

In developing economies like Nigeria where there are poor indicators of institutional quality, the effectiveness of monetary policy and financial sector development may be very much hindered. This study focused on the role of monetary policy and institutional quality on economic growth, monetary policy and institutional quality on financial sector development and the effect of financial sector development and institutional quality on economic growth in Nigeria.

To achieve the stated objectives, the Autoregressive Distributed Lag (ARDL) model was used. This is to enable the examination of the relationship between the variables in the short and long run. In this study, monetary policy is measured using broad money supply and interest rate, financial sector development is captured using private sector credit, institutional quality is measured using the growth rate of per capital real GDP.

The empirical results show that a unit increase in money supply raises per capita income by 0.33% and 16.75% in the short and long run respectively. While a unit increase in the interest rate will reduce economic growth by 1.29% but only in the long run. A unit increase in the control of corruption will reduce per capita income by 3.89% in the long run. The result also show a unit increase in money supply will raise financial sector development by approximately 1.15 and 2.46 units in the units in the short and long run respectively. A unit increase in the interest rate will reduce financial sector development by approximately 1.50 units. A units increase in the control of corruption will improve financial sector development by approximately 0.97 units in the short run. Lastly, findings showed a unit increase in institutional quality interacted with financial sector development will raise per capital income by 0.31% in the long run.

Findings suggest key role of monetary policy in improving the Nigerian economy however efforts should be geared towards improving institutional quality to harness the benefits of monetary policy. Effort should also be geared towards ensuring improvement in monetary policy and institutional quality in order to raise financial sector development and this will in turn improve economic performance in the Nigerian economy.