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EFFECT OF INFLATIONARY TREND ON NIGERIA DEVELOPING ECONOMY (2010-2019)

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Abstract
This study ascertains the effect of inflationary trend on Nigerian developing economy. Specifically, the study determines the effect of inflationary trend on gross domestic product (GDP), and gross national expenditure (GNE), two research questions and hypotheses were formulated for this study. Data were extracted from the publications of Central Bank of Nigeria (CBN), Statistical Bulletin Office of the Securities and Exchange Commission (SEC) and Annual Abstract of Statistics from the National Bureau of Statistics (NBS) for a ten (10) year period spanning from 2010-2019. The data were tested with regression analysis with aid of E-View 9.0. The study found that Inflation trend has no significant effect on gross domestic product (GDP) in Nigeria; also that inflationary trend has significant effect on gross national expenditure (GNE) in Nigeria. The study therefore, recommended among others that there is an urgent need for effective monitoring of inflation rate to allow for acceleration of economic growth. This is necessary for its positive effects on the economic growth.

Keywords: Inflationary trend, Nigerian developing economy, Gross domestic product (GDP), Gross national expenditure.

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Introduction

To achieve rapid economic growth, as well as low inflation rate are the main goals of macroeconomic policies in any economy. Bill and Khan (2008) reported that most researchers, policymakers and economists have agreed that zero inflation is not healthy for an economy and as a result should be discouraged. This is because; deflation has serious effects on economic growth and development of a country. Thus, moderate inflation enhances nation's domestic economy, while high inflation is inimical to the growth and development of the domestic economy (Mubarik, 2005). In view of the above, the policymakers, as well as the monetary authorities are advised to work toward achieving low rate of inflation in an economy, as that would help to maximize the overall economic well-being of citizens in their countries. Generally, high inflation imposes welfare costs on a nation, hinders efficient allocation of resources by affecting the role of changes in the relative price level, and as well discourages investments and savings in an economy as it creates unpredictable future prices (Eze & Nweke, 2017). The situation also affects financial development because it makes financial intermediation more costly, and the poor are mostly affected because they rescind in holding financial assets that provides a hedge against high inflation and decreases a country's international competitiveness by making exports more expensive (Frimpong & Oteng-Abayie, 2010).

Inflation is no longer a mere war-time phenomenon or the problem of a specific region or society recently. Its impact can no longer be ignored by both the developed and developing nations alike. Inflation is defined as a generalized increase in the level of price sustained over a long period in an economy (Lipsey & Chrystal, 1995). Inflation is one of the most frequently used terms in Economic discussions, yet the concept is variously misconstrued. There are various schools of thought on inflation, but there is a consensus among economists that inflation is a continuous rise in the prices.

The Nigerian economy recorded significant growth in the last two quarters of 2005 with over 8 per cent growth in each of the two quarters (Bawa & Abdullah, 2012). The impressive growth in output recorded in these quarters was attributable to the effective implementation of the economic reform agenda under the auspices of the National Economic and Development Strategy (NEEDS).

The problem of inflation surely is not a new phenomenon. It has been major problem of the country over the years. Inflation is a household word in many market oriented economics. Although, several people, producers, consumers, professionals, non-professional, trade unionists, workers and the likes, talk frequently about inflation particularly if the affection has assumed a habitual character yet only selected few mechanisms and consequences of inflation (Omoke, 2010).

Studies such as Aydin (2017), Mamo (2012), Manoel (2010) and Ndoricimpa (2017) on the inflation and economic growth nexus are mainly cross-country.. Also, previous studies use different estimation techniques and receive contradictory results. Thus, studies in these areas appear inconclusive. The diverse results from the empirical studies do not allow the researchers to draw a clear conclusion on the issue at hand. More so, few that address the area cannot provide a valid conclusion on the direction of relationship between the inflation and economic growth (Anochiwa & Maduka, 2015; Denbel, Ayen & Regasa, 2016; Gatawa, Abdulgafar, & Olarinde, 2017; Inyiama, 2013). The periods used by most of the prior studies did not capture the prevailing trend in this economic variable. Some of the prior findings have

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no link to Nigerian environment; hence there are differences in their exposure to political, economic structures, and likes. This study applies a contrary approach to ascertain whether inflationary trend is detrimental to the economic growth of a country with specific inclination to Nigeria.

