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# Budget deficit and inflation in Nigeria : a causal relationship

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  ABOUT

ire and direction of causality among the two variables. This is with a view to  
n budget deficit operation in stimulating economic growth through inflation in  
used in this study. Data on inflation rate, exchange rate, Gross Domestic Product  
collected from statistical Bulletin and Annual Report and Statement of Account  
of Nigeria (CBN) and the International Financial Statistics (IFS) published by  
MF). Granger Causality pair wise test was conducted in determining the causal  
es. The result showed that there was no causal relationship from inflation to  
( $F = 0.000$ ), while the causal relationship from budget deficit to inflation was significant ( $F = 1.000$ ).  
uni-directional causality from budget deficit to inflation exist in Nigeria.  
d that budget deficit affects inflation directly and indirectly through fluctuations  
n economy.

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