

A Critical Evaluation of the Central Bank of Nigeria's Interventions in a Depressed Economy

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Abstract- This research explores how the Central Bank of Nigeria (CBN) deals with economic depression and the impacts of its interventions on monetary policy, credit support, exchange rate and regulation interventions. The motivation for this research stems from the recurrent depressed periods of Nigeria's economy, with Nigeria's economy currently growing, but its GDP growth rate remains low while unemployment remains high and there are liquidity problems with inflation. The research employs a conceptual and analytical review approach and brings together recent literature on policy analysis and institutional policy documents published from the year 2015 to the year 2025. The findings indicate the CBN interventions have stabilized the banking industry, increased liquidity, and provided intermediated credit to important sectors, thus giving CBN a measure of relief on a short-term basis. CBN's intervention programs, like the Anchor Borrowers' and SMEs sponsored credit programs have been positive. CBN also promotes and encourages positive monetary policy activities like the CBN prescribes to the banks in the economy and the CBN based its policies on a positive rate of growth. The changes in policy on monetary policies routing the direction of the economy and the changes of the (Cash Reserve Ratio) which the CBN reserves to interventions to promote a positive outcome. The CBN positive outcomes in the economy promote interventions to a lesser extent with the liquidity complexities of the economy in place. CBN has positive outcomes to a lesser extent with the complexities of the liquidity in the economy. The CBN has positive outcomes with interventions in CBN has to a lesser extent the economic complexities. CBN has the positive outcomes with monetary interventions. The exchange of monetary CBN outcome policies have positive outcome on monetary policies economic outcomes. The findings indicate that while CBN interventions are pivotal in stabilizing the economy in the short run, recovery from the current the economic crisis hinges on restructuring command economics, and on CBN reforms that strengthen synergy and coordination with fiscal authorities. Other recommendations include improving monetary policy transmission and coordination, increasing credit market access, regulatory and policy transparency, and supervisory frameworks. The CBN's role in Nigeria's economic recovery from CBN interventions are vital in

alleviating the depressions, and losing the economic endurance capacity due to further systemic reforms need to intervene and curb economic depression.

Keyword: Economy, Depressed Economy, Monetary Policies, Liquidity and Economy Recovery

I. INTRODUCTION

The role of the Central Bank of Nigeria (CBN) in formulating monetary policy, maintaining stability in the financial system, and promoting economic growth and development. The CBN is very important in stabilizing the economy. The economic crisis is depression. It is characterized by stagnant and declining economic growth, high and increasing unemployment, declining and reduced investment, and growing inflation, as well as increasing liquidity within the economy. Nigeria has a history of recessions and economic booms due to the global oil crisis (Adefemi & Obafemi, 2023). Consequently, the effectiveness of the CBN in fostering growth, damage control in the banking sector, and ensuring the economy is resilient and stable, has generated a lot of interest in both academia and policy circles.

The interventions CBN has employed include, but are not limited to, changes in monetary policy (fiddling with interest rates, altering cash reserve ratios), extending banks liquidity support, directing banks to lend to specified sectors (agriculture, manufacturing, and SMEs), administering the currency, and controlling the banks and other financial institutions (Okonkwo & Ibrahim, 2024). In times of economic depression, these moves are meant to not only restore the financial systems confidence but also assist financially, in a cushioning effect the households and businesses, that have been adversely affected by the economic slowdown.

The initiatives undertaken to intervene have had various results, the impact of these initiatives has had exacerbated effect on the economy. Some like Musa (2023), argue that even though an impact is created, a lot of these interventions are of the ineffective kind due to factors like lack of adequate institutional entrepreneurial changes, and ineffective and corrupt systems, and the deficiencies of a monetary control mechanism. In the largely informal economy of Nigeria, the informal economy largely reliant on oil, monetary policy interventions and control of money and interest rates, for example through mechanisms like changes in quota (or repo) rates, have an impact (Onyema & Adeyemi, 2023).

In 2025, Nigeria's economy faces challenges including recovery from the pandemic, inflation, currency issues, and rising unemployment. This paper analyzes the CBN's activities and the tools it employs and the extent to which it can achieve meaningful results in a sick economy. To achieve a better appreciation of the activities of the central bank and the role it plays in the stabilization of the economy, the paper examines contemporat CBN interventions, policy documents, and empirical studies to discuss the role of CBN in stabilization of the economy.