In view of the foregoing, this present study tends to ascertain the extent which inflationary trend affect economy development in Nigerian.

The main objective is to ascertain the effect of inflationary trend on Nigerian developing economy. The specific objectives are;

1. To determine the effect of inflationary trend on gross domestic product (GDP) in Nigeria.
2. To ascertain the extent to which inflationary trend affect gross national expenditure (GNE) in Nigeria.

Conceptual Review

Inflationary Trend

Balami, (2006) reported that inflation is seen as the general rise in the level of prices of a large group of goods and services for a long duration of time. Inflation is one of the most frequently used terms in economic discussions, yet the concept is variously misconstrued. There are various schools of thought on inflation, but there is a consensus among economists that inflation is a continuous rise in the prices.

Inflation occurs when there is an increase in the price of goods and services. This increase in price is seen as inflation when it is persistent and above the specified benchmark. For instance, an increase in the money supply can gravitate to a higher price level in a matter of time. There are various types of inflation known in the literature, some of these types are: demand-pull, which arises as a result of an increase in aggregate demand without a corresponding increase in supply, supply push or cost- push inflation happens when a reduction in supply caused by an increase in the cost/price of the commodity produced (Anochiwa & Maduka, 2015). It can also be structural inflation, which arises as a result of changes in monetary policy. This type of inflation is generally referred to as built-in inflation. Within these categories, inflation can be hyper, extremely high, chronic, high, moderate, and low inflation (Umaru & Zubairu, 2012). Anochiwa and Maduka (2015) documented that the ability of monetary authorities to maintain single-digit inflation would increase the aptitude to hasten economic growth. However, the re- verse is the case for Nigeria. Available data from the Central Bank of Nigeria Statistical Bulletin (2018) on the trend of inflation shows that the inflationary situation in the country has become alarming since 1980 until 2018.

The inflationary situation in Nigeria has become a threat to the economy and closely related to the persistent increase in the price of oil over the years, which began in the early 1980s when the petrol price increased from 9.5k per liter to 15.4k per liter. The inflationary trend shows that Nigeria had only maintained single-digit inflation for fourteen years in the past thirty-eight years. However, the persistent increase in the inflation rate in Nigeria is evidence of the failure of both monetary and fiscal policies. This increase directly or indirectly affects the economic activities of the country, the transportation cost, the cost of locally produced goods, rents, foodstuffs, among others. Also, 2012 witnessed another increase in the price of

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petrol to N97.00 per liter and on assuming to the office by the present administration, also moves the price to N145 per liter in 2016. This eventually made the price of goods and services skyrocket (Idris & Suleiman, 2019). The study of the nexus between inflation and economic growth remain perennial and has given rise to different schools of thought.

The government therefore, can raise resources for development because people are forced to save (Doguwa, 2013; Enejoh & Tsauni, 2017). The positive contributions of inflation to economic growth are also propelled when there is an increase in the price, which stimulates workers to structurally change from the traditional subsistence sector to a more expanding industrialized sector, thus giving room for more optimal and full utilization of economic resources (Dewett & Navalur, 2010).

Despite this declaration that certain degrees of inflation foster the economic growth, most findings still reveal that inflation is detrimental to economic activities (Kasidi & Mwakanemela, 2015; Mkhatshwa, Tijani, & Masuku, 2015). They reported that inflation needs to be reduced and kept to the barest and should not rise above a single digit. The view of the Monetarists and the Keynesians documented that inflation has serious contagious effects as it discourages domestic production and creates a favorable atmosphere for foreign goods to compete with the domestic market, encourages deficit balance in the international payment transaction (Al-Taeshi, 2016; Chude & Chude, 2015).

