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The Economic Implications of Monetization Policy in Nigeria.

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Abstract

Monetization policy which is also referred to as "monetization of fringe benefits" is a new approach to the remuneration of public officers in Nigeria. Acts 2002 which provided the reference point for monetization of the salaries and allowances of all categories of Federal Public Servants stipulated that the fringe benefits which were formally paid in kinds be converted to cash by the salary and wage commission. The policy makers believed that the scheme will encourage private initiatives and facilitate creativity and motivation and most importantly, improve the service of quality delivery, promote patriotism and efficiency among civil servants. This paper investigated the economic implications of the Monetization policy using Nigeria data. The ordinary least square multiple regression analytical method was used for the data analysis. Some statistical tools were employed to explore the relationship between these variables. The analysis started with the test of stationarity and co-integration of Nigeria's time series data. The empirical study found that the data were stationary and co integrated. The multiple regression results showed a significant but negative relationship between monetization and gross domestic product in Nigeria. These results were robust to a number of econometric specifications. Our findings and conclusion support the need for the government to be more disciplined in handling good polices. The Nigerian experience shows that although the positive benefits of monetization policy are disputable, positive results will be achieved if the conditions needed for monetization policy to work properly are set in place.

Key words: Monetization policy, Fringe benefits, Civil servants, Gross domestic product and Labour productivity.

Introduction

Since 1986 when Nigeria first launches its structural adjustment programme, a good number of public reforms have been implemented. One of such reforms is monetization of the fringe benefits of the public servants. This reform took its root from the growth of public sector which put greater strain and stress on government budgets as the number of public officers who were entitled to fringe benefits escalated. This, no doubt, had direct impact on government recurrent expenditures which necessarily increases as the public service increases. The first critique of the Keynesian economic model, therefore, lent its support for big government which has been found to be inefficient and wasteful. An effort to extricate Nigeria from the inefficiency of the welfares' state, therefore, led to the monetization of the fringe benefits of the public servants. This policy was based upon the formal analysis of the marginal cost of public funds analyzed by

Pigou (1928). Pigou (1928) noted that public expenditure "…ought plainly to be regulated with some reference to the burden involved in raising funds to finance them". In a famous quotation, very much in the utilitarian spirit, he went on to say that: "If a community were literally a unitary being, with the government as its brain, expenditure should be pushed in all directions up to the point at which the satisfaction obtained from the last naira expended is equal to the satisfaction lost in respect to the last naira called up on government service". Of course, as Pigou recognized, no community is a unitary being in this sense. The governments must thus in practice pursue a policy capable of minimizing inefficiency and wastages. The costs of doing so—both the administrative and compliance costs and the excess burden or deadweight loss of taxation—ought, he argued, to be taken explicitly into account in determining the appropriate level of public expenditure. It has thus long been clearly understood that whether or not a particular expenditure is worthwhile depends to some extent upon how it is financed. Monetization of fringe benefits of the public servants is a right step in this direction. According to Mimiko (2003) monetization of fringe benefits is "a precipitate of government concern with the continued escalation of cost of running the machinery of government as a result of the huge bureaucracy with which the economy is delivered".

Monetization policy which is also referred to as "monetization of fringe benefits" is a new approach to the remuneration of public officers in Nigeria which was given effect through the passage of certain Political and Judicial Office Holders. Acts 2002 which provided the reference point for monetization of the salaries and allowances of all categories of Federal Public Servants stipulated that the fringe benefits which were formally paid in kinds be converted to cash by the salary and wage commission. The policy however involves a systematic cash payment. Under the scheme, the government's houses, cars, furniture etc which were for the use of bureaucrats and other Political Office Holders were to be converted into private property. The policy makers believed that the scheme will encourage private initiatives and facilitate creativity and motivation and most importantly, improve the service of quality delivery, promote patriotism and efficiency among civil servants. Another added advantage of the policy is that the scheme may act as an incentive to the employees to work harder. For example, with regards to accommodation, it may be necessary for the employee to reside in better accommodation to enable him perform his functions effectively. Thus, the economic effect of monetization on development cannot be over emphasized. The policy if well implemented will upgrade the living standard of the public workers and minimized poverty, inflation, wastage, slow economic growth, unemployment and underemployment.

