The Potential Impacts of Financial Literacy on the Economy through the Formulation and Implementation of Monetary Policy by Central Bank of Nigeria

Chief Ajugwe, Chukwu Alphonsus Ph.D.

Abstract: **Financial Literacy being the potent tool that drives the economy is quite necessary in the transmission of monetary policy outcome to the economy. The cardinal argument is that if the economic actors are not financial literate, they will be incapable of the interpreting and having in-depth understanding of the monetary policy frameworks as enunciated by monetary authorities. Financial literacy serves also as a strategic weapon for making positive and efficient investments by consumers and organizations which makes the critical sectors of the economy to get the required boast.**

The success of the Financial Literacy will not only have profound impact on monetary policy but also on financial inclusion which will make it possible for every eligible adult to open bank account, in order to access all the banking services such as savings, deposits, loans and avail themselves to Information Communication Technology (ICT) as well. It is imperative to state that it will be accompanied with additional benefits such as e-banking and the use of Automatic Teller Machines (ATMs) which assured speedy transaction and convenience to consumers and the banking industry. In reality financial literacy is not only pivotal for financial inclusion but a critical component in providing strategic lead in achieving financial stability and cashless policy which generates multiple advantages both to the customers and banks alike because of its cost minimization and convenience .

The paper will examine in-depth the monetary policy and financial literacy, a robust approach on the impacts of both the financial literacy and monetary policy as being formulated and implemented by the monetary authorities will be undertaken. In addition the challenges, recommendations, and the conclusions will be critically analyzed.

I. INTRODUCTION

One of the core mandates of Central Bank of Nigeria (CBN) as contained in the CBN Act, 2007 as amended, is to ensure monetary and price stability, to this end, the CBN formulates and implements suitable monetary policies to grow a sustainable economy. According to Wikipedia (2020) Monetary Policy is policy adopted by the monetary authority of a country that controls either interest rate payable on a very short-term of borrowing or money supply, often targeting inflation or interest rate to ensue price stability and general trust in the economy. To this end, the main goals of monetary policy are to ensure price stability, full employment, and to maintain exchange rate stability. These are the core objectives of monetary policy.

While Investopedia(2020) defines Monetary Policy as consists of the process of drafting, announcing and implementing the plan of actions taken by the central bank, currency board or other competent monetary authorities that controls the quantity of money in an economy. Monetary Policy therefore involves the managing of money supply and interest rate aimed in achieving macroeconomic objectives such as controlling inflation, consumptions, economic growth and liquidity. These could be achieved through the process of modifying interest rate, buying and selling government bonds, regulating foreign exchange rate market, and changing the amount of money banks are required to maintain as reserve. The goals of monetary policy are to achieve stable rise in gross domestic product, maintain low rates of employment, maintain foreign exchange stability and inflation rate in predicable range. The monetary authorities use the combination of the above to achieve the goals unlike the fiscal policy that uses taxation, government borrowing and spending to manage the economy

“Monetary policy is a blend of measures, and/or set of instruments designed by the central bank to regulate the value, supply and cost of money consistent with absorptive capacity of the economy or the expected level of economic activity without necessary generating undue pressure on domestic prices exchange rate.”Modi (2009). In other words, it is the deliberate use of monetary instruments at the disposal of monetary authorizes such as central bank in order to achieve macroeconomic stability. “The objective of monetary policy is to ensure that the expansion in domestic liquidity is consistent with government’s objective of price stability” CBN (2009). Macroeconomic aggregates such as output, employment and prices are, in turn, affected by the stance of monetary policy through a number of ways including interest rate or money; wealth or portfolio; and exchange rate channels Akhtar(1997)

They are two types of instruments, the direct and indirect instruments. The former is characterized by the use of credit ceiling, sectorial credit allocations, administrative control of interest and the exchange rates, moral suasion etc. In Nigeria the monetary authorities employs mostly two monetary policy frameworks for the implementation of monetary policy – the exchange rate and the monetary targeting frameworks. The employment of moral suasion has since been abandoned by CBN as it has proved to be less effective instrument.

Nevertheless, the CBN in the management of economy is open to two measures: expansionary or contractionary. However, the monetary authorities determine the economic measures they will employ to determine economic stability. Expansionary policy occurs when a monetary authority uses its tools to stimulate the economy. An expansionary policy maintains short-term interest rates at a lower than usual rate or increases the total supply of money in the economy more rapidly than usual. The tool is normal employed to combat recession and low demand.

