Inflation and Economic Growth in Nigeria: A Systematic Review of Empirical Evidence (1999–2022)

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Abstract

This study systematically reviews empirical evidence on the relationship between inflation and economic growth in Nigeria between 1999 and 2022. Inflation remains one of the most persistent macroeconomic challenges confronting the Nigerian economy, with significant implications for investment, productivity, employment, and overall economic performance. The study adopts a systematic review methodology to synthesize findings from empirical studies published within the review period. Relevant studies were identified through academic databases, journals, institutional publications, and working papers focusing on inflation-growth dynamics in Nigeria. The review examines the methodologies, data sources, estimation techniques, and major findings of selected studies. Evidence from the reviewed literature reveals that inflation generally exerts a negative effect on economic growth when it exceeds certain threshold levels. While some studies report a positive relationship between moderate inflation and growth, the majority of empirical findings indicate that high and persistent inflation undermines economic performance by reducing purchasing power, discouraging investment, creating uncertainty, and distorting resource allocation. The review further shows that differences in findings are largely attributable to variations in model specifications, sample periods, econometric techniques, and measures of inflation and growth. The study concludes that maintaining inflation within a manageable range is essential for achieving sustainable economic growth in Nigeria. It recommends that monetary and fiscal authorities strengthen inflation-targeting mechanisms, enhance policy coordination, and implement structural reforms aimed at improving productivity and stabilizing prices.

Keywords: Inflation, Economic Growth, Nigeria, Macroeconomic Stability, Systematic Review, Empirical Evidence.

1. INTRODUCTION

Inflation and economic growth are among the most widely studied macroeconomic variables because of their significant implications for economic stability and development. Inflation refers to a sustained increase in the general price level of goods and services over time, resulting in a reduction in the purchasing power of money (Mankiw, 2021). Economic growth, on the other hand, refers to the increase in the real output of goods and services produced within an economy over a specified period and economic growth are among the most widely studied macroeconomic variables because of thread and is commonly measured by the growth rate of real Gross Domestic Product (GDP) (Todaro & Smith, 2020). The interaction between these two variables has attracted substantial attention from economists, policymakers, and researchers because of its importance for macroeconomic management and long-term development.

The relationship between inflation and economic growth has remained controversial in both theoretical and empirical literature. Classical economists generally argue that inflation adversely affects economic performance by distorting price signals, reducing savings, discouraging investment, and creating uncertainty within the economy (Fischer, 1993). Monetarists, particularly Friedman (1968), maintain that inflation is fundamentally a monetary phenomenon resulting from excessive growth in money supply relative to output. According to this view, sustained inflation undermines economic efficiency and reduces long-run growth prospects.

In contrast, Keynesian economists contend that moderate inflation may stimulate economic growth by increasing aggregate demand, encouraging investment, and promoting employment generation (Keynes, 1936). This perspective suggests that a low and stable rate of inflation can accompany economic expansion, particularly in developing economies where productive resources may be underutilized. Consequently, the inflation-growth relationship may not be strictly negative but could vary depending on the level, duration, and sources of inflation.

Nigeria has experienced persistent inflationary pressures since the return to democratic governance in 1999. During this period, inflation rates have fluctuated considerably due to a combination of monetary, fiscal, structural, and external factors. These factors include exchange-rate depreciation, expansionary fiscal policies, rising food prices, energy price shocks, insecurity in agricultural regions, supply-chain disruptions, and dependence on imported goods (Central Bank of Nigeria, 2022). The recurring nature of inflation has raised concerns regarding its impact on investment, productivity, employment, poverty reduction, and overall economic growth.

Available statistics indicate that inflation has remained a major macroeconomic challenge in Nigeria over the review period. Following the democratic transition in 1999, inflation rates fluctuated between single-digit and double-digit levels, reflecting changing economic conditions and policy responses. Episodes of high inflation were particularly evident during periods of exchange-rate instability, global financial crises, oil-price shocks, and domestic supply constraints (National Bureau of Statistics, 2022). At the same time, Nigeria's economic growth performance has been characterized by periods of expansion, recession, and recovery, suggesting a complex interaction between inflation and growth dynamics.

Empirical studies examining the inflation-growth nexus in Nigeria have produced mixed and sometimes contradictory findings. While studies such as Umaru & Zubairu (2012), Bawa & Abdullahi (2012), & Egbulonu & Amadi (2016) reported a negative relationship between inflation and economic growth, other studies found positive or insignificant effects depending on the period examined and the methodology employed. Similarly, several researchers have identified threshold effects, suggesting that inflation may promote growth up to a certain level before becoming harmful (Khan & Senhadji, 2001; Bawa & Abdullahi, 2012). These divergent findings make it difficult to draw definitive conclusions regarding the true nature of the inflation-growth relationship in Nigeria.