In addition to the main variable of interest (inflation rate), interest rate was added. This is because high interest rate reduces the volume of output of the real sector of the economy and hinders the borrowing capacity of the investors. With an in- crease in interest rate, the purchasing power of liquid cash declines, and investors are scared away from making investment decisions. Also, the exchange rate was included because it is directly affected by the prevailing inflation rate in the country. For instance, depreciation or devaluation can encourage domestic production and boost private sector investment, which in turn can encourage export, thus improving the balance of payment of the country (Idris & Suleiman, 2019). Money supply was also added; this is premised on the understanding that inflation is caused as a result of monetary expansion, information regarding the current movements in the money supply is important in conditioning expectations (Shuaib, Augustine, & Frank, 2015).

Inflation and Economic Growth

Prasanna and Gopakumar (2012) argued that nations with high inflation experience a decrease in the rate of economic growth; hence, inflation affects economic growth negatively. However, Dotsey and Sarte (2000) postulated that fluctuations results to economic growth via a precautionary savings motive. According to Awogbemi and Taiwo (2012), persistent rise in the price level of goods and services are the most serious challenges facing every economic unit. In view of this, every nation strives to achieve price stability as the main factor that is required to promote economic growth and development of a nation. They identified some variable determinants of inflation to include monetary policy, fiscal policy and balance of payments position of a country. In their explanation of the monetary policy as one of the determinants of inflation, they argued that inflation results due to increase in money supply.

Akinbobola (2012) asserts that balance of payment position on the other hand, was built on the rate of exchange. If exchange rate collapses, it will bring about inflation that may either be inform of higher import prices or in the form of accelerated wage bill Awogbemi and Ajao (2011) also argued that increase in the cost of goods and services are often considered to be

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counterproductive, and it has negative effect on an economy of a nation. The most significant influence of inflation is its effect on the public revenue. If the inflation is higher than the past planned, the revenue of the government decreases. Kevin and Liu (2004) stated that inflation stability and output gap have been the major objectives for many central banks all over the world. The main objective of any central bank is to achieve optimal monetary policy rules. In both policy practice and academic research, inflation target being explicit or implicit is almost measured through the standard of living index, the consumer price index, the cost of production index and the producer price index.

Gross Domestic Product

In the early 1930, Economist Simon Kuznets developed this measurement the Gross domestic product. Most countries, economists, policymakers, international development agencies and even the media use it as an indicator of the economic wealth of a nation. The advantage offered by GDP is that it is widely and frequently used and its data requirements are readily available (Luke, 2014). GDP measures the total value of goods and services produced by a country. It is considered a part of national accounts which are an integral set of statistics that enable policy-makers to determine whether the economy is in a state of contraction or expansion. It may also be used in evaluating economic activity and its efficiency, as well as in measuring the size of macro economy (Ahmed & Mohanned, 2016). GDP measures the size of an economy by adding up the value of goods and services produced within the country during a period of time. One way GDP is calculated _ known as the expenditure approach is by adding the expenditure made by those three groups of users. GDP is defined by the formula;

GDP= Consumption + Investment + Government Spending + Net Export

Each country and publishes its own GDP data regularly. International Organizations such as the Word Bank and the International Monetary Fund (IMF) periodically publish and maintain historical GDP data for many countries (Peter, 2018). The GDP has some of its limitations and disadvantages. Certain activities that have dangerous and negative impact on the people's well-being could end up being recorded as positive contribution to the GDP. Another example is the consequence of having depleted forests because of logging activities. GDP is increased when trees are cut down for lumber and other uses. The negative impact of deforestation is taken into consideration.

