



Inflation and Growth Nexus Re-visited: Financial and Practical Implications of the Threshold Effect in Nigeria

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Abstract. The relationship between inflation and economic growth has been a subject of enduring interest and debate in the field of economics. This study revisits the inflation and growth nexus in Nigeria, with a particular emphasis on the threshold effect – a non-linear phenomenon positing that the impact of inflation on growth varies depending on the level of inflation. Specifically, the study examines the threshold effect of inflation on growth in Nigeria using secondary data from 1986 to 2022, and employs two-regime threshold autoregressive regression modelling. The findings show that the pattern of relationship between inflation and growth is indeed nonlinear and conditional on certain levels of inflation rate. Findings reveal that the optimal threshold for inflation rate is 15.7%. Below the identified threshold, moderate inflation was associated with growth stimulation through mechanisms like reduced real interest rates and increased investment. However, beyond this threshold level (15.7%), the negative effects of inflation became pronounced, hindering economic growth in Nigeria. The findings of this study have several implications for Nigeria's monetary and fiscal policies, offering guidance on how to maintain inflation within a growth-stimulating range. Additionally, businesses and investors operating in Nigeria will gain insights into adapting their strategies to mitigate risks and capitalize on opportunities arising from varying inflation levels. Ultimately, this study contributes to the ongoing discourse on the inflation and growth nexus, providing valuable insights for policymakers navigating Nigeria's economic landscape about the threshold effect of inflation and its financial and practical implications for Nigeria's economic stability and growth prospects.

Keywords: Economic growth; Inflation; Threshold analysis; Nigeria.

1. Introduction

Recent decades have seen a great deal of economics research and discussion on the question of the connection between inflation and economic growth. This ongoing research is motivated by its significant effects on fiscal planning, monetary policy, and general economic stability. The conventional wisdom asserts an antagonistic relationship between inflation and economic growth, as exemplified by the famous "inflation-growth trade-off" put forth by Phillips (1958) and Friedman (1968). In line with traditional wisdom, high inflation rates tend to impede economic expansion. The inflation-growth nexus has been re-evaluated as a result of the conflicting empirical evidence for this straightforward inverse link.

The relationship between inflation and economic growth has long been a subject of scholarly inquiry and policy concern in the field of economics. Traditionally, the debate has centered on whether inflation has a detrimental impact on economic growth, leading to the widely accepted notion of an inverse relationship between the two variables. However, this conventional wisdom has been challenged by the emerging concept of a "threshold effect" in the inflation-growth nexus (Ndoricimpa, 2017). The threshold effect posits that the impact of inflation on economic growth may not be uniform across all levels of inflation; instead, there may exist a critical threshold beyond which inflation becomes detrimental to growth (Bawa, & Ismaila, 2021).

In the Nigerian context, where economic stability and sustained growth are pressing concerns, understanding the intricacies of the inflation-growth relationship is of paramount importance. Nigeria has experienced periods of high inflation, economic stagnation, and currency devaluation, as well as phases of relative macroeconomic stability and growth. Therefore, the overarching research question

to be answered in this study is: what is the nature of the inflation and growth nexus in Nigeria, and what are the financial and practical implications of the threshold effect on the Nigerian economy?

Understanding the nuances of this relationship is crucial for Nigeria, a nation with a history of unstable inflation rates and difficulties with economic growth. One of the greatest economies in Africa, Nigeria has gone through times of rapid inflation and economic stagnation, which were followed by years of rather stable prosperity. Therefore, studying the relationship between inflation and growth in the context of Nigeria can be beneficial for the country as well as for policymakers, scholars, and investors interested in emerging markets and developing economies (Ogbonna, 2014). This study revisits the inflation and growth nexus in Nigeria, shedding light on the financial and practical implications of the threshold effect. The threshold effect theory, also known as the non-linear relationship, posits that the impact of inflation on economic growth may not be uniform across all inflation levels. Instead, it suggests the existence of a critical threshold level, beyond which inflation starts to exert detrimental effects on economic growth (Ndoricimpa, 2017). Below this threshold, moderate inflation might even stimulate economic growth through various channels, such as encouraging investment and reducing real interest rates (Kumar & Woo, 2010; Bawa, & Abdullahi, 2012).