Succinctly stated expansionary policy increases or expands the money in circulations and is employed when a country is facing recession, or lack of demand which may cause economic slowdown. The aim is to stimulate economic activities. The mechanism is to lower the interest rate very low to discourage savings and boast money supply in the economy which stimulates spending both industrial and consumers thereby increase in investment. Therefore, the lower interest rate will encourage individual to take loans either for investment to be spent on big ticket consumer goods, however, expansionary more than anything may lead to high inflationary rate in the economy.

While the major thrust of the contractionary monetary policy is to reduce the rate of monetary expansion to fight inflation because the rise in the price level signifies that the currency losses purchasing power. The central objective of the policy is to maintain interest rate very high to discourage borrowings, such policy slows the rate of growth in the money supply, the reduction of the money supply will slow down the economic growth in the short run and hurt employment opportunities, reduce the opportunities to borrow which reduce the expenditures of the government and that of the businessmen even private consumers and may even trigger recession if not well implemented.

It is quite instructive to mention that CBN in the process of implementing monetary policy employs many tools:

1. Open market operation (OMO): this entails buying and selling of short term bonds in the open market. OMO market operation traditional targets short term interest rate such of monetary policy rate (MPR). That is the rate at which CBN lends to commercial banks. The MPR is the benchmark against which other lending rate in the economy are pegged and is usually used as an instrument to moderate inflation in the economy. The MPR is currently held at 12.5%. Through the mechanism the CBN injects more money into the banking system by buying assets and decrease the quantity of money by buying back the bonds. "And banks responds by loaning the money more easily at lower rate (or more clearly, at higher rate), until the CBN's interest rate target is meant" (investopedia) 2018. OMO can target specific increases in the money supply in order to get the banks to loan funds more easily, by purchasing quantity of money: the processing is known as quantitative easing. It is used in the country where the capital market is well developed for its government bonds.
2. "The second option used by monetary authorities is to change the interest rate and/or the required collateral that the central bank demands for emergence of direct loans to banks in its role as lender-of –last resort" investopedia (2018). In the USA MPR is known as the Discount Rate but in Nigeria is known as monetary policy rate (MPR). The increase in MPR requires more collateral from the banks, being an indicative rate, which is specific determinant of the direction of interest rate and the impact of monetary policy. To this end, the banks will be prudent in lending money to their customers otherwise they will be accumulating bad debits in their financial books. This is a typical example of contradictory policy. In the contrary lending banks loans at lower MPR and small collateral requirement will enable the banks to lend more to their customers at much lower interest rate and that will encourage more demand for loans and this is a typical example of expansionary policy. The ultimate goal of monetary policy is to achieve a stable economy.
3. Another important tool is Reserve Requirements: this is the funds the banks must retain as a proportion of the deposits made by their customers in order to ensure that they are able to meet their liabilities. When the CBN lowers the rate, it is a signal to the banks to increase their lending because they will have excess money in their stock to lend to their customers also gives them more opportunities to buy more assets hence the increase of the rate will have opposite effects. "The main principle guiding the new policy is to control the supply of settlement balance of banks and motivate the banking system to target zero balances at CBN, through an active inter-bank trading or transfer of balances at CBN. It is aimed engendering systematic treatment of deficits and surplus in the settlement accounts so that for any bank the cost of an overdraft of the CBN intervention in the market takes the form of standing landing facilities, which ensure orderly market operation or behavior thereby reducing interest rate volatility" (CBN. 2018)
4. Another tool at the choice of the CBN is announcement and issuance of circulars to the banks, CBN circulars and announcements move markets, and investors who guess right about what CBN will do can profit handsomely. However, this can lead to unnecessary speculations. It is hoped such public

announcement can help to shape and stabilize the economy. It must be pointed out the success of announcement depends the "credibility of the monetary authorities which is responsible for drafting, announcing, and implementing the necessary measures. This is unconventional monetary policy and these inclusive of credit easing, quantitative easing, forward guidance, and signaling." Invespodia (2020)

Nominal Anchors

A nominal anchor for monetary policy is a single variables or device which the central bank uses to pin down expectation of the private agents about nominal price level or its paths or about what the central bank might do with respect to achieving that path. Monetary regimes combine long-run nominal anchoring with flexibility in the short run. "Nominal variables used anchors primarily include exchange rate targets, and inflation targets with interest rate policy" Freenstra, Robert C, Alam M Taylor (2012).

