR represents the rate at which the central bank lends to financially sound commercial banks. Changes in the MPR influence credit conditions, investment levels, and overall economic activity. A change in the MPR typically transmits to other interest rates in the economy, affecting borrowing costs and financial intermediation.

2.1.2 Total Investment

Investment Spending refers to the acquisition of capital goods such as machinery, buildings, and other productive assets that enhance an economy's productive capacity. It involves expenditures on goods that are not consumed immediately but are used to generate future output. Ogbokor and Musilika (2014) define investment as the purchase of physical capital such as plant, machinery, equipment, and infrastructure including roads, railways, schools, hospitals, and commercial buildings. Similarly, Abel, Bernanke, and Croushore (2008) describe investment as the acquisition or construction of capital goods, including residential and non-residential structures, equipment, software, and changes in inventories.

Investment can be categorized into public and private investment. Public investment refers to government expenditure on infrastructure and essential services that support economic functioning, while private investment represents capital formation undertaken by the private sector in anticipation of future returns (Adarov, 2024). For the purpose of this study, aggregate investment is conceptualized in line with Abel, Bernanke, and Croushore (2008) as the total expenditure on capital goods within an economy, including residential and non-residential structures, equipment, software, and inventory accumulation in Nigeria.

Monetary policy plays a significant role in influencing aggregate investment through several channels, including interest rates, credit availability, inflation expectations, asset prices, and overall economic confidence. Expansionary monetary policy tends to stimulate investment by reducing borrowing costs and enhancing business confidence, while contractionary policy discourages investment by increasing interest rates and tightening liquidity conditions. The effectiveness of these transmission channels depends on economic conditions, the efficiency of financial systems, and investors' expectations regarding policy stability.

2.2 Empirical Literature

Empirical studies on the relationship between monetary policy instruments and investment spending have produced mixed and context-specific results across countries and methodologies. For instance, Ahmad, Rashid, and Shah (2024) investigated the asymmetric effects of monetary policy shocks on firm investment in Pakistan using VAR and system GMM techniques. The study found that negative monetary policy shocks significantly reduced investment, while positive shocks had no significant effect, highlighting the asymmetric transmission of monetary policy instruments on investment decisions.

In the Nigerian context, Olonila, Amassoma, and Babatunde (2023) examined the impact of monetary policy on bank credit and investment using the ARDL approach. Their findings revealed a long-run relationship between monetary policy and investment, with money supply, cash reserve ratio, and inflation exerting positive long-run effects, while bank credit and liquidity ratio negatively affected investment in the short run. Similarly, Ezeibekwe (2020) employed a Vector Error Correction Model (VECM) and found that inflation conditions significantly influence the effectiveness of interest rate instruments on investment. Specifically, monetary policy rate instruments were more effective in stimulating investment under low inflation regimes but weakened as inflation increased.

Beyond Nigeria, several studies have explored different monetary policy transmission channels. Dang, Pham, and Tran (2020), using system GMM for Vietnam, found that private investment responds positively to monetary policy through money supply, domestic credit, and interest rate channels, although exchange rate effects were insignificant. Likewise, Mukhtarov et al. (2020) examined Jordan using VECM, CCR, and FMOLS techniques

and reported that money supply positively and significantly influenced foreign direct investment, while interest rates had insignificant effects.

Brima and Brima (2017), focusing on Sierra Leone, used the OLS technique and found that treasury bill rates and inflation negatively impacted private sector investment, whereas money supply exerted a positive and significant influence. Similarly, Hailu and Debele (2015) showed that money supply positively influenced private investment in both the short and long run, while exchange rate and interest rate variables exhibited negative or insignificant effects.

From a broader perspective, Wan and Lee (2023) analyzed China's transitional economy and found that firms tend to overinvest and respond abnormally to interest rate changes, thereby weakening the effectiveness of monetary policy transmission. Nirmala, Sugiyanto, and Purnawan (2022), using a VAR model for Indonesia, found that interest rate shocks had a stronger effect on consumption than on investment, suggesting that investment may not always be the primary transmission channel of monetary policy.

In the United States, Horra, Perote, and de la Fuente (2021) found that monetary policy transmission through interest rates weakens during periods of economic uncertainty, with evidence of asymmetries in firm-level investment responses. Similarly, Aktar, Abedin, and Gupta (2021) revealed that firm-specific characteristics such as leverage and cash holdings condition the responsiveness of investment to monetary policy shocks, with insignificant effects observed for certain firm categories.