The inconsistencies in previous findings underscore the need for a systematic review of existing empirical evidence. Unlike individual empirical studies that focus on specific periods and methodologies, a systematic review provides a comprehensive synthesis of available evidence and facilitates the identification of recurring patterns, methodological differences, and knowledge gaps (Snyder, 2019). By integrating findings from multiple studies, systematic reviews provide stronger evidence for policy formulation and future research.

Against this background, this study systematically reviews empirical studies on inflation and economic growth in Nigeria published between 1999 & 2022. The objective is to synthesize existing evidence, identify areas of consensus and disagreement, examine methodological trends, and draw policy-relevant conclusions regarding the inflation-growth relationship in Nigeria. The study contributes to the literature by providing a comprehensive assessment of over two decades of empirical research and highlighting implications for macroeconomic policy and sustainable economic development.

2.0 CONCEPTUAL REVIEW

2.1 Concept of Inflation

Inflation is one of the most important indicators of macroeconomic stability and has remained a central concern of policymakers across both developed and developing economies. It generally refers to a persistent increase in the average price level of goods and services over a period of time, leading to a decline in the purchasing power of money (Mankiw, 2021). Inflation implies that a given amount of money can purchase fewer goods and services than before, thereby affecting consumers, producers, investors, and governments. According to Blanchard (2021), inflation is not simply an increase in the price of a single commodity but rather a sustained rise in the overall price level within an economy.

The measurement of inflation is usually undertaken using price indices. The most commonly used measure is the Consumer Price Index (CPI), which tracks changes in the prices of a representative basket of goods and services consumed by households (International Monetary Fund [IMF], 2023). Other measures include the Producer Price Index (PPI) and the Gross Domestic Product (GDP) Deflator. In Nigeria, the National Bureau of Statistics (NBS) computes inflation rates primarily through the Consumer Price Index, which serves as the official measure of inflation used by policymakers and researchers (NBS, 2022).

Inflation can originate from a variety of sources. Demand-pull inflation occurs when aggregate demand exceeds aggregate supply, causing upward pressure on prices (Keynes, 1936). Cost-push inflation arises when increases in production costs, such as wages, energy prices, transportation expenses, or imported raw materials, are transferred to consumers through higher prices (Blanchard, 2021). Structural inflation, which is particularly relevant in developing countries, emerges from institutional and structural rigidities that limit productive capacity and create supply bottlenecks (Jhingan, 2018). Additionally, imported inflation occurs when rising international prices or exchange-rate depreciation increase the domestic cost of imported goods and services (Todaro & Smith, 2020).

Economists often classify inflation according to its intensity. Creeping inflation refers to a mild increase in prices, usually below 10 percent annually, and is often considered manageable within an economy. Walking inflation involves moderate but noticeable increases in prices, while galloping inflation is characterized by rapid price increases that significantly disrupt economic activities. Hyperinflation represents an extreme form of inflation in which prices increase uncontrollably within a short period (Jhingan, 2018). Understanding these categories is important because the economic consequences of inflation vary according to its magnitude and persistence.

In Nigeria, inflation has been driven by both monetary and structural factors. Excessive money supply growth, exchange-rate depreciation, fiscal deficits, insecurity affecting agricultural production, rising transportation costs, and dependence on imported commodities have all contributed to inflationary pressures over time (Central Bank of Nigeria [CBN], 2022). These factors have often combined to create periods of high inflation, thereby posing challenges for economic growth and development.

2.2 Concept of Economic Growth

Economic growth refers to the sustained increase in an economy's capacity to produce goods and services over time. It is generally measured by changes in real Gross Domestic Product (GDP), which adjusts for inflation and reflects actual increases in output (Todaro & Smith, 2020). Economic growth is widely regarded as an essential condition for improving living standards, reducing poverty, increasing employment opportunities, and enhancing national welfare.

According to Romer (2018), economic growth results from improvements in productivity, technological innovation, human capital accumulation, and capital formation. Similarly, Solow (1956) emphasizes the role of savings, investment, labour-force expansion, and technological progress in promoting long-run economic growth. Economic growth therefore reflects not only increases in the quantity of resources available within an economy but also improvements in how efficiently those resources are utilized.

The significance of economic growth lies in its ability to improve the welfare of citizens. Sustained growth generates employment opportunities, raises income levels, expands government revenue, and improves access to education, healthcare, and infrastructure (Todaro & Smith, 2020). Consequently, governments often pursue policies aimed at achieving stable and sustainable economic growth as a means of enhancing socioeconomic development.

Several factors influence economic growth. These include capital accumulation, technological advancement, labour-force growth, human capital development, institutional quality, political stability, macroeconomic stability, and openness to international trade (North, 1990; Romer, 1990). Macroeconomic stability, particularly low and predictable inflation, is widely considered an important prerequisite for sustained growth because it reduces uncertainty and encourages investment (Fischer, 1993).