Empirical Studies

Empirical literature is overwhelming in explaining the trade and economic growth link. Many researchers have carried out research work on the topic in various parts of the world. Olugbenga and Oluwabunmi (2020) examined the effect of inflation on the growth prospects of the Nigerian economy, the study employs the autoregressive distributed lag on the selected variables, i.e. real gross domestic product (GDP), inflation rate, interest rate, exchange rate, degree of economy`s openness, money supply, and government consumption expenditures for the period 1980–2018. The analysis indicates that inflation and real exchange rate exert a significant negative impact on economic growth, while interest rate and money supply indicate a positive and significant impact on economic growth. Eze and Nweke (2017) ascertained the extent inflation affect Nigeria's economic growth for a 1980 to 2015. Cointegration approach, vector error correction model (VECM) and Granger causality test were employed in the analysis. The VECM results demonstrated that inflation affect

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Nigeria's economic growth negatively and insignificantly. More so, it was shown in the results that GINVXP and TEXP have significant and negative effect on RGDP. Okrgbe, Ezejiofor and Ofurum (2019) determined the extent to which Foreign Direct Investment (FDI) has contributed to the Gross Domestic Product (GDP) in Nigeria from 2000 to 2017. In the course of this study, three hypotheses were formulated in line with the objectives of the study. Ex-Post Facto research design was employed for the study. Regression analysis technique was adopted with the aid of E-view version 9.0 in testing the hypotheses. The study revealed that foreign direct investment on financial sector has positive and significantly affected Gross Domestic Product in Nigeria. It also showed that Foreign Direct Investment on oil sector has positive and significantly affected Gross Domestic Product in Nigeria. Another finding is that Foreign Direct Investment on non-oil sector has positive and significantly affected Gross Domestic Product in Nigeria. Idris and Suleiman (2019) evaluated how inflation influences economic growth of Nigeria from 1980 to 2017. Vector error correction mechanism was used to analyze the selected variables; gross domestic product, inflation rate, interest rate, and exchange rate in the country. The study shows that long- run relationship among the variables and that inflation rate and interest rate affect the economic growth of Nigeria significantly and negatively in the long run. Oraka, Ezejiofor and Erhirhie (2018) examined the effects of inflation on the performance of Nigerian capital market since democratic dispensation. Specifically, the study determined the extent to which inflation has affected all share index, stock market capitalization and value of domestic share traded. Ex Post facto research design was adopted. Data were collected from Central Bank Statistical Bulletin and Nigerian Stock Exchange Fact book. Data obtained were analyzed and coefficient correlation coefficient statistical technique was used to test the three formulated hypotheses with aid of SPSS version 20.0. The study found that there is a negative correlation between inflation rate and all share index in Nigerian and there is a negative significant correlation between inflation rate and Nigerian market capitalization. Another the level of inflation rate has a negative correlation with the value of domestic share traded in Nigeria. Anidiobu. (2018) ascertained the effect of inflation on the economic growth of Nigeria using descriptive and ordinary least squares on the data for the period 1986–2015. The result indicates that inflation rate depicts an insignificant positive relationship, exchange rate shows a significant positive relationship, while there is a negative in- significant relationship between interest rate and growth of Nigeria economy. Enejoh and Tsauni (2017) examined how inflation rate affects the country's economy using ARDL techniques and Granger causality during 47 years (1970–2016). The result indicates that inflation rate and exchange rate have a positive impact on economic growth, while the lagged value of exchange rate indicates a negative relationship with the growth of the economy. Ndoricimpa (2017) assessed inflation threshold on economic growth in some selected African countries. Using the panel analysis, the result indicates the nonlinear relationship between the two variables, and that low inflation enhances the growth of the economy in the middle-income countries, while it has no effect on the sample put together. The result also shows that inflation beyond the threshold negatively influences the economy in all the countries. Mkhatshwa (2015) evaluated how the inflation rate affects both economic and agricultural growth in Swaziland for the period 1980–2013. The autoregressive distributed lag (ARDL) result indicates that inflation depicts a negative relation- ship, while agricultural growth indicates a positive relationship on the growth of Swaziland. The causality test shows unidirectional relationship between the growth of the economy and the inflation, rate while no causal relationship was found among other variables. Kasidi and Mwakanemela (2015) analyzed the influence of inflation on the economic growth for the period 1990–2011 in Tanzania using correlation and