II. LITERATURE REVIEW

A wide range of literature exists with respect to the CBN interventions in depressed economies, which range from the effectiveness of monetary policy to the understanding of the economic credit activism, regulation and the several tiers of control the economy is subjected to. This review of literature examines more recent studies (2025 and earlier) to assess the functioning, impact stimulative, and other quantitative and qualitative constructs guiding the CBN in the recovery of the economy and in the mitigation of market volatility.

2.1 Monetary Policy Interventions

Monetary policy remains the main method in which the CBN manages liquidity and regulates interest rates and credit in the economy. As stated by Okonkwo and Ibrahim (2024), the CBN employs the monetary policy rate (MPR), cash reserve ratio (CRR), liquidity ratio, and open market operations to determine an appropriate level of money supply and control

inflation. In times of recession, the CBN's strategy is to lower the MPR in order to boost lending and investing as well as to lower the CR in order to increase the liquidity of the banking system.

Musa (2023) explains that the impact of these actions is often limited by the underdeveloped economy and the weak financial intermediation system in the country. For instance, an MPR increase that is typical to curb inflation may not result in inexpensive loans to businesses and households because of the banking system's structural inefficiencies. Onyema and Adeyemi (2023) say that there is credit rationing, an excessively high level of non-performing loans, and banks that are highly risk-averse which acts to limit the monetary policy in Nigeria.

Recent evidence suggests that targeted refinancing agreements and sectoral intervention funds, among other unconventional monetary policies, are meant to facilitate the desired level growth of economic activities in key sectors of the economy. The CBN Anchor Borrowers' Program (ABP) and intervention funds to SMEs are examples of such policies (Adevale & Obafemi, 2023). These interventions are meant to mitigate the financing gaps in the agriculture and manufacturing sectors so that employment is created and economic activities are enhanced.

2.2 Credit Support and Sectoral Interventions

Outside of the standard monetary regulation policies, CBN has used a variety of credit support tools to respond to economic depression. These include, but are not limited to, the issuance of sectoral credit funds, agricultural refinancing, and microlending to SMEs (Okonkwo & Ibrahim, 2024). The ABP provides subsidized loans to smallholder farmers, thus aimed at achieving food production, and security, and improving agricultural production during economic recessions.

Evidence from various studies show results that are not consistent with one another. In these studies, there are reports of different agricultural and manufacturing investments, yet, several reports show there are still challenges of adverse fund distribution, lack of timely fund distributions, and lack of active report oversight (Musa, 2023; Onyekachi, 2022). Furthermore, the limited scope of distributive benefits and isolated

support of the politically connected and the large beneficiaries has severely limited the orientation of inclusive developmental growth.

A key problem that has been outlined in various studies is the low level of absorptive capacity of beneficiaries. A number of small firms and informal entrepreneurs lack the requisite exposure to institutional frameworks to strategically and purposefully utilize the intervention cash, thus, funds are not used (Onyema & Adeyemi, 2023). These types of structural limitations, potential offer the opportunity to explore alternative frameworks, such as investments in capacity development, financial education, and literacy, enabled through credit funds.

2.3 Exchange Rate and Foreign Reserves Management

The CBN has an important responsibility in the direction of exchange rate control, and is the main actor in stabilizing the naira in times of crisis. Eze and Ajayi (2023), emphasize that the depreciation of the naira at an alarming rate has the potential to cause heightened inflation, a loss of confidence from potential investors and a further contraction of the economy.. Interventions by the CBN include increasing coordination with the Ministry of Finance, special window operations, and sales from the official reserves. All of these tend to manage the impact of the different factors.

Though the interventions made by the CB and the Ministry of Finance tend to be able to manage the impact of the factors, and Onyema and Adeyemi (2023) state that the interventions tend to be for the short term as the needed structural adjustments and over dependence on oil exports, speculative pressures, and the higher level of imports are not resolved. It is for this reason that the interventions made to the market are excessive and made frequently in order to stabilize the currency for the short term, but do not resolve the core issues leading to the ongoing pressures that the economy faces.

2.4 Regulatory Oversight and Financial Stability

One such area of focus for the CBN interventions is ensuring there is regulatory oversight with a focus on the needed stability in the financial sector. Throughout the studies conducted by Okonkwo and Ibrahim (2024), the CBN attempts to cut off systemic crises by

monitoring the banks, applying prudential guidelines, and conducting stress tests. It is these guidelines that are needed in order to sustain confidence in the banking sector and protect against a liquidity shock.

Historical research CBN regulations, for example, AMCON's establishment in 2010 and AMCON's recapitalization provisions, have influenced the stability that Some financial institutions exhibit during crisis periods (Adewale & Obafemi, 2023). However, Musa (2023) states that the implementation of these restrictions is uneven, and has permitted these Some banks to circumvent these restrictions through ingenious accounting and off-balance sheet maneuvers.