Furthermore, Tajudeen and Adesina (2020) examined Nigeria and found that monetary policy had a positive long-run effect on foreign direct investment but a negative short-run effect, indicating temporal inconsistencies in policy impact. Oyebowale (2020) also found that broad money supply significantly drives bank credit growth in Nigeria, indirectly supporting investment expansion through the credit channel.

2.3 Literature Gap

Despite the extensive empirical literature, there remains a noticeable gap in studies that specifically examine the relationship between monetary policy instruments and total (aggregate) investment spending in Nigeria. Existing Nigerian studies, such as Olonila et al. (2023) and Ezeibekwe (2020), have largely focused on bank credit, inflation interactions, or specific channels of monetary policy rather than a comprehensive assessment of how key instruments such as money supply, interest rate, and reserve requirements jointly influence total investment spending. Moreover, many studies emphasize foreign direct investment or firm-level investment rather than aggregate domestic investment. Therefore, this study fills an important gap by providing a more holistic analysis of how monetary policy instruments affect total investment spending in Nigeria.

3. METHODOLOGY

3.1 Data and Data Sources

The study utilizes annual time series data spanning from 1978 to 2023. These data will be obtained from different editions of the Central Bank of Nigeria (CBN) Statistical Bulletin as well as the World Bank's World Development Indicators.

3.2 Model Specification

This study employs multiple regression analysis to examine the relationship between monetary policy instruments and total investment spending in Nigeria. The functional form of the model, designed to capture the objective is specified as follows:

$$AGINVE = f(MS, MPR, PGR, RGDP, SAV) \qquad 1$$

Where: AGINVE is total investment expenditure MS represents money supply (M2), MPR is monetary policy rate, PGR represents population growth rate - proxy for labour force growth, RGDP is national income, measured by real Gross Domestic Product, and SAV is total savings. To ensure linearity and reduce heteroskedasticity, the econometric model is specified in logarithmic form as follows:

$$\text{logAGINVE} = a_0 + a_1\text{logMS} + a_2\text{MPR} + a_3\text{PGR} + a_4\text{logRGDP} + a_5\text{logSAV} + u_t \qquad 2$$

Where all variables remain as previously defined. u_t is the error term, a_0 is the intercept, a_1, a_2, a_3, a_4 and a_5 are parameters to be estimated.

The a priori expectations are such that a_1, a_2, and a_3 may assume either positive or negative signs, while a_4 and a_5 are expected to be positive. Equation 2 serves as the main model for estimation.

The estimation of the regression model will be carried out using the Ordinary Least Squares (OLS) method. This approach is widely regarded as an effective technique for estimating linear regression models. It provides the best linear unbiased estimates when the error terms have finite variance, remains consistent under the assumption of exogeneity of the regressors, and performs optimally among linear unbiased estimators when the error terms are homoscedastic and free from serial correlation. The OLS method works by minimising the sum of squared residuals, thereby ensuring unbiased estimates under finite variance conditions. Furthermore, it assumes that the error terms follow a normal distribution.

4.RESULTS

4.1 Unit Root and Cointegration Tests

The stationarity properties of the time series variables were examined using the Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) tests. The outcomes of these tests are reported in Table 1.

Table 1: Unit Root and Cointegration test results

Augmented Dickey-Fuller and Philips–Perron unit root test results						
Variable	**Augmented Dickey-Fuller Result**		**Philips–Perron Result**		**Lag order**	**Order of Integration**
	Level	1st Difference	Level	1st Difference	Lag	Order of Integration
AGINVE	-1.878	-3.628	-2.401	-4.328	2	I(1)
MS	-2.080	-4.201	-2.614	-7.898	2	I(1)
MPR	-2.062	-3.905	-2.927	-9.138	2	I(1)
PGR	-1.6917	-2.917	-2.844	-8.210	2	I(1)
RGDP	-1.781	-2.792	-2.632	-7.902	2	I(1)
SAV	-2.008	-4.743	2.729	-6.707	2	I(1)
Where * denotes significance at 5% and the rejection of the null hypothesis of the presence of unit root. The optimal lag length of 2 was chosen using Akaike's Final Prediction Error (FPE), and Akaike's information criteria. The ADF 5% critical value at levels is -3.528, while at 1st difference is -3.532. The Philips–Perron critical value at levels and 1st difference are -3.520 and -3.524. A trend was included in both the Augmented Dickey-Fuller and Philips–Perron unit root test models estimated.						
Johansen tests for cointegration						
Maximum Rank	Eigenvalue		Trace statistic		Critical value (5%)	
0	-		163.4489		82.49	
1	0.8231		88.9618		59.46	
2	0.5875		50.8790		39.89	
3	0.3906		29.5793		24.31	
4	0.3801		9.0168*		12.53	
5	0.1835		0.2963		3.84	
6	0.0068		-		-	