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co-integration techniques, and state that no strong relationship exists between inflation rate and the growth of their economy. Anochiwa and Maduka (2015) determine if any relationship can be found between the growth of the economy and inflation rate in Nigeria during 42 years (1970–2012). The results of Johansen co-integration test reveal the nonlinear negative influence between the two economic variables, while Granger causality indicates no causal relationship between them. Ezeanyeji and Ugochukwu (2015) investigated the effect of inflation on economic growth in Nigeria from 1991 to 2013 using Ordinary Least Square (OLS) method of simple regression model. The variables used in the investigation include gross domestic product (GDP) as the dependent variable, whereas inflation rate (INF) is the independent variable. The results showed that inflation has negative impact on economic growth in Nigeria. Okoye, Okoye and Ezejiofor (2015) examined the effect of capital market efficiency as a panacea to the economic growth in Nigeria since democratic dispensation using Gross Domestic Product, Credit to Private Sector, Total Investment, and Stock Market Capitalization. Data for the study were extracted from CBN statistical Bulletin and a statistical non-parametric test called Analysis of Variance (ANOVA) was used because it measures or tests three or more independent means. SPSS 20.0 Version was used in testing the hypothesis. The result obtained, capital market has positive and significant impact on economic growth in Nigeria. Hence the investment, credit to private sector, and stock market capitalization on GDP has linear relationship on the Nigerian economic growth. Muhammad, Hazoor, Anam and Naeem (2014) examined the relationship among economic growth, savings and inflation; and as well estimated the threshold level of inflation for Pakistani economy. Simultaneous equation model was utilized in the study. The variables used in the study include GDP growth rate, inflation rate, savings rate, depreciation of exchange rate, total debt servicing, interest rate, unemployment rate and indirect taxes. The results showed that inflation and real interest rate negatively and significantly affect economic growth, while economic growth, unemployment and real interest rate negatively affect inflation rate. Wajid and Kalim (2013) assessed the impact of inflation and economic growth on unemployment", A Time series evidence from Pakistan for the period of 1973-2010.The researchers used the ADF, Johansen-Juselius 1990 maximum likelihood approach to study the long-run correlation between inflation, unemployment and economic growth. It was concluded that the rate of inflation significantly increases unemployment and there is a positive effect of economic growth on unemployment both in the long-run and short-run. Faraji and Kenani (2013) investigated the impact of inflation on economic growth in Tanzania from 1990 to 2011 through the applications of cointegration approach, ordinary least square (OLS) technique and correlation coefficient analysis. The results of the cointegration test indicate no cointegration between inflation and economic growth. Similarly, the results of the correlation coefficient indicate that strong relationship exist between inflation and gross domestic product (GDP) in Tanzania. The results also showed that inflation has a negative impact on economic growth in Tanzania.

However, the present study will not only check the causality but will also look at the long-run relationship between foreign trade and economic growth in Nigeria using time series data from CBN for the period of 1981 to 2012. The study will make use of Adjusted Dickey Fuller test for stationary to check if there is unit root. To see if the data are stationary at level data 1(0), at order one 1(1) or order two 1(2). Finally, several Diagnostic tests will be used to check if the model is well fitted.

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Methodology

Research Design

This study focused on ascertaining the effect of inflation trend on economic growth with emphasis on Nigeria. Data from secondary source were obtained for a ten (10) year period spanning from 2010 – 2019. The research design employed in this study is the Longitudinal Research Design, since the data are time series data.

The thirty-six (36) states of the Federal Republic of Nigeria and the Federal Capital Territory, Abuja, constitute the population of this study.

Time series data were extracted from the publications of Central Bank of Nigeria (CBN), Statistical Bulletin Office of the Securities and Exchange Commission (SEC) and Annual Abstract of Statistics from the National Bureau of Statistics (NBS) for a ten (10) year period spanning from 2010-2019. The variables for which data were sourced include; inflation, and GDP, GNE for the study period.