1.1 The problem and the objective

A critical review and assessment of the dynamics of Nigerian economy vis-a-vis public expenditure in the years before monetization policy was adopted reveals the picture of distortion in government spending and allocation of resources generally. There was an unbridled waste in the public service as a result of the mismanagement of public property such as houses, vehicles, furniture and several other assets. It was expected that when fully implemented, monetization policy will minimize the waste and the abuse of public fund and facilitates; encourage public servants to own personal houses; enable public servants to plan for a more comfortable postservice life; reduce capital cost and reduce rent as public servants who constitute majority of tenants in the urban centres will have developed their personal houses.

The realization of these benefits depends on the effectiveness of implementation. But we have a country, Nigeria, where initiators of policies and programmes do not usually take total cognizance of how policies work. No sooner they leave office, than the policies or programmes begin to collapse. Monetization seems to be heading that same way as up till now there is nothing serious to show that monetization is really working as expected. In spite of the policy, the cost of maintaining the public service continued to escalate while the avenue for corruption, through undue appropriation of benefits, gained ascendancy. It is in this regard that Mimiko (2003) sees the Obasanjo's policy of monetization of fringe benefits as 'a precipitate of government's concern with the continued escalation of the cost of running the machinery of government as a result of the very huge bureaucracy with which the economy is delivered'. Also, one wonders how monetization policy can be sustained in a country where the government seems highly personalized or dancing to the tune of International Financial Institutions like the World Bank/International Monetary Fund. Thus, the objective of this study is to review the process of monetization in Nigeria over the past nine years with a view of identifying the weaknesses of the policy, examining its effectiveness and situating its implications on the economic performances of the country. The paper is therefore organized as follows. Following the introductory section, Section 2 reviews the literature. The methodology of the study is discussed in Section 3. An econometric analysis of the implications of monetization on the economic performances is considered in Section 4. Finally, Section 5 presents the summary and conclusion of the paper.

2. Literature review.

Monetization issue has scanty literature on concepts, effectiveness, and implications on economic performances. The reason for scantiness of literature in this area of research is because the policy is a new approach to handling public expenditures. Nevertheless authors like Amuwo (1991), Mimiko (2003), Mobolaji (2003), have made some clarification on the definitions and concept of Monetization. According to Amuwo (1991), 'monetization is the conversion of benefits previously available in kinds to public officers into cash payment'. These benefits hitherto made available by government to public officers includes: the provision of free accommodation and its maintenance, furniture, transportation and chauffeur driven vehicles for top public office holders. Whereas Mimiko (2003) sees monetization of fringe benefits as "a precipitate" of government concern with the continued escalation of cost of running the machinery of government as a result of the huge bureaucracy with which the economy is delivered". In supporting the views of Amuwo (1991) and Mimiko (2003), Mobolaji, (2003) defines Monetization policy as government initiatives that involve systematic cash payment for benefits previously available in kinds to public officers. In a more elaborate language; McConnel (1992) defines Monetization as the rewards other than wages that employee receive from employers in monetary value which includes: pensions, medical and dental insurance, vacations and sick leaves. In providing further explanation to the definition, McConnel (1992) defines fringe benefits as benefits such as sick leave, vacation pay, pension plans, and health plans that represent additional compensation to the employee beyond bare wage. Fringe benefit thus includes cash payments for vacations, health care programs, recreational facilities, transportation, day care services and executive wardrobe. In another dimension, the dictionary of banking (1996) defines the fringe benefits as a benefit given to an employee in addition to wages and salary. And in addition to this, the dictionary of economics defines fringe benefits as a payment and benefit given to an employee by his employer in addition to his normal earnings. Such benefits may include holiday with pay, redundancy award, free fuel or housing.

It is clear from the various definitions and explanations that the concept of monetization is an extreme broad one that encapsulate virtually every payment other than the basic pay, basic wage, or basic salary of an employee and could therefore vary in nature form one country to the other.

In addressing the effectiveness and economic implications of monetization policy, some authors like Olaitan (1995), Olukoshi (1995), Fasoranti (2008) and Ogugua (2009) have made some notable contributions. According to Olaitan (1995) the body that was set up to actualized the policy appeared to be self seeking. For example, at the time the issue was debated at the National Assembly, large gaps between members of the National Assembly and the masses on the implementation of the policy were agitated. Recent experience has shown that once elected, the Nigerian legislators usually deploy their mandate to self seeking. Olukoshi (1995), in his own contributions went beyond the advertised objectives of self-seeking to the issue of sustainability. He raised serious doubts about the avowed resilience of the Obasanjo's administration to nurture the policy to an irreversible stage. It has been said that just as Obasanjo is the only one in the Presidency who believes in the anti-corruption campaign so also is he the only one who saw the need why monetization programme must succeed. Should the policy terminate with his tenure, its aftermath would have serious budgetary implications.