1. Exchange Rate Regime: a fixed exchange rate regime has proved to be effective anchor in the management of the economy. Gold standard results in a relative fixed regime toward the currency of other countries on the standard and the floating regime towards those that are not.
2. Inflation targeting under this regime target to keep inflation under control, under a particular definition such as Consumer Price Index, within a desired range. The inflation target is achieved through periodic adjustment to the central bank interest rate targeting. The interest rate used is generally the overnight rate at which banks lend to each other overnight for cash flow purpose.
   As the fisher effect model explains the equation linking inflation with interest rate is the following equation:

   ^ =i-r. ^ is the inflation rate, i is the home nominal interest rate set by central bank, and r is an anchor, central bank can influence ^ and choose a fixed interest rate at all time.

3. Price level targeting: Price level targeting is a monetary policy that is similar to inflation targeting expect the consumer price index (CPI) growth in one year over or under the long term price level target is offset in subsequent years such as that target price-level trend is reached over time for example 5 years.
4. Monetary aggregate/money supply targeting: Central banks might choose to set money supply growth target as a nominal anchor to keep prices stable in the long term, however, targeting the money supply is a weak policy, because it is not stable related to the real output growth, as a result, a high output growth rate will result to high level of inflation. A low output growth rate will result in a too low level inflation. A low output growth rate will result in inflation that would be higher than desired level.
5. Nominal income/NGDP targeting: the target was originally proposed by James Meade (1978) James Tobin (1980), was advocated by Scott Summer and reinforced by the market monetarist school of thought. The policy is based on maintaining a fixed exchange rate with foreign currency; there are varying degrees of the exchange of fixed exchange rate, which can be in relation to how rigid the fixed exchange rate is with the anchor notion.

II. FINANCIAL LITERACY

Financial literacy is education and understanding of knowing how money is made, spent, and saved as well as the skills and ability to use financial resources to make decisions. These decisions include how to generate, invest, spend and save money. The concept of financial literacy is applicable to both individuals and big organizations as it deals with budgeting, and making wise decisions in the use of money.

According to Will Kenton (2020) financial literacy is the ability to understand and effectively apply various financial skills, including personal financial management, budgeting and investment. Remarkably, financial literacy is the ability and properly applies management skill, which involves effective financial planning, management of debt, accurately calculating interest, time value of money. Financial literacy involves more than how money are made, spent, or used wisely but also focuses on budgeting paying of debt even planning for retirement. Therefore, the financial literate person must have the knowledge of financial planning, compound interesting, managing of debit, profitable savings techniques and time value of money. While lack of financial literacy may lead to making of poor financial choices that may have negative consequences on the financial well-being of an individual.

"Financial literacy is the confluence of financial, credit and debt management and the knowledge that is necessary to make financial responsible decisions-decisions that are integral to our everyday lives. Financial literacy includes understanding how a checking account works, what using a credit card really means, and how to avoid debt. In sum financial literacy impacts the daily issues an average family makes trying to balance a budget, buy home, fund children's education and ensure income at retirement." Investopedia (2020)

Furthermore, CBN (2016) defines financial literacy as the possession of knowledge and the skill by individuals to manage financial resources effectively to enhance their economic well-being. It also enables financial providers to understand their products, the associated risks and the needs of their customers. It includes trust, confidence and participation in the formal financial system. Financial literacy also referred to as financial capability, is an outcome of financial education.

Organization for Economic Co-operation and Development (OECD) defined financial literacy as "the process by which consumers/investors improve their understanding of financial products, concepts and risks, and through information, instruction and /or objective advice, develop the skills and the confidence to become more aware of financial risk and opportunities, to make informed choices, to know where to go for help, and take other effective actions to improve their financial well-being"

Financial literacy is premised on the fact that basics of banking, budgeting, savings, credit, debt, and investing are the pillars that underpin most of the financial decisions that most people and organizations make in the financial landscape. It is predicated upon the fact that for a person to benefit from the gamut of financial benefits that financial literacy provides to consumers, they must open bank accounts. Simple and squarely put a person with a bank account will be able to save, spend, invest and use credit, debit cards and other payment applications such as Paypal, Venmo, issuance of check and make use of the ATM. The banking industry interfaces both with the implementation of the monetary policies and the financial literacy.