Nigeria's economic growth experience has been characterized by significant fluctuations. Although periods of rapid growth have occurred, particularly during oil booms, growth has often been constrained by inflationary pressures, exchange-rate instability, inadequate infrastructure, weak industrial capacity, insecurity, and governance challenges (World Bank, 2022). These challenges have complicated efforts to achieve inclusive and sustainable economic development.

2.3 Relationship Between Inflation and Economic Growth

The relationship between inflation and economic growth has occupied a central position in macroeconomic literature for decades. Theoretical and empirical studies provide differing perspectives regarding how inflation affects economic performance. While some economists argue that inflation promotes growth under certain conditions, others contend that inflation is detrimental to long-term economic development.

The positive view of inflation is largely associated with Keynesian economics. Keynes (1936) argued that moderate inflation may stimulate aggregate demand, increase production, and reduce unemployment. In situations where productive resources are underutilized, rising prices may encourage firms to expand output and increase investment. Consequently, moderate inflation may coexist with economic growth, particularly in developing economies.

In contrast, monetarist and neoclassical economists generally maintain that inflation adversely affects economic growth. Friedman (1968) argued that inflation introduces uncertainty into economic decision-making and reduces the efficiency of market mechanisms. High inflation distorts price signals, discourages savings, reduces investment, and undermines productivity growth. Similarly, Fischer (1993) found that economies experiencing high inflation tend to record lower rates of economic growth compared to economies with stable prices.

Another important perspective is the threshold hypothesis. According to Khan & Senhadji (2001), inflation may affect economic growth differently depending on its level. Low and stable inflation may have little or no adverse effect on growth, while inflation above a certain threshold becomes harmful. This hypothesis has gained substantial support in both developed and developing countries and has been widely applied in studies of the Nigerian economy.

The channels through which inflation influences economic growth are numerous. Inflation affects savings behaviour by reducing the real value of financial assets. It influences investment decisions by increasing uncertainty regarding future costs and returns. Inflation also affects international competitiveness by increasing domestic production costs relative to foreign competitors. Furthermore, inflation may reduce household welfare by eroding purchasing power and lowering real incomes (Barro, 1995).

In the Nigerian context, the inflation-growth relationship is particularly important because inflation remains a persistent macroeconomic challenge. Rising food prices, exchange-rate depreciation, insecurity, and supply-side constraints have contributed to inflationary pressures that affect investment and productive activities. Consequently, understanding the nature of the relationship between inflation and economic growth is essential for designing effective monetary and fiscal policies capable of promoting sustainable development.

Overall, the literature suggests that while moderate inflation may be compatible with economic growth, persistent and high inflation generally undermines economic performance. Therefore, maintaining price stability remains a critical objective of macroeconomic policy in Nigeria and other developing economies

2.2.0 Theoretical Framework

This study is anchored on theories that explain the relationship between inflation and economic growth. The major theories reviewed include the Quantity Theory of Money, Keynesian Theory of Inflation, Structuralist Theory of Inflation, and Endogenous Growth Theory.

2.2.1 Quantity Theory of Money

The Quantity Theory of Money (QTM) is one of the earliest theories explaining inflation. The theory is primarily associated with Irving Fisher (1911), who expressed the relationship through the famous equation of exchange:

$MV = PT$

Where:

M = Money Supply

V = Velocity of Money

P = General Price Level

T = Volume of Transactions

According to Fisher (1911), assuming velocity and output remain constant, an increase in money supply leads directly to an increase in the general price level. Consequently, excessive monetary expansion results in inflation.

The theory suggests that sustained inflation is fundamentally a monetary phenomenon. When money supply grows faster than real output, prices rise, reducing the purchasing power of money. In the long run, persistent inflation may discourage investment and savings, thereby adversely affecting economic growth.

Although the Quantity Theory provides a useful explanation of inflationary pressures, critics argue that it assumes constant velocity and full employment, assumptions that rarely hold in developing economies such as Nigeria (Mankiw, 2021).

Relevance to the Study

The Quantity Theory of Money is relevant because many episodes of inflation in Nigeria have been linked to excessive monetary expansion, fiscal deficits financed through borrowing, and liquidity growth. The theory therefore provides a useful framework for understanding how inflation can influence economic performance.

2.2.2 Keynesian Theory of Inflation

The Keynesian theory originated from the work of John Maynard Keynes (1936). Keynes argued that inflation arises when aggregate demand exceeds aggregate supply, particularly when the economy approaches full employment.

According to Keynes (1936), increases in government expenditure, private investment, and consumer spending can stimulate aggregate demand. While such increases may initially boost production and employment, excessive demand eventually leads to rising prices and inflation.