To elucidate the implications of the threshold effect, this study draws on a comprehensive analysis of empirical data, incorporating various inflation and growth indicators, and utilizes advanced econometric techniques. It aims to provide a nuanced understanding of the inflation-growth nexus in Nigeria, identifying the specific inflation rate at which inflation transitions from a potential stimulant to an impediment to economic growth. By doing so, this research offers invaluable insights into the optimal inflation targeting framework and policy formulation for the Nigerian government and central bank, as well as practical guidance for investors and businesses navigating the Nigerian economic landscape.

This study contributes to the ongoing discourse on the inflation and growth nexus by re-evaluating its dynamics in Nigeria, considering the threshold effect. It recognizes the multifaceted relationship between inflation and economic growth, emphasizing the need for context-specific analyses and policy interventions. The findings of this research have the potential to inform more effective monetary and

fiscal policies, enhance economic stability, and facilitate sustainable growth in Nigeria, ultimately benefiting its citizens and the broader international community.

2. Theoretical and Empirical Literature Review

The theoretical framework for studying the inflation and growth nexus in Nigeria, with a specific focus on the threshold effect, draws upon key concepts and models from the field of macroeconomics and empirical research. Central to this framework is the understanding that the relationship between inflation and economic growth is not linear but follows a threshold pattern. The theoretical foundation of the inflation-growth nexus can be traced back to the Phillips Curve, initially formulated by A.W. Phillips in 1958. This curve depicted an inverse relationship between the unemployment rate and the rate of change of money wage rates in the United Kingdom. Milton Friedman expanded upon this concept in 1968, suggesting a trade-off between inflation and unemployment, popularizing the notion that there exists an inflation-growth trade-off. According to this conventional view, lower inflation rates are associated with higher economic growth, as elevated inflation erodes the purchasing power of money, reduces real returns on savings and investments, and disrupts price stability.

However, this conventional view has been challenged by the emergence of the threshold effect theory, which posits that the relationship between inflation and growth may not be linear but rather exhibits a non-linear pattern with a critical threshold. This theoretical review delves into the key concepts and research underpinning the inflation and growth nexus, with a specific focus on the threshold effect, and its implications for Nigeria's economic landscape.

On the threshold effect, building upon the Phillips Curve, the theoretical framework incorporates the threshold effect theory, as articulated by Khan and Senhadji (2001). This theory posits that there exists a critical threshold level of inflation, beyond which inflation becomes detrimental to economic growth. Below this threshold, moderate inflation may stimulate growth through various channels, while above it, the negative effects of inflation start to dominate. For instance, it can reduce real interest rates, encourage investment in real assets, and decrease the real burden of debt (Okunade, et al., 2023; Okunade & Ajisafe, 2022; Okunade, 2018). However, beyond the threshold, the negative effects

of inflation, such as uncertainty, reduced purchasing power, and distortions in resource allocation, start to outweigh the positive effects, leading to slower economic growth. The framework recognizes that the specific threshold level of inflation is not a universal constant but varies across countries and contexts. Identifying this threshold level is crucial for understanding the inflation-growth relationship in Nigeria.

Empirically, a substantial body of empirical research has been conducted to investigate the relationship between inflation and economic growth. These studies have provided valuable insights into the dynamics of this relationship, particularly in the context of emerging economies like Nigeria. Singh and Kalirajan, (2003) examine whether a developing countries excessively low inflation threshold may hurt economic growth. The empirical analysis was done using the annual data from India for the period of 1971 to 1998. A specific question that is addressed in this paper is what the threshold inflation rate for India is. The findings clearly suggest that the increase in inflation from any level has negative effect on economic growth and substantial gains can be obtained by focusing the monetary policy towards maintaining price stability.