Model Specification

This study specifies a functional relationship between inflation trend and economic growth. Generally the model is specified as:

$Y = \beta_o + \beta X_1 + \mu$

Where:

Y = Economic growth (dependent variable)

X = Inflation trend (explanatory/independent variable)

β_0 = Constant term (Intercept)

β = Coefficient of inflation

μ = Error term (Stochastic Term)

Explicitly, the equation can be defined as:

Economic growth = *f* (inflation trend) + μ

Representing the equations with the variables of the construct, hence the equations below were formulated:

$GDP_t = \beta_0 + \beta_1 INF_t + \mu_t$ - - - - - - -i

$GNE_t = \beta_0 + \beta_1 INF_t + \mu_t$ - - - - - - -ii

Legend:

GDP_t = Gross Domestic Product for period t

GNE_t = Gross National Expenditure t

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μ_t = Error term for period t

β_0= Constant term

β_1= Coefficient of Inflation trend

Description of Variables

Independent Variables

The independent variable in this study is Inflation Trend which was decomposed into:

i) Inflation (INLF): Obtained from Central Bank of Nigeria (CBN) and Securities and Exchange Commission (INFL) statistical bulletin (various issues)

Dependent Variables

The dependent variable is economic growth, which is proxied by:

Gross Domestic Product (GDP): Collected from Central Bank of Nigeria publications and National Bureau of Statistics (various issues).

Gross National Expenditure (GNE): Collected from Central Bank of Nigeria publications and National Bureau of Statistics (various issues).

Method of Data Analysis

Descriptive and regression analysis were used in this study via the aid of E-View 9.0 statistical software.

Decision Rule

The decision was based on 5% (0.05) level of significance. The null hypothesis (H_o) will be accepted, if probability value (P-value or Sig) Calculated is greater than or equal to (≥) the stated 5% level of significance, otherwise reject.

Data Presentation and Analysis

Data Presentation

The time series data extracted from the publications of Central Bank of Nigeria (CBN), Statistical Bulletin Office of the Securities and Exchange Commission (SEC) and Annual Abstract of Statistics from the National Bureau of Statistics (NBS) from 2010 to 2019 were presented below:

Test of Hypotheses

Hypothesis One

Ho_1: Inflationary trend has no significant effect on gross domestic product (GDP) in Nigeria.

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Table 1: Ordinary Least Square regression analysis showing the effect of INFL on GDP

Dependent Variable: DGDP
Method: Least Squares
Date: 04/14/21 Time: 12:56
Sample (adjusted): 2010 2019
Included observations: 9 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.086020	0.017669	4.868294	0.0018
DINFL	0.101721	0.088776	3.145814	0.0229

R-squared	0.357934	Mean dependent var	0.088889
Adjusted R-squared	0.337639	S.D. dependent var	0.053489
S.E. of regression	0.052473	Akaike info criterion	-2.863904
Sum squared resid	0.019274	Schwarz criterion	-2.820076
Log likelihood	14.88757	Hannan-Quinn criter.	-2.958484
F-statistic	7.312891	Durbin-Watson stat	0.914830
Prob(F-statistic)	0.022928		

Source: E-Views 9.0, 2021

Table 2: Granger Causality Test showing the Causality between GDP and INFL

Pairwise Granger Causality Tests
Date: 04/14/21 Time: 12:57
Sample: 2010 2019
Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
INFL does not Granger Cause DGDP	7	9.08642	0.0395
DGDP does not Granger Cause DINFL		1.14773	0.4656

Source: E-Views 9.0, 2021

Interpretation

Table 2 indicates that there is a unidirectional causality between GDP and INFL, since the causality only runs from INFL to GDP at two (2) lags with a F-Statistic = 9.08642 and associated P-value = 0.0395, thereby establishing the fact that, there is a statistically significant relationship between inflationary trend and gross domestic product in Nigeria at 5% level of significance.

Decision

Since the p-value of the test is less than the critical significant value of 5%, thus H_1 is accepted and Ho rejected. This implies that inflationary trend has a significant effect on gross domestic product in Nigeria at 5% level of significance.

Hypothesis Two

H_o^2: Inflationary trend has no significant effect on gross national expenditure (GNE) in Nigeria.