Unlike classical economists who viewed inflation as entirely harmful, Keynesians argue that moderate inflation may promote economic growth by encouraging investment, production, and employment. However, excessive inflation becomes detrimental when it creates uncertainty and erodes purchasing power (Blanchard, 2021).

Relevance to the Study

The Keynesian perspective is particularly relevant to Nigeria, where expansionary fiscal and monetary policies are often adopted to stimulate economic growth. The theory helps explain situations where moderate inflation coexists with economic expansion.

2.2.3 Structuralist Theory of Inflation

The Structuralist Theory was developed primarily to explain inflation in developing countries. Prominent contributors include Raul Prebisch & other Latin American structural economists.

The theory argues that inflation in developing economies originates from structural rigidities rather than purely monetary factors. These structural constraints include:

i. Inadequate Infrastructure.
ii. Agricultural Bottlenecks.
iii. Foreign Exchange Shortages.
iv. Supply Chain Inefficiencies.
v. Weak Industrial Capacity.

According to structuralists, inflation persists because productive sectors cannot respond adequately to increases in demand. As a result, prices rise even when monetary authorities attempt stabilization measures (Jhingan, 2018).

Relevance to the Study

The Structuralist Theory is highly applicable to Nigeria because inflationary pressures often arise from supply-side constraints, insecurity affecting food production, poor infrastructure, energy shortages, and exchange-rate volatility. These structural factors have significant implications for economic growth.

2.2.4 Endogenous Growth Theory

The Endogenous Growth Theory emerged from the works of Paul Romer (1990) & Robert Lucas (1988). The theory emphasizes the role of human capital, innovation, technological progress, and knowledge accumulation in driving long-run economic growth.

According to the theory, macroeconomic instability, including high inflation, can reduce investment in research, education, and productive activities. Inflation creates uncertainty that discourages long-term planning and investment, thereby limiting economic growth.

Romer (1990) argues that economic growth is sustained when economies create an environment that encourages innovation and productive investment. Persistent inflation undermines this environment by increasing uncertainty and reducing investment efficiency.

Relevance to the Study

The Endogenous Growth Theory provides a framework for understanding how inflation affects long-term growth through its impact on investment, productivity, technological advancement, and human capital development

Among the theories reviewed, the Endogenous Growth Theory provides the most suitable framework for this study. The theory recognizes that economic growth is influenced by investment, productivity, innovation, and human capital accumulation. Since inflation affects these variables through its impact on macroeconomic stability, investment decisions, and resource allocation, it offers a comprehensive explanation of the inflation-growth relationship in Nigeria.

Furthermore, the Endogenous Growth Theory accommodates the possibility that inflation may have varying effects depending on its magnitude and persistence. This aligns with the findings of many empirical studies that identify threshold effects in the inflation-growth nexus. Consequently, the theory serves as the principal theoretical foundation for this systematic review.

2.3.1 Empirical Literature

Numerous empirical studies have investigated the relationship between inflation and economic growth in Nigeria, producing mixed findings regarding the direction and magnitude of the relationship. While some studies report a negative relationship between inflation and economic growth, others find positive, insignificant, or threshold effects. This section reviews selected empirical studies conducted between 1999 and 2022.

2.3.2. Evidence of Negative Relationship between Inflation and Economic Growth

One of the earliest studies on the inflation-growth nexus in Nigeria was conducted by Mallik & Chowdhury (2001), who examined the long-run relationship between inflation and economic growth in selected South Asian countries and developing economies. Their findings suggested that high inflation rates adversely affect economic growth through reduced investment and macroeconomic instability.

In Nigeria, Akinlo (2005) employed time-series data and econometric analysis to investigate the effect of inflation on economic growth. The study found that inflation exerted a significant negative impact on real Gross Domestic Product (GDP), implying that persistent increases in prices reduce economic performance.

Similarly, Umaru & Zubairu (2012) examined the relationship between inflation and economic growth in Nigeria using annual data from 1970 to 2010. Employing cointegration and error correction techniques, the study revealed that inflation negatively affected economic growth in both the short run and long run. The authors argued that high inflation creates uncertainty, discourages investment, and reduces productivity.

Using the Ordinary Least Squares (OLS) technique, Egbulonu & Amadi (2016) found that inflation significantly reduced economic growth in Nigeria. Their findings suggested that rising inflation lowers real incomes and weakens aggregate demand, thereby limiting productive activities within the economy.

Likewise, Bawa, Abdullahi, & Ibrahim (2016) reported that inflation above a certain threshold negatively affects economic growth in Nigeria. The study concluded that maintaining price stability is essential for sustainable economic development.

2.3.3 Evidence of Positive Relationship between Inflation and Economic Growth

Some empirical studies suggest that moderate inflation may stimulate economic growth. Ahmed & Mortaza (2005) argued that low and stable inflation can encourage investment and production by increasing expected profits.