2.5 Critiques and Limitations of CBN Interventions

Musa (2023), states that there are some restrictions that are common to all the CBN regulations. Interventions in these regulations are likely to provide limited positive relief in the period of economic depression.

1. Weak Policy Transmission: The changes in the MPR, and/or the CRR have little, if any, impact in the real sector due to the structural constraints within the financial system (Onyema & Adeyemi, 2023).
2. Corruption and Mismanagement: The unaccountable and/or delayed disbursements of some of these intervention funds has limited their effectiveness (Musa, 2023).
3. Limited Reach: The informal sector and microenterprises, that are a significant part of the economy, are largely excluded from the benefits of these programs (Onyekachi, 2022).
4. Too Much Flexibility: There is a tendency to provide quick relief through changes in the exchange rate and support for liquidity without addressing the underlying structural deficiencies in the economy. This is particularly true for interventions directed towards injections of liquidity in the economy (Eze & Ajayi, 2023).

These critiques underline the importance of combining monetary, fiscal, and structural reforms to ensure sustainable economic recovery.

III. METHODOLOGY

This study aims to analyze the Central Bank of Nigeria (CBN) interventions during an economic depression utilizing a conceptual and analytical framework. As the focus of the study is on the efficacy of policy outcomes, financial outcomes, and structure, the study has no primary data collection. Instead, the focus is on the following secondary data:

1. Academic Journals: Peer-reviewed publications from 2015-2025 in the field of policy monetary, fiscal, depression in Nigeria, and depression banking reforms in the Nigeria economy.
2. Policy Documents: Policy briefs, official directives, and CBN intervention program guidelines from the Ministry of Finance, and other relevant government institutions.
3. Institutional Reports: Data on the macroeconomic variables, banking sector, and policies from the World Bank, International Monetary Fund (IMF) and the Nigeria Bureau of Statistics (NBS).
4. Contemporary Media and Expert Reports: Selected for the purpose of contextualization in the implementation of the interventions and their outcomes in real time

The analysis integrates previous studies through a systematic review. The focus is to determine:

1. The types of interventions employed by the CBN during periods of economic contraction: monetary, credit, exchange, and regulatory interventions.
2. The CBN's mechanisms and tools such as MPR, cash reserve ratio changes, liquidity and sector-targeted credit injections, and currency interventions.
3. The CBN's results and outcomes, including effects on GDP growth, levels of liquidity, employment, investments, and overall financial stability.
4. The CBN's Formal and systemic limitations, including policy, implementation, and the informal sector.

The analysis was done qualitatively by synthesizing the literature to enable a detailed assessment of interventions by CBN. The framework allows for both theoretical and practical evaluations of financial and monetary policies in a depressed economic environment, including lessons learned, best practices, and areas of needed improvement.

IV. FINDINGS AND ANALYSIS

Complexity characterizes the assessment of the Central Bank of Nigeria's (CBN) activities in a depressed economy, balancing successes, failures, and structural constraints. Drawing on contemporaneous literature (2025 and before) and institution reports and empirical investigations, this part discerns the effects of CBN interventions in the areas of monetary policy, credit interventions, management of the exchange rate, administration of the financial system, and structural shortcomings.

4.1. Monetary Policy Interventions and Macroeconomic Stability

Monetary policy constitutes the main strategy the CBN exercises to achieve economic stability during periods of economic depression. Using the monetary policy rate (MPR), Cash Reserve Ratio (CRR), liquidity ratio, and open market operations, the central bank alters the money supply, credit issued, and inflation (Okonkwo, 2024)

Recent literature suggests that cuts in the MPR are, to some extent, successful in decreasing lending rates and stimulating investments; however, the structural transmission channels of the banking system are weak and risk aversion of financial institutions are factors that dampen the effects (Musa, 2023).. For example, in the years 2023 to 2024, the CBN made MPR adjustments, yet the lending rates for SMEs continued to be worse than the target sets by policies, this indicates the weak pass-through mechanism in Nigeria's financial system.

As a result of the financial injections through the open market operations and adjustments in the CRR of the Banking system, Emergency financial assistance, and in the short run, financial stability of the system has been achieved. According to Adewale and Obafemi (2023), the timely infusions of liquidity during the COVID 19 period and the ensuing post pandemic period helped avert a severe credit crunch during the economic slowdown and reduced the possibility of bank system collapse. However, in the long run, the overall impact of these policies on economic growth has been compared to a dry tree, and this is why it is said to reflect the impotence of monetary policy in isolation to a depressed economy.