Fasoranti (2008) viewed monetization policy in Nigeria as a socially worthwhile initiative. He opined that the cash payment of benefits may act as an incentive to the employee to work harder. For example, the provision of a personal car for a civil servant has implications on his social status that can motivate him to work harder since there will be no need for him to look for loans to acquire this asset. Ogugua (2009) argued that the challenges of monetization policy are how well the policy could be implemented. He suggested that sizable resources required to fulfill monetization policy should be mobilized for it to be effective. In addition to this, he advised that the government should create positive atmosphere that will allow public servants, whose evolvement were not always market driven, the opportunity to successfully bid for and own the government asset to be traded in monetization policy .

2.1 The Profile of Monetization in Nigeria.

An understanding the concept and principle of monetization as a policy option in Nigeria, requires a brief historical exposition especially on the historical background of monetization policy. Nigeria's Public Service dates back to the colonial period. In the colonial era, colonial administrators posted to Nigeria from the United Kingdom formed the nucleus of the federal administration, evolving as it were, an administrative structure analogous to the British (Faseke 1988). In the colonial civil services structure, all officers were graded, and there was the clearcut dichotomization of the service into the upper grade and lower grade. The colonial administrators dominated the senior cadre while the indigenous people were in the junior cadre. Hence, the public service lacked a middle grade during this era. Indeed, up till 1950, Nigeria's public service in words of Blitz (1965) was an undermanned, overworked, largely alien officialdom'.

Since these officials from the metropolis were few in number and given the enormity of their assignments, including the attendant risks, some palliative measures were provided. However the regimes of incentives were considered inadequate by the colonial officials. They, for instance, pointed out the avalanche of attractive employment opportunities in Europe after the Second World-War. They, therefore, demanded for additional special incentives to compensate for the opportunities being abandoned for services in an environment they considered less attractive. It is in this regard that the Harragin Salaries Commission of 1945 was set up. The commission finally came up with a regime of incentives which entitled senior service officials to car allowance, European-style quarters, free medical treatment, and first-class travel. Given the centrality of their job in the maintenance of law and order and the management of an extractive economy to produce raw materials to support industries located in western nations, the colonial administration had no difficulty in sustaining these allowances for these officials.

From the 1950's, deliberate disengagement of the colonial government began, hence, the absorption of more Nigerians into the administrative structure of the colonial bureaucracy. Concomitant with this was the enlargement of the administrative structure in Nigeria through the introduction of regionalism. By 1960, a pool of middle level officers had been created in the public services and it was this set of officials that assumed the leadership of the public service upon independence.

The transition from colonial to indigenous status afforded the new administrative elites a liberal interpretation of the administration of wages, salaries, and fringe benefits. Consequently; those benefits accruable to the colonial administrators were also adopted for the emergent indigenous administrators. However, the wholesale adoption of the benefits of the colonial administrators lacked adequate justification. For example, free accommodation was provided for the colonial administrators, in spite of their salaries, as incentives to enable them settle down to work early. There was also the security implication of such officials being exposed to the vagaries of seeking for private accommodation. This would, however, not hold for indigenous administrators who operate amongst their people. In any case, the justification for such pay for the colonial expatriates had been challenged by the policy maker The Gorsuch Commission of 1954 in fact recommended that the structures and the remunerations of the Nigeria's Public Service should be measured by the yardstick of the Nigerian conditions and requirements.

Having shown how Nigeria's former colonial masters bequeathed their administrative tradition to Nigeria; it will be interesting in the words of Laleye (1991) to see what the evolution has been within Nigeria's internal dynamics. In this regard, the operation of the regime of benefits has been a subject of serious abuse, especially with the advent of military rule. Quite common were such practices as the presentation of inflated non-existent medical bills for reimbursement,

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annual renovation of official quarters, and the maintenance of fleet of vehicle at inflated costs. All these continued to manifest in huge Government Recurrent Expenditure. For example, recurrent expenditure stood at 80.5% of total expenditure in 1970 as against 19.5% for capital expenditure. In 1971, it increased to 84.6%, while capital expenditure was 15.9%. The slight decline to 64.6% of recurrent expenditure in 1980 could not be sustained as it again increased to 73.2% in 1981. In 1990, it stood at 60.1% while it declined to 52.8% in 1991. The decline to 52.8% in 1981 was of no significant advantage if viewed against the percentage denial that such figure contributed in capital project execution (Central Bank of Nigeria. 1996).This trend continued till 2000 when Nigeria's total recurrent expenditure stood at an alarming level of 65.84% of the total budget.