A number of studies have looked into the connection between inflation and economic growth in Nigeria, however they rarely took into financial and practical implications of the threshold effect in Nigeria and the impact that occurs between the two. Aminu and Anono (2012), Osuala, Osuala and Onyeike (2013), Bakaere et al., (2015), Oluh and Idih (2015), and most other studies that used multiple regression to examine the effect of inflation on economic growth have found a positive relationship between inflation and growth, whereas Inyama (2013) has found a significant negative relationship. On the other hand, Chude and Chude (2015) demonstrate that the GDP has a significant, adverse impact on Nigerian inflation. Additionally, Obi, Yuni, and Ihugba, (2016) examines inflation and growth nexus in Nigeria. The study employs a two stage least square estimation to examine a simultaneous equation model with data from the Central Bank of Nigeria Statistical Bulletin and World Bank Indicators. The study shows that inflation is beneficial to growth though not significantly while growth is significantly beneficial to inflation; given the positive relationship between inflation and growth and the negative relationship between growth and inflation. The results further show that Money supply and trade openness are significant determinants of real GDP for all three estimation techniques under consideration. While, real GDP, money supply and interest rate are significant determinants of inflation. The study

therefore recommends that inflation be controlled to have its optimal effect on output while production be diversified to optimize its effect on inflation.

Adaramola, and Dada, (2020) examine the influence 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 study findings indicate 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. Other variables in the model depict no influence on the economic growth of Nigeria. The causality result shows the unidirectional relationships between interest rate, exchange rate, government consumption expenditures and gross domestic product. However, inflation and the degree of openness show no causal relationship with gross domestic product.

Mandeya, and Ho, (2021) investigated the impact of inflation and inflation uncertainty on growth in South Africa by applying the autoregressive distributed lag (ARDL) estimation techniques on quarterly data covering the period 1961Q1 to 2019Q4. Unlike previous studies on South Africa, we investigated the joint impact of inflation and inflation uncertainty in South Africa, and, pioneered in comparing the impact of both variables on growth before, and after, inflation targeting. This provided an opportunity to assess the effectiveness of inflation targeting while also investigating any changes in the behaviour of the variables. They found that inflation negatively harms growth in both the short and long run, while inflation uncertainty is a short-run phenomenon in South Africa with no bearing in the long run. To promote growth, policymakers should continue to pursue policies that ensure price stability.

Ogu, Adagiri, and Abdusalam, (2021) uses time series data from the CBN for the years 1999 to 2017 to investigate how Nigeria's inflation affects economic growth. The study's two main goals are to: (i) ascertain how Nigerian inflation and interest rates affect economic growth and (ii) ascertain how Nigerian economic growth is affected by both inflation and interest rates. The study used the Ordinary Least Square (OLS) regression technique and found that inflation had a small but favourable effect on Nigeria's economic growth. The outcome also showed that interest rates significantly and

negatively affect Nigeria's economic growth. It is advised, among other things, to establish an effective tax policy, adopt a strategy to put invisible arms on the side of customers, and achieve a one-digit interest rate.

Afolabi, (2022) evaluate the impact of inflation on Nigeria's economic growth for the past four decades, beginning from 1980 to 2020 through the application of Augmented Dickey-Fuller technique in testing the unit root property of the series. The paper employed Error Correction Mechanism (ECM) to test both the short and long run impact of inflation on economic growth. Conclusively, results revealed that inflation had a positive and significant effect on economic growth in Nigeria in the long run. The study recommends that there should be fiscal discipline in such a manner that expenditures of the government should yield desired results and not just about making too much money flow without it being channelled to productive purposes and that efforts should be made by the relevant agencies of the government to fight leakages, embezzlement, and diversion of funds as all these lead to inflation.