In Nigeria, Chimobi (2010) employed Granger causality analysis and found evidence of a positive relationship between inflation and economic growth during certain periods. The study suggested that moderate inflation may accompany increased economic activities and expansion in aggregate demand.

Similarly, Iya & Aminu (2014) observed that inflation exerted a positive effect on growth at relatively low levels. According to the authors, mild inflation can encourage firms to increase production in anticipation of higher future prices.

Despite these findings, the positive effects were generally observed only under conditions of moderate inflation and macroeconomic stability.

2.3.4 Evidence of Insignificant Relationship

Some studies have found that inflation does not significantly influence economic growth in Nigeria. For example, Olaiya, Nwosa, & Ajayi (2012) reported that inflation had no statistically significant impact on economic growth during the period examined. The authors argued that other macroeconomic variables such as investment, government expenditure, and exchange rate movements may exert stronger effects on growth.

Similarly, Akinsola & Odhiambo (2017) found that the impact of inflation on growth varied across different periods and was not always statistically significant. Their results suggested that the inflation-growth relationship is sensitive to model specification and estimation techniques.

2.3.5 Inflation Threshold Studies

The existence of inflation thresholds has received considerable attention in empirical literature. Khan & Senhadji (2001) argued that inflation may promote growth at low levels but becomes harmful once it exceeds a critical threshold.

In the Nigerian context, Bawa & Abdullahi (2012) estimated an inflation threshold of approximately 13 percent, beyond which inflation significantly reduces economic growth. Their findings indicate that inflation does not necessarily harm growth at low levels but becomes detrimental when it rises beyond the threshold level.

Similarly, Salami & Kelikume (2010) found evidence supporting a nonlinear relationship between inflation and growth, suggesting that the effect of inflation depends on its magnitude and persistence.

2.3.6 Summary of Empirical Findings

The reviewed studies reveal four major patterns. First, the majority of empirical studies report a negative relationship between inflation and economic growth in Nigeria. Second, some studies find positive effects when inflation remains low and stable. Third, a few studies report insignificant relationships, indicating that inflation may not always be the dominant determinant of growth. Finally, threshold studies suggest that the impact of inflation is nonlinear and depends on the prevailing inflation rate.

Overall, the evidence indicates that persistent and high inflation is detrimental to economic growth in Nigeria. Excessive inflation increases uncertainty, discourages domestic and foreign investment, reduces purchasing power, and distorts resource allocation. Consequently, maintaining inflation within an acceptable range remains a critical objective of macroeconomic policy.

3.0 METHODOLOGY

3.1 Research Design

This study adopts a systematic review research design to examine and synthesize empirical evidence on the relationship between inflation and economic growth in Nigeria between 1999 and 2022. A systematic review is a structured and transparent approach to identifying, evaluating, and synthesizing existing research on a particular subject area. According to Kitchenham (2004), systematic reviews help minimize bias through the use of explicit and replicable procedures for literature identification, selection, and analysis. Similarly, Snyder (2019) argues that systematic reviews provide a comprehensive summary of available evidence and facilitate the identification of research gaps. The choice of this design is appropriate because the study seeks to aggregate and critically evaluate empirical findings on the inflation-growth nexus in Nigeria.

3.2 Search Strategy

The literature search was conducted using several academic databases and scholarly search engines, including Google Scholar, JSTOR, Scopus, Science Direct, Springe Link, and Research Gate. Additional publications were obtained from reports and working papers of the Central Bank of Nigeria, National Bureau of Statistics, International Monetary Fund, and World Bank.

The search process employed combinations of keywords such as "inflation," "economic growth," "inflation-growth nexus," "consumer price index," "gross domestic product," "inflation threshold," "monetary policy," and "Nigeria." The use of multiple databases and keywords is recommended in systematic review studies to enhance comprehensiveness and reduce publication bias (Tranfield, Denyer, & Smart, 2003).

3.3 Inclusion and Exclusion Criteria

The selection of studies was guided by predetermined inclusion and exclusion criteria consistent with recommendations by Petticrew and Roberts (2006).

Inclusion Criteria

The study included:

i. Empirical studies examining the relationship between inflation and economic growth in Nigeria.
ii. Studies published between 1999 and 2022.
iii. Peer-reviewed journal articles, dissertations, conference papers, and institutional reports.
iv. Studies employing quantitative analytical methods.
v. Studies with clearly reported methodologies and findings.

Exclusion Criteria

The study excluded:

i. Studies conducted outside Nigeria.
ii. Conceptual and theoretical studies without empirical evidence.
iii. Studies lacking sufficient methodological details.
iv. Duplicate publications.
v. Studies published outside the specified review period.