Consequently, on November 11, 2002, President Obasanjo inaugurated the Committee on the Monetization of Fringe Benefits in the Public Service of the Federation under the chairmanship of Chief U. J. Ekaette, Secretary to the Government of the Federation. In line with the brief prepared by this committee, the Federal Government, through a circular reference no. SGF/19/S47/C.1/11/371, dated June 27, 2003, adopted the implementation of the monetization policy in the Federal Public Service. The policy was to commence on July 1, 2003. However, in December 9, 2003, President Obasanjo through a letter, Reference No. PRESS/36-1, and addressed to the Head of Service of the Federation, amended certain provision in the aforementioned circular and gave the commencement date of the policy as October 1, 2003. Contrary to the October 1, 2003, the policy did not take off until June, 2004. And as confirmed by the Head of Service of the Federation, the policy in the meantime was restricted to the core civil service. By the core civil service, it meant the Ministries excluding the parastatal, commissions, boards, agencies.

According to the monetization policy, seven distinct allowances were monetized. Residential Accommodation was monetized at 50% of the annual basic salaries of officers on Grade Levels 01-06 in the public services, 60% for Grade Levels 07-14; and 75% for Grade Levels 15-17, including Federal Permanent Secretaries, and Head of Services of the Federation. All grade levels in the Public Service of the Federation were to receive 25% of their annual basic salary while grade Level 01-06 were to receive 15% of their annual basic salary as utility allowance as against 20% for officers on Grade Level 17, i.e Permanent Secretaries, and Head of Services of the Federation.

The Monetization policy also contained the detailed application of some of these benefits, including the attendant consequences of the commencement of the monetization programme. For instance excess drivers, resulting from this policy, which possess relevant and adequate qualification, were to be retained and redeployed as appropriate, others were be deployed to drive staff buses while those that were not deployable were to be rationalized. They were, however, to be assisted by the National Poverty Eradication Programme (NAPEP). The Report also recommended the spread of the furniture allowance, which is 200% of the annual basic salary to over 5 years period at 40%. On Government-owned buildings, it was proposed that they be disposed at end of one year. To determine the present value of these buildings, a committee comprising of the Federal Housing Authority, the Federal Ministry of Housing and Urban

Development, and the Ministry of Federal Capital Territory was to carry out the valuation of these buildings which will then be sold off by public auction at the end of the first part of the commencement of the first monetization programme.

3. Methodology and materials

3.1 Research Design and Strategy

Research design is the structure and strategy for investigating the relationship between the variables of the study. The research design adopted for this work is the experimental research design. The reason is that experimental research design combines the theoretical consideration with empirical observation. It enables us therefore to observe the effects of explanatory variables on the dependent variables

3.1.1 The model

To determine the model of monetization and economic growth, we first consider a national income model using expenditure approach i.e.

$Y=C+I+G$……………………………………………… (1)

Where G is Gross Domestic output, C is consumption expenditure, I is investment expenditure and G is government expenditure. Since we are interested in assessing whether output growth is a function of monetization denoted by G we specify how gross domestic output can be affected monetization. In doing this however, we determine the possible links between monetization and gross domestic output and emphases the monetization measurement parameter denoted by G. Thus, we can specify that gross domestic output depends on monetization i.e.

$GDP = \text{₠}_0 + \text{₠}_1G$… ………… (2)

Where ₠_1G is the government expenditure on monetization. Monetization reduces waste and thus can lead to a reduction in recurrent government expenditure and hence greater national output. Thus we can hypothesize that ₠_1 is positive. To grasp the relevance of this specification to the objective proposed in this paper, we incorporate some two other variables that determine economic growth such as Money Supply and Labour Productivity and specify the following growth regression model:

GDP = f (RGEM, LPR, MS) …………………………………………………..3

Where:

RGEM =recurrent expenditure on monetization

LPR =Labour Productivity

MS=Money Supply

Equation 3 could be expressed in a linear form as

$GDP = \text{₠}_0 + \text{₠}_1RGEM + \text{₠}_2\ LPR + \text{₠}_3MS$ ………………………..4

Econometrically, to include random term, the model is expressed as:

$GDP = \text{₠}_0 + \text{₠}_1RGEM + \text{₠}_2\ LPR + \text{₠}_3MS + \mu_t$ ……………………………5

Where μ_t = Error Term.