Mandeya, and Ho, (2022) explore on the review of theoretical literature, investigating if the differences in findings are attributed to differences in the channels through which inflation and inflation uncertainty is passed over to economic growth; as well as a review of empirical literature, investigating if the source of differences in the findings lies in the separate or joint estimation of inflation and inflation uncertainty on economic growth. Research methodology: The paper presents an extensive review of scholarly studies on the inflation, inflation uncertainty and economic growth nexus based on their results. The paper analysed, synthesised, and critically evaluated previous studies on the inflation, inflation uncertainty and economic growth nexus on both the theoretical and empirical fronts. Results: In theoretical literature, the study found that the impact of inflation and inflation uncertainty is passed over to economic growth mainly through two channels, which are the price-informative role and the investment spending channel. From the empirical front, studies which separately estimated the role of either inflation or inflation uncertainty on economic growth found mixed results. Studies

3. Methodology

3.1 Model Specification

We begin by investigating the effect of inflation on economic growth in Nigeria by estimating the baseline model explicitly specified Equation 1:

$$Gro_t = \alpha_i + \delta Inf_t + \sigma X'_t + \mu_t, \tag{1}$$

where Gro_t is the growth rate of GDP per capita; Inf_t denotes inflation rate; and X'_t is a vector of other control variables such as annual gross fixed capital formation growth (GCF), trade openness (TOP), exchange rate (EXR_t) and financial development (FID) respectively. t indicates the time series dimension ($t=1986, \dots, 2022$), α_t is the country-specific fixed effect, $\mu_t \approx (0, \sigma^2)$ is the independently and identically distributed error term. In line with controversies in the literature as regards the inflation-growth nexus (Bawa & Ismaila, 2021; Ogu, Adagiri & Abdusalam, 2021; Adaramola & Dada, 2020), a threshold model originally developed by Hansen (1999) and in line with Okunade (2022) and Okunade, *et al.* (2022) was modified as follows:

$$Gro_{i,t} = \alpha_t + \beta_1 X_t I(\pi_t \leq \gamma) + \beta_2 X_t I(\pi_t \geq \gamma) + \varepsilon_t \tag{2}$$

In equation 2, the indicator function that specifies the regimes is $I(\cdot)$, while the threshold parameter (inflation rate) dividing the model into two regimes slope coefficients β_1 and β_2 is denoted by γ . X_t indicates an m-dimensional vector of explanatory regressors including the threshold variable, inflation (π_t). The threshold model is specified explicitly in Equation 3. Specifically, to identify potential threshold effects in the inflation-growth relationship, we estimate a single threshold, two regime autoregressive distributed lag (threshold-ARDL) model of the form specified in Equation 4:

$$Gro_t = \begin{cases} \alpha_{1i} + \sum_{j=1}^p \psi_{1i,j} Gro_{t-j} + \sum_{j=0}^p \omega_{1,j} x_{t-j} + \mu_{1,t}, & \text{if } -\infty < \pi_t < T_t \\ \alpha_{2i} + \sum_{j=1}^p \psi_{2i,j} Gro_{t-j} + \sum_{j=0}^p \omega_{2,j} x_{t-j} + \mu_{2,t}, & \text{if } -\infty < \pi_t < \infty \end{cases} \tag{3}$$

where x_t is the vector of independent variables as defined in Equation 1. In addition to establishing the threshold effect of inflation on growth, Equation 3 enables us to explain the effect of other control variables below and above the threshold level.

3.2 Data and Sources

The study examines the threshold effect of inflation on growth in Nigeria using secondary data for the periods of 1986 to 2022. The selection of 1986 as the starting point reflects the era of major initiatives to promote and sustain economic growth and development as part of Nigeria's Structural Adjustment Programme (SAP), which was implemented in 1986. Table 1 shows the description and measurement variables of interest as well as their sources.