III. IMPACTS FINANCIAL LITERACY ON THE ECONOMY

1. The key focus of monetary policy has been price stability and increased credit to the real sector through targeted intervention and improved regulation according to (Moses. k. Tule 2018). Bringing the above to front burner specifically, monetary policy targets price stability and economic growth. Specific action to achieve the above objectives included: sending out early warning signals: exchange rate reforms, and other complementary policies. These are critical efforts undertaken by the CBN towards revamping and rejuvenating the Nigeria economy, by sustaining its intervention in the critical sectors of the economy. These measures can yield effective results if majority of economic actors are financially literate to prompt them up to take advantages of some grants/loans the CBN are injecting into the critical sectors to retool the real sector of the economy. Some of these are the N200 billion Commercial Agriculture Credit Scheme (CACS), The N200 Billion Small and Medium Scale Enterprises Credit Guarantee Scheme (SMECGS), N200 Billion Restructure/Refinancing to the Manufacturing Sector, The N300 Billion Power and Airline Intervention Fund (PAIP). In view of the current COVID 19 epidemic that has ravaged the world economy; the CBN was proactive to take strategic policy by mapping out N50 billion to prompt up the Small and Medium Scale Enterprises (SME) that has been approved to be the engine of economic development both in the developed and developing country, 100bn in loans to support health initiatives, laboratories, researchers, and innovations. It must be mentioned that only the organizations and people that are financial literate can take advantage of the loans to grow their organizations.
2. Secondly, there is the optimism problem facing the central banks, commonly called "impossible trinity or monetary policy trilemma" which makes it impossible for effective utilization of policy instruments to achieve the stated target as noted by Moses Tule (2018). It presented an arduous task for monetary authorities to target both low inflation and exchange rate stability simultaneously. However, these three policy outcome are important for the real sector to have easy access to credit by reducing cost of lending, attract (domestic and foreign investment) and external competitiveness through stable exchange policy. Therefore, presents CBN with tough monetary policy stance. Basically with solid financial literacy among the majority of Nigerians, they will come to understand and have solid and in-depth knowledge of the difficulties the CBN is facing to achieve the three targets at one swoop. Financial literacy will therefore aid the CBN to implement its monetary policies at grass root level.
3. Bermanke (2004) emphasized the importance for communication as a means for central banks to influence assets prices in the financial markets, provided that the acquired a credible reputation. In that respects, communication is an important tool for the effectiveness of monetary policy implementation noted by (Buiter 1919, Eijffinger and Hoebeichts 2004). Communication can however be effective and successful if the majority of the populace is financial literate which will enhance the critical implementation of the monetary policy, an important tool for economic growth. Nevertheless, financial policy will be central for the people to make viable economic financial choices in the face of alternative economic variables such as investment choices in the financial and capital markets when such policies are well communicated.
4. "Like all public policies, monetary policy benefits from increased awareness and support, this translates which can be called 'legitimacy policy'" Egbuna (2008). Through proper explanation of why some policies and certain actions are taken, CBN stands to gain more public support if their policies are effectively communicated to the Citizens. In order words, with clear recognition and appreciation of central bank objective, segments in the economy: consumers, investors, businesses, financial market participants, and other stakeholders begin to adjust their behaviors in the line with the expectation that future inflation will be relatively under controlled. However, the positive adjustment can only be very effective if the participants are financial literate. It is

squarely envisioned that financial literate will flow with the communication of the CBN to make choices for positive investments. Consequently, prices, wages and financial decisions tend to be consistent with the targets when communications are effectively understood by financial literate community. Thus the net effect will be a more stable macroeconomic environment and greater success in keeping inflation low and stable which is one of the core objectives of monetary policy.