3.4 Study Selection Process

The study selection process followed a systematic screening procedure similar to the Preferred

Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) framework developed by Moher et al. (2009). Initially, potentially relevant studies were identified through database searches. Subsequently, titles and abstracts were screened to determine relevance. Full-text articles that met the preliminary criteria were then assessed in detail. Finally, studies satisfying all inclusion criteria were selected for review and synthesis.

3.5 Data Extraction

Table 1: Summary of Selected Empirical Studies on Inflation and Economic Growth in Nigeria

S/N	Author(s)	Years	Study Periods	Variables	Data Sources	Econometric Techniques	Major Findings
1.	Chimobi	2010	1970-2005	Inflation Rate (INF), Real GDP	Central Bank of Nigeria (CBN) Statistical Bulletin	Granger Causality Test	Found no evidence that inflation Granger-causes economic growth in Nigeria, although a relationship exists between the variables.
2.	Umaru & Ubairu	2012	1970-2010	Inflation Rate, GDP Growth Rate.	CBN Statistical Bulletin and National Bureau of Statistic (NBS)	Augmented Dickey-Fuller (ADF), Cointegration and Granger Causality Tests	Found a significant relationship between inflation and economic growth and concluded that inflation affects economic performance in Nigeria.
3.	Bawa & Abdullahi	2012	1981-2009 (Quarterly Data)	Inflation Rate, Real GDP Growth	Central Bank of Nigeria	Threshold Regression Model	Estimated an inflation threshold of approximately 13 percent. Inflation above this threshold exerts a strong negative effects on economic growth, while the effect below the threshold is relatively mild.
4.	Doguwa	2012	Noted in study as Nigerian	Inflation Rate, Real	Central Bank of Nigeria	Sarel (1996), Khan & Senhadji	Estimated inflation Threshold levels is ranging between 10.5

			Macroeconomic time-series data	GDP growth		(2001) & Drukker et al. Threshold Models	percent. Inflation above these thresholds is harmful to economic growth.
5.	Olaiya, Nwosa & Ajayi	2012	1970-2010	Inflation, Inflation certainty, economic growth	Central Bank of Nigeria Statistical Bulletin	Regression Analysis	Found that inflation uncertainty negatively affects growth, while the direct effect of inflation was weak and statistically insignificant.
6.	Iya & Aminu	2014	1970-2012	Inflation Rate, GDP Growth	CBN Statistical Bulletin	Ordinary least Square (OLS)	Reported that Moderate inflation may support economic growth, although excessive inflation becomes detrimental.
7.	Egboulonu & Amadi	2016	1980-2014	Inflation Rate, Real GDP	CBN Statistical Bulletin	Ordinary least Square (OLS)	Found a significant negative relationship between inflation and economic growth.
8.	Okoroafor,Adeniji & Olasehinde	2018	1961-2016	Inflation, Economic Growth.	CBN Statistical Bulletin and other macroeconomic sources.	Granger Causality, ARDL. ARIMA and VAR Models	Found no Granger causality between inflation and economic growth during the study period and emphasized the importance of inflation threshold analysis

Analysis of Extracted Studies

The extracted studies reveal substantial variation in the reported relationship between inflation and economic growth in Nigeria. Nevertheless, three broad patterns emerge from the reviewed evidence.

First, a majority of studies support the existence of a negative relationship between inflation and economic growth. Studies such as Bawa and Abdullahi (2012), Doguwa (2012), and Egbulonu and Amadi (2016) concluded that high inflation undermines economic growth by discouraging investment, reducing productivity, and creating macroeconomic uncertainty. The findings of Bawa and Abdullahi (2012) indicate that inflation becomes particularly harmful when it exceeds 13 percent.

Second, some studies report that moderate inflation may not necessarily impede growth. For example, Iya and Aminu (2014) found evidence suggesting that low and stable inflation can coexist with economic expansion. This finding is consistent with Keynesian arguments that moderate inflation may stimulate aggregate demand and productive activities.

Third, threshold studies provide the strongest evidence regarding the inflation-growth nexus in Nigeria. Both Bawa and Abdullahi (2012) and Doguwa (2012) identified threshold inflation levels beyond which inflation exerts significant adverse effects on economic growth. Doguwa (2012) estimated threshold values between 10.5 percent and 12 percent, while Bawa and Abdullahi (2012) estimated a threshold of approximately 13 percent.

Overall, the reviewed evidence suggests that the inflation-growth relationship in Nigeria is nonlinear. Inflation below threshold levels may have limited effects on economic performance, whereas persistent inflation above the threshold significantly constrains economic growth. These findings provide important guidance for monetary authorities seeking to maintain price stability while promoting sustainable economic development.