Source: Estimated by the researcher

The results of the Augmented Dickey-Fuller (ADF) test indicate that, at levels, the test statistics for all variables are lower than the 5 percent critical values, suggesting that they are not statistically significant at level. Consequently, the null hypothesis of a unit root cannot be rejected, implying that the variables are non-stationary in their level form. To remedy this, the variables were first differenced and the test was re-conducted. At first difference, the test statistics exceeded the 5 percent critical values, leading to the rejection of the null hypothesis and confirming that the variables are stationary after differencing. The Phillips–Perron (PP) test results corroborate those of the ADF test, as they also reveal that the variables are non-stationary at levels but attain stationarity at first difference.

The trace statistics were evaluated against the 5 percent critical values, and it was found that up to the third rank, the trace statistics were greater than the corresponding critical values. As a result, the null hypothesis of no cointegration was rejected at the 5 percent level of significance, suggesting the existence of a cointegrating relationship among the variables. In particular, the results indicate the presence of three cointegrating equations in the model for objective one, thereby confirming a long-run equilibrium relationship among the variables.

4.2 Impact of Money Supply and the Monetary Policy Rate on Total Investment Spending

The result of the impact of monetary policy instruments – money supply and the monetary policy rate on total investment spending is presented on Table 2.

Table: 2: Estimates of the effect of money supply and the monetary policy rate on aggregate investment expenditure

AGINVE	coefficients	Standard Errors	t-Statistics	P-value
MS	0.0506	0.0182	2.78	0.008
MPR	-3.8305	1.4187	-2.70	0.010
PGR	-4.0944	2.0169	-2.03	0.049
RGDP	0.1942	0.2469	0.79	0.436
SAV	1.1829	0.1521	7.77	0.000
Constant	3.4327	0.6345	5.41	0.000
R2		0.6896		
Adjusted R-Squared		0.6498		
F-statistics		17.33 (0.0000)		
Durbin-Watson d-statistic (6, 45)		2.2883		
Breusch–Godfrey LM test		1.514 (p = 0.8107)		
Breusch–Pagan/Cook–Weisberg test for heteroskedasticity		1.78 (p = 0.0951)		

Source: Author's computation

The estimated results reveal that money supply and total savings exert positive and statistically significant effects on aggregate investment expenditure, whereas real GDP, although positively related, is statistically insignificant. Conversely, the monetary policy rate and population growth rate exhibit negative relationships with aggregate investment expenditure.

The coefficient of money supply (0.0506) is positive and statistically significant at the 5 percent level, as evidenced by a t-statistic of 2.78. This provides sufficient evidence to reject the null hypothesis of no significant relationship between money supply and aggregate investment expenditure. The implication is that monetary expansion stimulates investment activity in Nigeria, albeit with a relatively modest elasticity, such that a 1 percent increase in money supply leads to approximately a 0.05 percent increase in aggregate investment expenditure. This finding underscores the relevance of liquidity conditions in influencing investment decisions.

The monetary policy rate carries a coefficient of -3.8305 and is statistically significant at the 5 percent level (t-statistic = -2.70; p-value = 0.010). Accordingly, the null hypothesis of no significant effect is rejected. This indicates that the policy rate serves as a strong contractionary instrument, with increases in the rate significantly dampening investment expenditure. Quantitatively, a 1 percent rise in the monetary policy rate results in a substantial 3.83 percent decline in aggregate investment expenditure, reflecting the sensitivity of investment to borrowing costs and the interest rate channel of monetary transmission.

Similarly, the population growth rate has a negative and statistically significant coefficient of -4.0944 (t-statistic = -2.03; p-value = 0.049). This suggests that rapid population growth may exert pressure on available resources and reduce per capita capital formation, thereby constraining aggregate investment. A 1 percent increase in population growth is associated with a 4.09 percent reduction in aggregate investment expenditure, indicating a strong adverse effect.

In contrast, real GDP exhibits a positive coefficient of 0.1942 but is statistically insignificant (t-statistic = 0.79; p-value = 0.436). This implies that, although higher national income is theoretically expected to stimulate investment through increased demand and income effects, its influence is not sufficiently strong to be distinguished from random variation within the sample period. Thus, the null hypothesis of no significant impact cannot be rejected. Total savings emerges as a key determinant of investment, with a positive and highly significant coefficient of 1.1829 (t-statistic = 7.77; p-value = 0.000). This indicates a strong elasticity of investment with respect to savings, suggesting that domestic resource mobilization plays a critical role in financing investment activities. Specifically, a 1 percent increase in total savings leads to an approximate 1.18 percent increase in aggregate investment expenditure, highlighting the importance of savings in capital accumulation.