5. Empirical studies have shown that for the CBN to implement its financial policy successfully the CBN must ensure effective communication which will allow for two way flow of information. The central bank needs to communicate with the public and its political stakeholders. The broad audience is best reached through the mass media example: television and newspaper sometimes Social Medias. CBN needs to communicate its basic objectives, strategies for achieving its monetary policy thrust and its successes or challenges as well as failures with very good reasons to the Citizens. Such communication can be translated to the grass root level if majority of the populace are financial literate.
6. As noted by Egbunna (2008) in its effort to clarify all aspects of its monetary policy, the CBN has overtime, established various communication channels with the public and market participants. Immediately after the Monetary Policy Committee Meeting (MPC) the Governor of CBN holds a press conference in which he gives an introductory speech on the decision reached and the rationale behind it. Financial literacy is paramount for the individuals and organizations to understand the MPC outcome as announced by the Governor of the CBN. That will undoubtedly trigger sound financial and business decisions informed by the direction of the MPC outcome. This will serve a powerful tool for the investors to analyze the economy for impactful and sustainable businesses.
7. To this end, financial literacy therefore is critical for both individuals and organization to make sound financial decisions and to be financially stable. More importantly, it will encourage individuals to be sufficiently and deeply knowledgeable about their choices of goods and services: such as if it is affordable, is it necessary? Will it be liability or an asset in the long run? Helps individual become self-sufficient so that they can achieve financial stability. Financial literacy is also paramount for the Small and medium scale enterprises (SMEs) which are the heart of the economy and therefore contribute enormously to the growth of the economy, it helps to make a sound financial budget and draw achievable financial statements, and financial projections. This is predicated upon the understanding of the outcome of the implementation of the monetary policies by the economic agents as enunciated by the financial authorities with a view of triggering economic growth and development. A sound knowledge of the financial literacy can make individuals to be self-sufficient financially in the management of their resources.
8. Lack of financial literacy has made people to fall prey to scammers who induce them to give up there hard earned resources and get double of it in less than 24 hours, predictably, financial illiteracy makes people to become victims of frauds, predatory lending, bankruptcy, bad debts and also making poor financial decisions. The net effect is the negative impact on the economy which may hurt its growth.
9. There is no doubt that financial literacy will impact positively on banking technology and reinforced the deployment of Automatic Teller Machine (ATM) which greatly made it easy for banking transactions such as cash withdrawal, transfer of money from one account to another, deposits, checking of balance or even purchase of air credit. In addition, will trigger the use of credit and debit cards respectively which have really make banking transactions very easy as a customer can transact banking business at the comfort of his homes such as transfer, checking of balances etc. The financial literacy helps to small measure people to have a strong grasp of making use of such Information Communication Technology (ICT), that has brought into banking industry e-banking and ensuring a quantum leap in the development of financial market.
10. In the developed countries cash are rarely used in making payments, however, in Nigeria despite the introduction of cashless policy, cash remains the dominant means of transactions. However, with the introduction of Information and Communication Technology (ICT) cash transactions has been reduced as policy ushered into the financial system E-Banking which is now preferable because of its speed, convenience and cost minimization. This has made it possible for introduction of Automated Teller Machine (ATM) that triggered the possibility of online shopping which has become the top choice for many consumers; they can deposit, withdraw money and check balances from ATM outlets without going to the bank. The consumers can now undertake banking transactions from the comfort of their homes. The fact remains without the consumer being financial literate they may be incapable to operate such banking transactions effectively and efficiently.
11. Financial literacy is critical in understanding and having a strong knowledge of financial education and financial principle which is quite important in having in-depth understanding and coming to reality with the monetary policy implementation and its

underlying economic implications which serve as barometer to investors. Nevertheless, mastering the direction of economic indicators is fundamental to investing profitably and control most effectively any risk that may arise as every investment entails risks thereby avoiding financial pitfalls.

12. A few years ago a study from financial services company TIAA-CREF showed that those with high financial literacy plan for retirement and, in essence, have double the wealth than of people who do not plan retirement and, or have a retirement plan. Nevertheless to state that those who never plan for retirement are low in financial literacy. It has been established that those with low financial literacy borrow more, have less wealth, and end up paying unnecessary fees for financial products. The group does not invest, has trouble with debt and poor understanding of the terms of their mortgage or loans. In order words, financial literacy is the bedrock for providing for the future, saving and investment which are necessary for economic growth and sustainable development.
13. Financial literacy occupies a center-stage in the quest to achieve financial inclusion, financial stability, economic growth and development, inclusive growth in the economy can only be achieved where the large population participates in the market. For this to happen it is essential for the populace to know, understand and develop the ability to evaluate financial products and services as well as participation as effective participation in the financial market which could be conferred to individuals or organizations through financial education.