3.6 Method of Data Synthesis

The study employs a narrative synthesis approach to integrate findings from the selected empirical studies. Narrative synthesis is particularly suitable when reviewed studies differ in methodologies, sample periods, and estimation techniques (Popay et al., 2006). The findings are organized according to the nature of the relationship identified between inflation and economic growth, namely positive, negative, insignificant, and threshold effects.

Furthermore, similarities and differences across studies are examined to identify patterns and explain variations in empirical findings. This approach provides a comprehensive understanding of the inflation-growth relationship in Nigeria and highlights areas requiring further research.

3.7 Synthesis of Findings and Discussion

The empirical studies reviewed reveal that the relationship between inflation and economic growth in Nigeria remains one of the most extensively debated issues in macroeconomic literature. Despite variations in methodology, sample periods, and estimation techniques, a number of important patterns emerge from the reviewed evidence.

First, the majority of empirical studies support the existence of a negative relationship between inflation and economic growth in Nigeria. Studies such as Umaru and Zubairu (2012), Egbulonu and Amadi (2016), and Bawa et al. (2016) found that persistent increases in the general price level adversely affect economic performance. These studies argue that high inflation reduces purchasing power, increases production costs, discourages savings and investment, and creates uncertainty that negatively affects economic decision-making. Such findings are consistent with the arguments of Fischer (1993), who maintained that macroeconomic instability arising from high inflation undermines economic growth by reducing investment efficiency and productivity.

Second, a number of studies suggest that inflation may have a positive effect on economic growth when it remains moderate and predictable. Chimobi (2010) and Iya and Aminu (2014) reported evidence indicating that low inflation can stimulate economic activities by encouraging production, investment, and aggregate demand. These findings support the Keynesian perspective, which argues that moderate inflation may accompany economic expansion, especially when productive resources are underutilized (Keynes, 1936). However, the positive relationship appears to be temporary and tends to disappear as inflation rises beyond acceptable levels.

Third, the review highlights the existence of a nonlinear relationship between inflation and economic growth. Studies by Bawa and Abdullahi (2012) and Salami and Kelikume (2010) found evidence of inflation thresholds in Nigeria. Their findings indicate that inflation may not necessarily harm economic growth at low levels but becomes detrimental when it exceeds a critical threshold. This evidence supports the threshold hypothesis advanced by Khan and Senhadji (2001), who argued that inflation affects growth differently depending on its magnitude. The threshold approach helps explain why previous studies have reported mixed findings regarding the inflation-growth nexus.

Furthermore, the review demonstrates that differences in empirical findings are partly attributable to variations in methodological approaches. Researchers employed diverse econometric techniques including Ordinary Least Squares (OLS), Vector Error Correction Models (VECM), Autoregressive Distributed Lag (ARDL) models, cointegration analysis, Granger causality tests, and threshold regression models. Differences in data periods, variable definitions, and model specifications contributed significantly to the divergence in results observed across studies.

Another important finding is that inflation in Nigeria is often associated with structural factors rather than purely monetary causes. Several studies point to exchange rate depreciation, rising food prices, inadequate infrastructure, insecurity, fiscal deficits, energy supply challenges, and import dependence as major drivers of inflationary pressures. This observation aligns with the Structuralist Theory of Inflation, which emphasizes the role of structural bottlenecks in generating inflation in developing economies (Jhingan, 2018). Consequently, efforts to achieve price stability in Nigeria require not only monetary interventions but also structural reforms aimed at improving productivity and reducing supply constraints.

The review further indicates that inflation affects economic growth through multiple transmission channels. Rising inflation reduces the real value of household incomes and savings, weakens consumer purchasing power, increases business operating costs, and creates uncertainty regarding future economic conditions. These effects discourage domestic and foreign investment, thereby limiting capital formation and economic expansion. This finding is consistent with the Endogenous Growth Theory developed by Romer (1990) and Lucas (1988), which emphasizes the importance of a stable macroeconomic environment for sustained investment, innovation, and long-run growth.

Overall, the evidence reviewed suggests that while moderate inflation may coexist with economic growth, high and persistent inflation is generally harmful to Nigeria's economic performance. The findings therefore underscore the importance of maintaining inflation within a manageable range to promote macroeconomic stability, encourage investment, and support sustainable economic growth. The review also highlights the need for coordinated monetary, fiscal, and structural policies capable of addressing both the demand-side and supply-side determinants of inflation in Nigeria.

3.8 Implications for Economic Policy

The findings of this review have important implications for economic policy in Nigeria. First, monetary authorities should continue to pursue policies aimed at maintaining price stability while ensuring adequate support for economic growth. Second, fiscal discipline is essential to prevent excessive government borrowing and deficit financing that may contribute to inflationary pressures. Third, structural reforms targeting agriculture, manufacturing, transportation, energy, and infrastructure development are necessary to address supply-side constraints that fuel inflation. Finally, exchange rate stability should be promoted to minimize imported inflation and enhance investor confidence.