The overall goodness-of-fit of the model is satisfactory, as indicated by an R^2 value of 0.6896, implying that approximately 68.96 percent of the variation in aggregate investment expenditure is explained by the included regressors. The remaining 31.04 percent is attributable to omitted variables and stochastic disturbances. The joint significance of the model is confirmed by an F-statistic of 17.33 with a probability value of 0.0000, indicating

that the explanatory variables collectively exert a statistically significant influence on aggregate investment expenditure.

Diagnostic tests further validate the robustness of the model. The Durbin–Watson statistic of 2.2883 suggests the absence of first-order autocorrelation. This is corroborated by the Breusch–Godfrey LM test (p-value = 0.8107), which confirms that the residuals are free from serial correlation. Additionally, the Breusch–Pagan/Cook–Weisberg test for heteroskedasticity yields an insignificant p-value (0.0951), indicating that the null hypothesis of homoscedasticity cannot be rejected. This implies that the error terms exhibit constant variance, thereby satisfying the classical linear regression assumptions and reinforcing the reliability of the estimated coefficients.

4.3 Discussion of Findings

The empirical findings underscore the critical role of monetary policy instruments and macroeconomic fundamentals in shaping aggregate investment behaviour in Nigeria. Specifically, the positive and significant effect of money supply highlights the importance of liquidity expansion in enhancing credit availability, lowering borrowing costs, and stimulating private sector investment, although such expansion must be carefully managed to avoid inflationary distortions. In contrast, the negative and significant impact of the monetary policy rate confirms the sensitivity of investment to interest rate movements, implying that contractionary policies, while useful for inflation control, may inadvertently suppress capital formation and private sector growth. Furthermore, the strong positive influence of total savings emphasizes the pivotal role of domestic resource mobilisation in financing investment and sustaining long-term economic development. However, the insignificant effect of real GDP suggests that economic growth alone is insufficient to drive investment in the absence of supportive structural and institutional conditions, such as financial deepening and policy stability. Additionally, the negative impact of population growth reflects the pressure exerted by rapid demographic expansion on available resources, thereby constraining savings and investment capacity. Taken together, these findings point to the need for a balanced and coordinated policy framework that promotes liquidity expansion, maintains moderate interest rates, strengthens the savings-investment nexus, and addresses structural constraints to ensure that macroeconomic conditions effectively translate into sustained investment growth.

5.CONCLUSION AND RECOMMENDATIONS

The empirical results provide robust evidence that monetary and macroeconomic variables play a decisive role in shaping investment outcomes. The findings reveal that monetary factors significantly influence aggregate investment expenditure, with money supply and total savings exhibiting strong positive effects, thereby underscoring the importance of liquidity conditions and domestic resource mobilisation in stimulating capital formation. In contrast, the monetary policy rate exerts a statistically significant negative effect, indicating that higher interest rates constrain investment by increasing the cost of borrowing and tightening credit conditions. Although real GDP shows a positive relationship with investment, its effect is statistically weak, suggesting that economic growth alone is insufficient to drive investment in the absence of supportive financial and institutional frameworks. Furthermore, population growth is found to have a significant adverse effect on investment expenditure, reflecting the pressure of demographic expansion on available economic resources and its tendency to divert funds from investment to consumption. Collectively, these results highlight the centrality of prudent monetary policy design, effective savings mobilisation, and strategic population management in fostering a macroeconomic environment conducive to sustained investment-led growth in Nigeria.

The policy implications of the study point to the need for a coordinated macroeconomic framework that balances monetary stability with investment stimulation. In particular, the Central Bank should pursue a more accommodative interest rate stance by gradually reducing the monetary policy rate in order to lower the cost of credit and enhance private sector access to finance, thereby strengthening investment activity. In addition, a carefully calibrated expansionary monetary policy should be implemented through instruments such as reduced reserve requirements and improved liquidity provisioning to financial institutions, ensuring that the financial system is sufficiently deepened to support productive investment without undermining macroeconomic stability. Complementarily, government policy should focus on strengthening domestic savings mobilisation by offering competitive returns on savings deposits and broadening financial inclusion through improved access to safe, efficient, and accessible banking services, particularly in underserved and rural areas. Collectively, these measures would reinforce the savings-investment nexus, enhance credit intermediation, and create a more enabling environment for sustained investment-driven economic growth.

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