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Table 3: Ordinary Least Square regression analysis showing the effect of INFL on GNE

Dependent Variable: DGNE
Method: Least Squares
Date: 04/14/21 Time: 13:19
Sample (adjusted): 2010 2019
Included observations: 9 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.092446	0.016018	5.771516	0.0007
DINFL	-0.029773	0.016981	-3.753316	0.0131

R-squared	0.385150	Mean dependent var	0.088889
Adjusted R-squared	0.325886	S.D. dependent var	0.053489
S.E. of regression	0.047666	Akaike info criterion	-3.056066
Sum squared resid	0.015904	Schwarz criterion	-3.012238
Log likelihood	15.75230	Hannan-Quinn criter.	-3.150646
F-statistic	9.074118	Durbin-Watson stat	0.829912
Prob(F-statistic)	0.013096		

Source: E-Views 9.0, 2021

Interpretation

The effect of inflation trend on gross national expenditure in Nigeria was evaluated based on the result of table 3, INFL with a negative co-efficient of; β_1 = -0.029773 has a significant effect on GNE as indicated by the t-statistic of -3.753316 and its associated probability value of 0.0131. The R squared which examines the extent to which the predictor explain the variations in the dependent variable (GNE) shows that the R Squared figure of 0.358 indicates that, reliance on this model will account for 38.5% of the variations in the dependent variable (GNE).

The Durbin-Watson value of 0.829912 buttressed the fact that the model does not contain auto-correlation, thereby, making the regression fit for prediction purpose.

The analysis resulted in F-value of 9.074118 with corresponding p-value of 0.013096. This confirms that, the model is significantly reliable. That means one can rely on the model to predict GNE with high accuracy.

Decision

Since the p-value of the test is less than the critical significant value of 5%, thus H_1 is accepted and Ho rejected. This implies that inflationary trend has a significant negative effect on GNE in Nigeria at 5% level of significance.

Table 4: Granger Causality Test showing the Causality between GNE and INFL

Pairwise Granger Causality Tests
Date: 04/14/19 Time: 13:20
Sample: 2010 2019
Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
DINFL does not Granger Cause DGNE	7	12.2793	0.0044
DGNE does not Granger Cause DINFL		5.24595	0.1601

Source: E-Views 9.0, 2019

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Interpretation

Table 4, indicates that there is a unilateral causality between GNE and INFL, since the causality only runs from INFL to GNE at two (2) lags with a F-Statistic = 12.2793 and associated P-value = 0.0044, thereby establishing the fact that, there is a statistically significant relationship between bond inflationary trend and gross national expenditure in Nigeria at 5% level of significance.

Discussion of Findings

The findings from the study show building on the existing theoretical and empirical literature, this study perceives a causal relationship between inflation trends and economic growth in Nigeria. The results of hypotheses one and two as contained in tables above showed that inflation trends have a statistical / significant effect on economic growth indicators in Nigeria at 5% level of significance. The finding of this study is in line with the works of Chuan Yeh (2009) who examines "the causal relationship between economic growth and inflation. His result showed that inflation has a significant effect on growth in low-income countries than in developing and developed countries.

Conclusion and Recommendations

This study contributes to the literature on the effect of inflation trends on economic development in Nigeria by using ordinary least square estimate. This study set objectives to accomplish, actually achieved it. From the research finding, the study concludes that there is a long run relationship between inflation and economic development in Nigeria. The key problem set to be addressed in this study is to ascertain the effect of inflation trends on economic growth. From the research findings, the results obtained from this study support both theoretical and empirical evidence that inflation impacted on economic growth in Nigeria

Recommendations

Based on the findings of this research, this study recommends that:

1. There is an urgent need for effective monitoring of inflation rate to allow for acceleration of economic growth. This is necessary for its positive effects on the economic growth.

2. The monetary policies aimed at exchange rate should be strengthened through effective supervision and regulatory framework of financial system by the monetary authorities. Hence, continuous monetary policies that will activate the desired macro-economic stability, increase private sector credits and investments to boost economic growth in Nigeria.

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