These policy measures are critical for creating a stable macroeconomic environment capable of fostering sustainable economic growth and improving the welfare of Nigerian citizens.

4.0 CONCLUSION

This study systematically reviewed empirical evidence on the relationship between inflation and economic growth in Nigeria between 1999 and 2022. The review was motivated by the persistent concern among policymakers, researchers, and economic analysts regarding the implications of inflation for sustainable economic growth and development in Nigeria.

The findings from the reviewed literature indicate that inflation remains a critical macroeconomic variable influencing economic performance in Nigeria. While a few studies reported positive or insignificant relationships between inflation and economic growth, the majority of empirical evidence suggests that high and persistent inflation adversely affects economic growth. Specifically, excessive inflation reduces purchasing power, discourages savings and investment, increases production costs, creates uncertainty, and distorts the efficient allocation of resources within the economy.

The review also revealed that the relationship between inflation and economic growth is not strictly linear. Several studies identified the existence of inflation threshold levels beyond which inflation becomes harmful to economic growth. This finding implies that moderate inflation may not necessarily impede economic performance; however, sustained inflation above acceptable levels can undermine growth prospects and macroeconomic stability.

Furthermore, the study found that inflation in Nigeria is driven by a combination of monetary and structural factors, including excessive money supply growth, exchange rate depreciation, fiscal imbalances, supply-chain disruptions, inadequate infrastructure, insecurity, rising energy costs, and heavy dependence on imports. Consequently, effective inflation management requires a comprehensive policy approach that addresses both demand-side and supply-side sources of inflationary pressure.

Overall, the evidence reviewed supports the conclusion that maintaining price stability is essential for achieving sustainable economic growth in Nigeria. A stable inflation environment enhances investor confidence, promotes efficient resource allocation, encourages long-term planning, and contributes to improved economic welfare.

5.0 POLICY RECOMMENDATIONS

Based on the findings of this study, the following policy recommendations are proposed:

i. Strengthen Monetary Policy Effectiveness
ii. The Central Bank of Nigeria (CBN) should continue to implement prudent monetary policies aimed at maintaining inflation within a manageable range. Effective control of money supply growth, interest rates, and liquidity conditions can help reduce inflationary pressures and support macroeconomic stability.
iii. Promote Fiscal Discipline
iv. The government should reduce excessive fiscal deficits and reliance on deficit financing. Improved public expenditure management, enhanced revenue mobilization, and efficient budget implementation can minimize inflationary pressures arising from expansionary fiscal operations.
v. Enhance Agricultural Productivity
vi. Since food inflation constitutes a significant component of overall inflation in Nigeria, government policies should

prioritize agricultural development through improved access to credit, modern farming technologies, rural infrastructure, storage facilities, and agricultural extension services.

vii. Improve Infrastructure Development

viii. Investments in transportation networks, electricity supply, communication systems, and logistics infrastructure should be accelerated to reduce production costs and improve the efficiency of economic activities. Better infrastructure can help address supply-side constraints that contribute to inflation.

ix. Ensure Exchange Rate Stability

x. Exchange rate volatility has been identified as a major driver of imported inflation in Nigeria. Policymakers should implement measures that enhance foreign exchange market stability, increase export earnings, and strengthen external reserves to reduce inflationary pressures associated with currency depreciation.

xi. Encourage Domestic Production and Industrialization

xii. Government should promote local production by providing incentives to domestic industries, supporting small and medium-sized enterprises (SMEs), and reducing excessive dependence on imported goods. Increased domestic production can help stabilize prices and improve economic growth.

xiii. Strengthen Institutional Capacity

xiv. Institutions responsible for economic management should be strengthened to ensure effective policy implementation, monitoring, and evaluation. Improved institutional quality can enhance policy credibility and contribute to a more stable macroeconomic environment.

xv. Foster Policy Coordination

xvi. Greater coordination between monetary and fiscal authorities is necessary to ensure that macroeconomic policies complement one another. Effective coordination can improve policy outcomes and reduce conflicts that may undermine efforts to achieve price stability and economic growth.

5.1 Suggestions for Future Research

Future studies should explore the inflation-growth relationship using more recent data and advanced econometric techniques. Researchers may also investigate sector-specific effects of inflation on economic growth, examine regional differences within Nigeria, and estimate updated inflation thresholds under changing economic conditions. Additionally, comparative studies involving Nigeria and other African economies may provide further insights into the dynamics of inflation and economic growth in developing countries.

In conclusion, achieving sustainable economic growth in Nigeria requires the maintenance of a stable macroeconomic environment characterized by moderate inflation, sound fiscal management, exchange rate stability, and structural transformation. Policymakers must therefore pursue coordinated and evidence-based strategies aimed at controlling inflation while simultaneously promoting long-term economic development.

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