Table 1: Data Description, Measurements and Sources

S/N		Description/Measurements	Source
1	GRO	GDP per capita growth (annual %)	WDI, 2023
2	INF	Inflation, consumer prices (annual %)	WDI, 2023
3	EXR	Official exchange rate (LCU per US\$, period average)	WDI, 2023
4	TOP	Trade (% of GDP)	WDI, 2023
5	FID	Domestic credit to private sector by banks (% of GDP)	WDI, 2023
6	GCF	Gross fixed capital formation (annual % growth)	WDI, 2023

Source: Authors' Compilation, 2023

3.3 Method of Analysis

This study adopts a threshold regression analysis following some extant studies (Mandeya & Ho, 2021, Nduricimpa 2017; Bawa & Abdullahi, 2012) to estimate the threshold level at which inflation becomes a clog on economic growth in Nigeria. However, by employing a threshold Autoregressive model, this present study differs from some studies on Nigeria's economy such as Mandeya and Ho (2021), Bawa and Abdullahi (2012), Khan and Ssnhadji, (2001) who adopt threshold models with Ordinary Least Squares assumptions. The threshold autoregressive estimation allows us to account for the intervening effect of the dependent variable (Okunade, et al., 2022; Okunade, 2022).

4. Results and Discussion

4.1 Preliminary Analyses

It is necessary to examine the normality, distribution, and degree of multicollinearity of variables before doing model estimations. The statistical features of our data are presented in Table 2. Table 2 shows that the means of all variables used are between the minimum and maximum values, showing that our data series are consistent. In terms of variability, it is discovered that exchange rate is the most volatile among the variables with standard deviations of 118.7% while the least volatile variable is economic growth proxied by annual GDP per capita growth (%). The Jarque-Bera statistics with corresponding probabilities revealed that the majority of the variables included in the study were not normally distributed, which is typical of most economic variables in developing nations such as Nigeria. Also, we present the results of the correlation matrix in Table 3 where the degree of multicollinearity among the independent variables was examined. The examination of the correlation matrix shows that none of the pairs of the regressors has a value higher than 60%, the highest correlation is between exchange rate (EXR) and financial development (FID) with 49.1% coefficient of correlation. Hence, we conclude that there is no problem of multicollinearity in the model.

Table 2: Descriptive Characteristics of the variables

	GRO	INF	GCF	TOP	EXR	FID
Mean	1.489447	19.42647	2.039670	33.94816	131.1854	17.43584
Median	1.403509	12.87658	2.551734	34.18262	125.8081	15.09194
Maximum	12.27614	72.83550	40.38866	53.27796	425.9792	27.37879
Minimum	-4.507149	5.388008	-23.74670	9.135846	1.754523	9.063329
Std. Dev.	3.695599	17.32923	11.70301	10.83141	118.7234	6.111141
Skewness	0.525616	1.764573	0.353546	-0.263676	0.910852	0.229031
Kurtosis	3.543211	4.837072	5.274351	2.439363	3.034101	1.372200
Jarque-Bera	2.158591	24.40414	8.745334	0.913305	5.117979	4.408481
Probability	0.339835	0.000005	0.012618	0.633400	0.077383	0.110334
Observations	37	37	37	37	37	37

Source: Authors' Compilation, 2023

Table 3: Correlation matrix of the variables

	INF	GCF	TOP	EXR	FID
INF	1.0000				
GCF	-0.0634	1.0000			
TOP	-0.1090	0.1399	1.0000		
EXR	-0.3456	-0.0754	-0.2468	1.0000	
FID	-0.3089	-0.1353	-0.1989	0.4905	1.0000

Source: Authors' Compilation, 2023

4.2 Threshold Effect of Inflation on Growth in Nigeria

The results in the Table 4 show that, on annual average, the optimal threshold level of inflation rate is 15.7% in Nigeria. Compared to the result in Table 2, the average inflation rate (per period) is significantly higher than the optimal threshold level of inflation rate. This implies that Nigeria has been operating above her capacity over some periods which has resulted in sustainable food price increase over the years. The finding show that below this optimal inflation threshold or level (15.7%), previous growth, inflation rate, gross capital formation, trade openness and financial development have positive effect on economic growth in Nigeria. However, above this optimal inflation threshold or level (15.7%), previous growth, inflation rate, gross capital formation, trade openness and financial development have negative effect on economic growth in Nigeria. The result also that inflation rate above the optimal level may disrupt the desirable effect of exchange rate on Nigeria's economic growth.