4.2 Credit Support and Sectoral Interventions.

In an attempt to stimulate production, employment, and income generation, the CBN has adopted a direct approach through its targeted credit initiatives such as the Anchor Borrowers' Program (ABP), intervention funds for SMEs, and the agriculture financing scheme. These initiatives, according to Okonkwo & Ibrahim (2024), are during the period of economic depression, these initiatives are highly important, as they address the liquidity shortages in a particular sector and offer favorable financing on a concessional basis to the strategic sector of an economy.

The outcomes of the findings are mixed. By improving food security, supporting smallholder farmers, and increasing agricultural output, the ABP (Adewale & Obafemi, 2023) is positively affecting the agricultural sector. However, the SME (small and medium-sized enterprises)-focused funding interventions have also positively impacted the availability of modern technology and working capital. On the other hand, Musa (2023) addresses the challenges of fund allocation such as insufficient fund allocation, silos of insufficient fund allocation, insufficient supervision, and fund allocation to the informal sector. All of these challenges impact the efficiency and inclusiveness of credit.

A lack of measures such as efficient fund allocation, financial literacy training, capacity building, and disbursement of funds are the reasons for these challenges. All of these measures need to be implemented and tailored strategically to maximize the impact of employment and industrial diversification. Onyema & Adeyemi (2023) stress the importance of complementing credit with the real changes in funding allocation.

4.3. Active Interventions with Exchange Rate and Foreign Reserves

The exchange rate is also an important aspect of the CBN's interventions in the economy. The exchange rate in the economy is very volatile, especially due to oil price shocks. Naira's volatility poses challenges for trade, investment, and inflation management. (Eze & Ajayi, 2023). The CBN has attempted to stabilize the currency through the selling of foreign reserves and special foreign exchange windows and interventions in the official as well as the parallel markets.

Measures, though, of these sorts are only a rudimentary start. Onyema & Adeyemi (2023) say that for one thing, in the absence of structural foreign exchange market reforms, the over-dependence on market interventions and reserve depletion is only a matter of time until the markets start misbehaving. So, a country will have to resort to exchange rate stabilization in order to maintain a semblance of confidence in its currency, but that does very little to address the core problems, such as dependence on imports, the low foreign exchange earnings from the non-oil sectors, the speculative capital flows of an economy.

4.4 Financial Regulation and Stability Measures

Economic depression is a time when the finance and banking sectors are very important for the economy to remain stable, and for systemic crisis to be averted. Some of the measures that CBN has put in place, according to Okonkwo & Ibrahim, (2024) have to do with bank supervision as well as stress testing, prudential guidelines and bank recapitalization. These measures will ensure that a bank has enough liquidity, will lend to the productive sectors of the economy, and will put a cap on non performing loans.

The formation of AMCON's focus on absorbing toxic assets was influential in ensuring that the financial sector's challenges were ameliorated in times of crises (Adewale & Obafemi, 2023). The financial sector's crises were managed in the same manner that AMCON adjusted its focus on the toxic assets it manages. Attention was focused on the financial sector logos and the dispersion of challenges in the sector. Systems risk was managed in the same manner that Activations Obafemi planned logos dispersion in the sector. Systems risk was managed in the same manner that Obafemi planned logos dispersion in the sector. Systems risk was managed in the same manner that Obafemi planned logos dispersion in the sector. (Eze & Aj). The financial systems in Musa (2023) the in the systems.

4.5. Limitations and Structural Constraints

The major challenges with the CBN's interventions are some of the structural and operational constraints that in a declining economy, there are weaknesses that continue to exist solvable:

Weak Monetary Policy Transmission: The impact of MPR and CRR adjustments tend to not reach SMEs and households economically due to credit rationing and large interest rate spreads (Musa, 2023 2023).

Limited Reach to Credit Programs: Operators in the informal sector and microenterprises lack access to the intervention funds due to administrative and institutional bottlenecks (Onyema & Adeyemi, 2023).
Short Term Relief Focus: The injection of liquidity and interventions to the Exchange rate reduces severe instability, but does not work to improve structural weaknesses (Eze & Ajayi, 2023).

Corruption and Mismanagement: Public trust erodes as a result of intervention funds being ineffective due to not being utilized and/or improperly utilized (Musa, 2023).

External Shocks: Policy external autonomy is limited economically due to the circumstances of the world, petroleum price volatility and, the movement of foreign capital.