IV. CHALLENAGES

1. It must be pointed out that one of the major drawbacks that are making Nigerians not to embrace the need for financial literacy is the high level illiteracy in Nigeria which has been more in the northern part of Nigeria that has ideological conflict with Western education because of their religion. It calls to reason, to state that without basic education it becomes extremely difficult for a person to understand simple financial principles that is a part of financial literacy; therefore, extremely difficult to appreciate and understand the need for monetary policies as formulated and implemented by financial authorities. Making it impossible for the individuals and organizations to know how to plan, save and invest in the economic landscape. Financial illiteracy therefore has negative impacts on the monetary policy, economic growth and sustainable economic development.
2. Financial illiteracy is the major reason many organizations don't key into the lending opportunities presented by the CBN to grow the economics because of their ignorance to access loans/grants. Without such organizations taken the opportunities, the objectives of the monetary authorities will be defeated and the implementation of monetary policies will not be successful. And coming down to consumers they will not understand why it is necessary to save and invest despite opportunities presented by CBN monetary policies. One of the core principles of economics is that savings leads to investment which is driving force for economic growth and development.
3. Specifically stated financial literacy is pivotal for consumers to make effective choice among various investments and saving products. They will understand the investment options that will offer the highest interest rate and favorable maturities. Without financial education they will be unable to make efficient choice among the sophisticated investments choices such as the ability to buy a home, finance and education, saving for retirement etc. As earlier pointed out there is increase in financial illiteracy among Nigerians, the case is accentuated because of lack of government interest to enlarge the awareness of citizenry in the necessity to acquiring financial literacy? That has impacted negatively on the formulation and interpretation of monetary policy.
4. It has been noted that the introduction of banking capitalization otherwise known as consolidation in the banking system, has ushered in revolutionary and dynamic financial landscape in Nigeria. The revolution has been sustained and accentuated by the introduction of Information and Communication Technology (ICT) that has made it possible for the introduction of electronic banking technology which revolutionized banking industry, and made it possible the introduction of new banking applications such as electronic banking, automatic Teller Machine (ATM), credit and debit cards, etc. However, the introduction of the sophisticated banking applications has made it very hard for many consumers to come to grip with the new banking applications because of the intensity they are being churned out in the banking landscape. "Major attraction of the system include the speed and convenience it offers consumers and bankers in effecting banking and other financial transactions round the clock " Bamidele, A. (2005). The above advantages will be conferred only on financial literate customers. It should be mentioned that in global marketplace, there are many more participants in the market and many more factors that can influence and impacted negatively to both individuals and organizations. The international banking space is more sophisticated and the participants must be financial literate in order to participate effectively.
5. In addition, Deposit Money Banks (DMBs) are more concerned to make supper abundant profit rather than intermediation which is one of their core functions; this constituted another challenge facing the CBN in making finance available to the real sector, coupled with lack of knowledge by the stockholders of different lending opportunities opened to them because of lack financial

literacy. The problem is compounded as the CBN does not deal directly with the members of the public; hence, it involves the DMBs in providing finance to the real sector, which they have failed to do as rightly assumed that the real sector is risk infested and the loan gestation may impact negatively on their profitability . This position is noted “Based on the profit maximization tendency of the DMBs, they, however, have preference for short term gestation period and as such preferred government debt instrument such as treasury bills as cheap source of generating profit. This has real drastically affected negatively on the ability of the real sector to get finance.” Moses K. Tule 2018.

6. Another important issue is how the CBN can best get its intended monetary implications across clearly to the public, but this is so challenging where majority of citizens are not financial literate. More especially, when such policy statements are made to be imprecised and subject to various interpretations, especially when policymakers feel the need to be concise. Financial illiterate persons will not get the core of the financial statement and may force to give negative interpretation which may cause confusion in intended aims and objectives the financials authorities intended to achieve.