Hence, this revelation suggests that the inflation-growth relationship is conditional on a certain level of inflation rate before increases in price levels could have adverse effects on growth in Nigeria. Furthermore, Table 4 depicts the two extreme regimes and their estimation coefficients, as well as the threshold variable's (inflation rate) direct marginal effect, exchange rate, gross capital formation, trade openness and financial development in line with Okunade and Ajisafe (2022) and Okunade, et al., (2022). These variables were indicated by the coefficients in the first extreme regime, when inflation level is equal or less than the estimated threshold levels. Also, the coefficients in the second extreme regime reflect the marginal influence of the threshold variable, including other explanatory factors, when inflation rate exceeds the threshold level.

With both optimization algorithms considered to investigate the influence of inflation rate on growth, findings indicate that low inflation rate (when inflation rate is below the threshold level) has significant positive effects on growth in Nigeria. This suggests that at a level below the threshold value, the inflation rate could potentially stimulate growth. However, high rate of inflation (when inflation rate is higher than the threshold level) has a significant negative effect on growth at 5% level. The finding suggests that above the threshold level, sustained increases in price levels would harm or impede the growth prospect in Nigeria. This finding aligns with the conclusion of extant studies such as Mandeya and Ho (2021), Bakaere et al., (2015), Oluh and Idih (2015), Osuala, Osuala and Onyeike (2013), Bawa and Abdullahi (2012), Khan and Ssnhadji, (2001). Inflation, according to these studies, has a significant detrimental influence on growth. The finding is unsurprising given that Nigeria's inflation rate is presently above the optimal level (See Figure 1) and affecting development projects of the Federal Government, with negative spill over effect reverberating through the overall economy, having a serious impact on businesses and households.

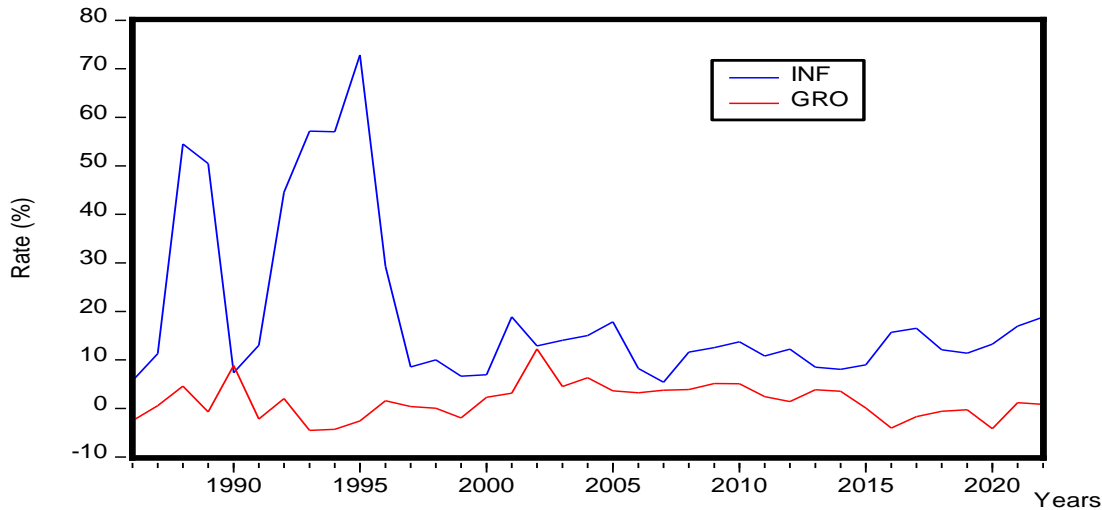
Table 4: Threshold Regression: Dependent Variable: GRO