This model implies that the growth rate of national income will negatively or positively be related to recurrent expenditure on monetization, Labour Productivity and Money Supply in Nigeria

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3.1.2 A *priori* expectations

From the model, the a *priori* expectation may be mathematically denoted by: $₠_1>0$,$₠_2>0$ and $₠_3>0$

In line with national income model, monetization is the efficiency parameter that to a large extent; theoretically determine the level of national output. Thus monetization is expected to have positive impact on economic growth. Thus we expect the coefficient of monetization to be positive i.e. $₠_1>0$.Also monetization is expected to increase the efficiency of labour and consequently labour productivity. When labour productivity increases, national output will also increase. Thus we expect the coefficient of labour productivity to be positive i.e. $₠_2>0$. Finally, in line with classical theory of demand for money (i.e. MV=PT), an increase in the quantity of money in circulation will increase national output through multiplier effect. Monetization of fringe benefits is expected to lead to an increase in money in circulation and consequently increases national output. Thus we expect the coefficient of money supply to be positive i.e. $₠_3>0$.

3.1.3 Type and sources of data

Secondary data were used for this study. The data were obtained from the publications of the Central Bank of Nigeria, African Development Indicators, website, Journals and Newspapers. The data collected are: gross domestic output, labour productivity and the money supply.

3.1.4 Data processing technique

In this study, our empirical investigation consists of three main steps. First, the Phillips-Perron (PP) tests of stationarity (1988). Second, the Johansen test of coin-integration (1991) and third, the error correction mechanism analysis. The empirical study uses a simulation approach to investigate the theoretical relationship between monetization of fringe benefits and the growth of the Nigeria economy. The secondary data were processed using E-view for windows econometric packages. The E-view is preferred to SSPS because it enables us to correct the serial correlation in the data. The study employs Error Correction Mechanism (ECM) to overcome the problem of spurious regression. The ECM reveals that the change on a variable, at times, is not only dependent on the variable, but also on its own lagged changes. This enables us to induce flexibility by explaining the short run and long run dynamics in a unified manner.

4 Data analysis, results and discussions

4.1 Stationarity and co integration test

Table1: Analysis of stationarity test

Variable	test statistics	critical Value	level of significance	Level
GDP	-2.997	-2.0388	1%	1(0)
RGEM	-2.7107	-2.1383	10%	1(1)
LPR	-4.7040	-3.7856	1%	1(2)
MS	-2.512	-2.0720	5%	1(1)

SOURCE: Computed by the Author June, 2011

Table1 shows the summary of the unit root test of the variable used for empirical study. The test shows that; Gross domestic Product (GDP) was stationary in levels at 1 percent level of significance. Recurrent expenditure on monetization and money supply were stationary in the first difference at 10 percent and 5 percent level of significance respectively; whereas labour productivity (LPR was stationary in the second difference at 10 percent level of significance. A variable is stationary (has no unit root problem) if the test statistics is greater than the critical value in absolute terms. The term 1(0) indicates at levels, 1(1) indicates first difference and 1(2) represents second difference.

The next step after finding out the order of integration was to establish whether the non-stationary variables are co-integrated. Differencing of variables to achieve stationarity leads to loss of long run properties. The concept of co-integration implies that if there is a long run relationship between two or more non-stationary variables, deviations from this long run part are stationary. To establish this, Engel Granger's two-step procedure was used. This was done by generating residuals from the long run equation of the non-stationary variables, using DF and ADF tests. The residuals were found to be stationary for the model which confirmed that the variables were co-integrated.

4.1 Regression results and discussions

The regression result of the growth model is presented in a summary form as indicated below with the standard error figures stated in the Parentheses.

GDP = 5.417540 - 0.068709RGEM + 0.994375LPR +0.209795MS
(1.023320) (0.002475) (0.083376) (0.011229)

R-squared = 0.998855	Mean dependent var F-statistic=6.680000
Adjusted R-square =0.995420	S.D dependent var Prob (F-statistic)= 0.043078
S.E of egression=0.139475	Durbin-Watson stat=2.402161

Sources: Researcher's Computation

4.1.1 The statistical significance of the parameter estimate

The statistical significance of the parameter estimate can be verified by the standard error test; the adjusted R -squared, the F-statistic and the Durbin-Watson statistics.