V. RECOMMENDATIONS

1. The fundamental point is that for financial literacy to increase, the level of literacy in Nigeria must also increase alongside with it. The government must have aggressive stance to step up the level of literacy by promulgating policy that will make a free education from elementary school to secondary school level compulsory. That will ensure that majority of the citizens are educated. This will reinforced their ability to appreciate the monetary policy statements and the implications on the economy; which will lead to positive application of the monetary policies as made by monetary authorities.
2. It must be mentioned that CBN has been at the driving seat of creating financial literacy awareness through conducting seminars, conferences and going to elementary and secondary schools with the view to inculcate financial literacy to the youths. This is a right step in the right direction that should be intensified to provide the necessary strategic lead. The policy thrust will give the necessary boast to the financial literacy that is required to retool the economy positively. Federal government should also give robust political backings to the institutions anxious to improve financial literacy among the citizens because of its obvious advantages that have been noted above. Especially, in achieving a greater financial literacy among the citizenry is critical factor in the implementation of monetary policies which is necessary for sustainable economic growth and development.
3. The CBN in announcing its monetary policies after Monetary Policy Committee (MPC) meeting must not be too précised but be elaborate enough so that the core objectives of the meeting will be understood by the majority of the consumers and the organizations. It is envisaged that when they understand the policy direction of the monetary authorities, they will make use of the outcomes to invest in the critical sectors of the economy.

VI. CONCLUSIONS

Emphatically stated, there is nexus between financial literacy and the formulation and implementation of the monetary policy by the monetary authorities. Government has proactively encouraging the increase of the awareness of the financial literacy because its importance to boast the understanding of the monetary policy thrust, to enhance its effectiveness and make it solid enough to grow the economy. This may be the singular reason the CBN has taken the awareness of financial policy to various secondary schools with the objective to enable the youth to be financial literate. The CBN has been communicating to the populace aggressively about the importance of the financial literacy, who will always take advantages of the monetary policies guard lines to boast their financial standings.

It must be noted that financial literacy ensures stability that engenders economic growth and sustainable development, create awareness for economic actors to make viable economic choices, by knowing the direction of monetary policies as enunciated by the CBN. Therefore, financial literacy plays pivotal role in the economy by making people and organizations to deploy their financial resources to productivity sectors of the economy.

Fundamentally, financial literacy has made it easy for the introduction and utilization of ICT which has generated banking revolutions because of its obvious advantages by introduction of banking applications that have greatly aided banking transactions. Boasting the broadening and the deepening of financial market, that can drive more effectively the implementation of the monetary policies.

The above critical analysis has proven beyond any shadow of doubt that financial literacy is the bedrock for the successful formulation and implementation of monetary policies by monetary authorities.

REFERENCES

[1] Akhtar, M.A. “Understanding Open Market Operation.” Public Information Department, Federal Reserve Bank of New York.
[2] Bamidele. A. “The Imperative of E-banking for Monetary Policy in Nigeria” Central Bank of Nigeria Economic and Financial Review Vol. 43 March 2005, Number 1.
[3] Bernanke, B. Address to America Economic Association meeting, San Diego (2004)

[4] Bernanke, B, Rinehart, N. R. and Sack B.P. “Monetary Policy Alternatives at the Zero Bound: An Empirical Assessment” Brooking Papers on Economic Activities. (2004)
[5] Bhinder, A. “Central Banking in Theory and Practice.” MIT Press Cambridge. (1998)
[6] Egbunna, E.N. “Central Bank Communication and Monetary Policy- The Case of Central Bank of Nigeria” Bullion: Publication of the Central Bank of Nigeria Volume 32 November 4, October-December 2008.
[7] En.wikipedia.org.
[8] Freenstra Robert C, Alan M. Taylor “International Macrocosmic” New York Worth (2012)
[9] Lewis, Mandell and Linda Schmid Kleis “The Impact of Financial Literacy Education on subsequent Financial Behavior.” Association for Financial Counseling and planning Education.
[10] Mordi, C.N.O. (2009) Overview of Monetary Policy Framework in Nigeria, CBN Bullion Vol. 33. Number1, January –March. Research Department CBN Monetary Sector Model for Nigeria
[11] Moses K. Tule “Monetary Policy Management in Nigeria Today: Issue in Stagflation and Recession” Bullion: Publication of the Central Bank of Nigeria Volume 42 NO. 1, January –March 2018.
[12] Monetary Sector Model for Nigeria: Research Department, Central Bank of Nigeria.
[13] National Financial Literacy Framework, Central Bank of Nigeria (2016)
[14] OECD (2009) Framework for the development of Financial Literacy Baseline Survey: A first International Comparative Analysis OCID working paper.
[15] Piprek, G.L. “Development of Strategy Options for financial literacy for S.A. USAID”. South Africa (2009) Marketwar Africa ltd 2016.
[16] www.Investopidia.com
[17] Will Kenton Feb, 2020: Investopedia.