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INF < 15.69681 -- 24 obs				
Regime 1: Below Threshold				
GRO(-1)	0.935631***	0.158067	5.919210	0.0000
INF	0.292373**	0.086361	3.385475	0.0370
GCF	0.054165	0.059895	0.904318	0.3745
TOP	0.085407**	0.020808	4.104527	0.0239
EXR	-0.011213	0.012439	-0.901417	0.3760
FID	0.066924**	0.191198	3.500246	0.0293
C	-3.675547	4.188556	-0.877521	0.3886
Regime 2: Above Threshold				

15.69681 <= INF -- 13 obs				
GRO(-1)	-0.197821**	0.060735	-3.257100	0.0249
INF	-0.112397***	0.011957	-9.400100	0.0004
GCF	-0.082252	0.160435	-0.512680	0.6127
TOP	-0.126210	0.170313	-0.741044	0.4656
EXR	0.009713	0.016197	0.599701	0.5541
FID	-0.684018	0.373442	-1.831659	0.0789
C	17.88246	10.68966	1.672875	0.1068
R-squared	0.870224	Mean dependent var	1.489447	
Adjusted R-squared	0.793123	S.D. dependent var	3.695599	
S.E. of regression	3.519323	Akaike info criterion	5.611021	
Sum squared resid	309.6408	Schwarz criterion	6.133481	
Log likelihood	-91.80388	Hannan-Quinn criter.	5.795212	
F-statistic	61.33606	Durbin-Watson stat	2.228155	
Prob(F-statistic)	0.00262			

Note: *** p<0.01, ** p<0.05, * p<0.1

Figure 1: Trend of Inflation Rate and Economic Growth in Nigeria



5. Conclusion and Policy Recommendations

This present study examines the threshold effect of inflation on growth in Nigeria using secondary data for the periods of 1986 to 2022. The year 1986 was chosen as a beginning point to reflect the era of considerable measures to promote and sustain economic growth and development as part of Nigeria's Structural Adjustment Programme (SAP), which began in 1986. This study undertook an in-depth exploration of the inflation and growth nexus in Nigeria, focusing on the threshold effect – a non-linear relationship between inflation and economic growth. To understand the practical implications of the threshold effect on economic growth, the study employed threshold autoregressive modelling. The study found compelling evidence supporting the existence of a threshold effect in Nigeria. Below the identified threshold (15.7%), moderate inflation was

associated with growth stimulation through mechanisms like reduced real interest rates and increased investment. However, beyond this threshold level (15.7%), the negative effects of inflation became pronounced, hindering economic growth in Nigeria. This finding underscores the importance of adopting more flexible monetary and fiscal policies to maintain inflation within the growth-stimulating range. In conclusion, the study reaffirms the relevance of the threshold effect theory in understanding the inflation and growth nexus in Nigeria. Policymakers should consider context-specific thresholds when formulating monetary and fiscal policies that would trigger increases in the general price levels. This necessitates a departure from rigid inflation targeting in favour of more adaptive approaches.

Furthermore, businesses and investors must remain vigilant to the threshold effect's implications, adjusting strategies to navigate Nigeria's economic landscape effectively. The Central Bank of Nigeria should adopt a more flexible approach to monetary policy, considering the specific threshold inflation rate for the country. This flexibility will allow for timely adjustments to interest rates and money supply to maintain inflation within the growth-stimulating range. In addition, the Nigerian government should pursue fiscal policies that strike a balance between economic growth and inflation control. Investments in infrastructure and human capital should be prioritized to stimulate growth while ensuring prudent fiscal management. In this regards, businesses and investors should remain informed about the threshold effect and its implications. They should adjust investment and pricing strategies to respond effectively to varying inflation levels. Lastly, the Nigerian government and central bank should enhance communication with the public and businesses regarding policy changes, particularly those related to inflation and growth management. Implementing these recommendations will contribute to sustained economic growth, stability, and prosperity in Nigeria, benefiting both the nation and its stakeholders.

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