- For the model, when compared half of each coefficient with its standard error, it was found that the standard errors are less than half of the values of the coefficients of the variables. This shows that the estimated values are all statistically significant.

- The value of the adjusted R-squared ($R^{2)}$ for the model is high, pegged at 0.99683 or 99%. It implies that recurrent expenditure on monetization, labour productivity and money supply explained about 99% systematic variations in Gross Domestic Product (GDP) over the observed years in the Nigerian economy while the remaining 1% variation is explained by other determinant variables outside the model.

- The F-statistics is used to test for stability in the regression parameter estimate when sample size increases, as well as the overall significance of the estimated regression model. Thus, we compare the calculated F* with the critical value at 5% level (0.05) at K-1, i.e. (4-1 = 3) and N-K=5-4=1 degree of freedom for the model. Where; k = the number of parameter estimated, and N= the number of the observed years. If F*> Fo.05, we reject the null hypothesis and accept the alternative hypothesis and vice versa. From the statistic table, Fo. 05 at (3, 1) degree of freedom is 10.13 while estimated F* is 290.7554. Obviously F*> F0.05 that is (290.7554 > 10.13). This implies that the parameter estimate is statistically significant and stable.

- The value of Durbin Watson is 2.4 for the model. This falls within the determinate region and implies that there is a negative first order serial autocorrelation among the explanatory variables in the model.

In summary, since all the econometric test applied in this study show a statistically significant relationship between the dependent and independent variables from the model, thus, we accept the alternative hypothesis which states that: monetization has significant economic implications on the gross domestic output in Nigerian economy.

4.1.2 The theoretical significance of the parameter estimate

For the theoretical significance of the overall estimates, we evaluated the signs and the sizes of the coefficients of the variables. According to the results, labour productivity and money supply have positive coefficients and statistically significant. This is in consonance with our a *priori* expectations. It implies that increased labour productivity and money supply perhaps as result of monetization cause an increase in gross domestic output in Nigeria. The labour productivity has greater influence on gross domestic output judging the by the magnitude of its coefficient. One unit increase in labour productivity caused the gross domestic output to increase by 0.9 units. Whereas one unit increases in money supply cause the gross domestic output to increase by 0.2 units. Most important for the objectives of this paper, the regression results support the idea that monetization had a negative impact on the gross domestic output in Nigeria. The result suggested that monetization is not effective in Nigeria, the policy has not been properly implemented and sustained .Though contrary to our a *priori* expectation, the result is expected. This is simply because despite the policy, the cost of maintaining the public service continued to escalate while the avenue for corruption, through undue appropriation of benefits, gained ascendancy. This finding is in agreement with the opinion of Mimiko (2003) who foresees the Obasanjo’s policy of monetization as ‘a precipitate of government’s concern with the continued escalation of the cost of running the machinery of government as a result of the very huge bureaucracy with which the economy is delivered’.

Conclusions

Specifically, this study examined the relationship between monetization and gross domestic output in Nigeria. In trying to achieve this objective, an ordinary least square multiple regression approach was adopted for the data analysis. From the previous arguments in this paper and from the empirical results, it is clear that there is a significant relationship between monetization and gross domestic output in Nigeria. With 99 percent of the changes in economic growth being explained by the model, it is only logical to summarize that other factors, for which a major share are qualitative factors, explain the minor 1 percent of the variability in gross domestic output in Nigeria. The study has therefore brought out in clear terms the macroeconomic variables that contribute to and those that do not contribute to economic growth in Nigeria. It shows in simple terms that monetization did not contribute to an increase gross domestic output in Nigeria. In other words monetization is not productive in Nigerian economy. The policy did not fulfill its target and goals. Other variables like labour productivity and money supply which were tested along with monetization had positive impact on gross domestic output in Nigeria. Thus we can conclude that monetization policy is a failure in Nigeria.

Monetization of fringe benefits is a good economic policy that can minimize waste, eradicate corruption and enhance labour productivity if well implemented and sustained. Our findings and conclusion support the need for the government to be more disciplined in handling good polices. In complement of the above, it is important for the government to consolidate and maintain monetization policy. More generally; the Nigerian experience shows that although the positive benefits of monetization policy are disputable, positive results will be achieved on the long run if the conditions needed for monetization policy to work properly are set in place. Finally, a strong will by government is required to concentrate efforts on increasing output and productivity of workers.

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