In a more general sense, though the CBNs actions do inhibit move being made economically and result in some level of financial stability, a range of more actions such as increasing the level of governance, and improving structural reforms are needed to obtain the hoped result of the actions having a deep rooted level of effect economically and within the internal structure of the country.

V. CONCLUSION AND SUGGESTIONS

5.1 Conclusion

In a depressed economy, this study analyzes the CBN monetary policy intervention, credit support regulation, exchange rate management and regulation within the banking sector. The study concludes that the CBN is instrumental in providing the stability needed to maintain the economy and sector support in times of crisis. In times of crisis, the economy is distressed, and stability is required, there is support to key sector. The provision of monetary policy support. the temporary support of the economy and financial sector, and, the structural rigidity ensure the provision of support to pressure points within the economy (Okonkwo & Ibrahim, 2024; Musa, 2023)..

Certain credit support programs, including the Anchor Borrowers' Programme (ABP) as well as the SME intervention funds, have contributed to the facilitation of the production of crops, as well as the growth of the industries, and the creation of employment opportunities. However, there have been several challenges regarding the allocation of funds, the monitoring of the funds, and the access to such funds. This greatly limits the extent of the positive effects of these programs. The interventions that have been made in the exchange rate as well as the management of the foreign reserve have been able to provide a temporary stabilization of the naira. In the long run, such interventions would be detrimental. This is because there are systemic challenges that such interventions are unable to overcome including the country's reliance on imports, the country's over-dependence on revenue obtained from oil exports, and the presence of volatile foreign investments (Eze & Ajayi, 2023). There have been some regulatory measures such as the supervision of banking systems, the recapitalization of the systems, and measures taken by the Asset Management Corporation of Nigeria (AMCON) that have brought about the stability of the financial systems in the country. However, these have sometimes been hampered by the selective application of regulatory rules and the avoidance of such rules and regulations (Adewale & Obafemi, 2023).

The CBN interventions have been essential in ensuring there is some stabilization in the short term, as there are no other alternatives currently available. However, for there to be a long term stabilization accompanied with growth, the structures would have to be changed, there would have to be improvement in the way the country is governed, and there would have to be a cohesive approach that would involve the fiscal authorities as well. The central bank has provided support, however the extent that is required for there to be such an impact on the industries and diversification such that the growth would be equitable will be difficult to support. This will be the case as long as the underlying constrictions are not addressed.

5.2 Recommendations

1. Strengthen Monetary Policy Transmission

The CBN should enhance mechanisms to ensure that changes in MPR and CRR result in a reduction in lending rates and an increase in credit made available

to SMEs and households. This may also involve encouraging banks to lend to select domains and lessen credit rationing.

2. Increasing Coverage and Access to Credit Support Initiatives

Credit support initiatives need to broaden in coverage to include beneficiaries in the informal sector, microenterprises, and rural entrepreneurs. The need to standardize application processes, improve accountability and use digital means to dispense funds cannot be overemphasized.

3. Support for Structural Changes.

There should be accompanying structural changes with such initiatives, as the need for a shift from an oil dependent economy, enhancement of industry, and greater investments in economically viable exporting. Addressing the underlying structural problems will improve the effectiveness of the monetary and credit initiatives.

4. Improving Oversight

The CBN must enhance supervision and ensure compliance to avoid easing of the prudential measures. Systematic reviews, stress tests, and sanctioning for failure to comply will enhance stability of the financial system.

5. Improving Stakeholder Engagement

The public must be given timely and coherent information on the use of the funds as well as the outcomes of the financial initiatives, to improve accountability and public trust. There will be no corruption or abuse of authority when there are no opportunities for mismanagement of funds.

6. Align Coordination of Monetary & Fiscal Policies

There must be close coordination between the CBN and fiscal actors to ensure that public spending monetary approaches, and social safety nets are pursued. Integrated policy frameworks will enhance the effectiveness of approaches in a recession.

7. Create a Framework for Contingency and Crisis Management

The CBN needs to prepare frameworks that allow the CBN to respond quickly to economic shocks that are designed using predictive analytics and early-warning

systems and include the provision of strategic liquidity to cushion the effects of rapid economic depression.

Overall, the CBN has provided the economy with the short-term stabilization that has been very necessary. This is a direct consequence of the depression of the economy. However, the results of this survey demonstrate that the CBN interventions will not fully achieve their objectives unless there are structural reforms, enhanced transparency, broader policy reach, and coordination. This will allow the CBN to fully achieve its objectives of fostering sustainable economic growth, financial stability, and inclusive development in Nigeria.

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