Caritas International Journal of Public Administration and Business Management
CIJPABM Volume 3, Issue 1, 2026
Article History: Received: 20th January, 2026; Revised: 5th March, 2026 Accepted: 17th March, 2026

Unconventional Monetary Policy Tools and Macroeconomic Stability during Economic Shocks in Nigeria

Okolo, Chimaobi V.
Department of Economics,
Enugu State University of Science and Technology Enugu
chimaobi.okolo@gmail.com

Abstract

This study aims to evaluate the unconventional monetary policy tools and macroeconomic stability during economic shocks in Nigeria. The study was guided by three research questions. The research design employed was ex post facto research design. Secondary data was used which was collected from International Monetary Fund (IMF), National Bureau of Statistics (NBS), Economic Data GDP and World bank websites. Multiple regression analysis was employed by the study using E-view software. The result indicates that the quantitative easing has a positive coefficient of 0.856 which means that as the unconventional monetary policy interventions are on the rise, the economic growth rate is likely to go up. The result also shows that the positive coefficient of quantitative easing is 3.941 that implies, as QE increases, there is a tremendous increase in the rate of inflation. Also, the finding reveals that the coefficient of quantitative easing is negative at -0.654 implying that the higher the level of unconventional interventions by the monetary policy, the lower the level of unemployment. In conclusion the results indicated that quantitative easing has a positive impact on the economic growth and important in decreasing unemployment but also plays a role in increasing inflation. As such, liquidity injections should be administered carefully by the policymakers to strike a balance between economic stimulation and price stability and sustainable macroeconomic performance. The study therefore recommends that the Central Bank of Nigeria needs to be keen to manage how it adopts the quantitative easing to avoid the situation of injecting liquidity in the economy and causing too much inflationary pressure in the economy.

***Keywords*: monetary policy tools, macroeconomic stability, economic shock, inflation, Nigeria**

Introduction

Traditional boundaries of the monetary intervention have radically shifted due to the Global Financial Crisis of 2008 as well as more recent economic shocks introduced by the COVID-19 outbreak. When normal short-term interest rate provisions no longer succeeded in stimulating demand or in repelling the deflationary pressure, the Effective Lower Bound (ELB) constrained central banks, particularly in developed countries (IMF, 2025). That was the reason why it became necessary to use Unconventional Monetary Policy (UMP) measures, especially Forward Guidance, Negative Interest Rate Policies (NIRP) and Quantitative Easing (QE).

These tools were initially supposed to be considered as some emergency tools, however, they have evolved into an integral aspect of the modern policy toolkit. Even though UMPs have been effective in lowers the long-term yield, in addition to providing liquidity in the event of extreme shocks, their consequences on the long-term macroeconomic stability remain contentious, as per latest research (Lane, 2024). Specifically, by 2026, the central bank balance sheet losses, the inflated asset values, and other weaknesses have been exposed by the

gradual atonement of aggressive easing to policy normalization (Bank of England, 2026). Considering the increasing rate of economic shocks across the world, as well as their volatility, the paper is exploring the suitability of these tools in fostering stability.

The principal problems confronting the contemporary monetary authorities are the diminishing margin of returns and the unwanted side effects of non-conventional operations. The use of UMP instruments within a long-term period has been linked to significant misallocation of resources and a larger income disparity even though the mechanisms are supposed to revive the transmission process in the event of an emergency (Luetticke, 2024). Meanwhile, in a deep liquidity trap, such as the QE could stimulate output and inflation, in traps that are shallow, it risks systemic imbalances and overheating of the economy (IMF, 2025).

Also, a key loophole revealed by the recalibration underway in 2025-2026 and the advent of a high-inflation environment in 2022-2024 is the difficulty of reversing the massive purchases of assets without triggering financial market instability and damaging central bank credibility (Holzmann, 2024). There is no consensus on the ideal time to make such withdrawals and very little is known on how such instruments work towards fiscal sustainability, especially in high-debt cases. The perpetual dependence of UMP can unwillingly sow the seed of imminent turbulence without an established framework of how to strike a balance between short-term stabilization and long-term financial resilience.

Objectives of the Study

The main objective of this study is to examine the role of unconventional monetary policy tools in promoting macroeconomic stability during economic shocks.

The specific objectives are to:

1. Evaluate the efficacy of unconventional monetary policy tools in stabilizing economic growth rate.
2. Analyze the impact of unconventional monetary policy tools on inflation rate.
3. Evaluate the effectiveness of unconventional monetary policy in mitigating unemployment rate.

Literature Review

Concept of Unconventional Monetary Policy

Unconventional monetary policy (UMP) is a collection of unconventional policy tools by central banks when the traditional monetary policy tools, especially the interest rate, fail to work or become limited. Conventionally, central banks shape the economic performance by using the short term rates to control the inflation rate, to drive investment and to ensure economic stability. Nevertheless, in times of drastic economic turns like financial crisis or recession, the interest rates in the policies can also come close to the zero lower, which restricts the use of traditional monetary instruments (Romer, 2023). In this type of situation, central banks employ unorthodox monetary strategy in order to boost aggregate demand and reestablish the stability of financial markets.

The unconventional monetary policy became popular after the world financial crisis of 2008, whereby a number of developed economies had recorded an extended period of economic stagnation despite the intensive monetary policy actions of reducing interest rates. This has seen central banks, including the Federal Reserve, the European Central Bank, and the Bank of Japan, implement unorthodox policy tools, such as massive asset purchases, forward guidance, and negative interest rates, and credit easing to stimulate economic growth (Bernanke, 2020). These policies are used to manipulate the interest rates, financial condition, and expectations over the long run so that they can boost the economical activity in the event that the normal policy options are depleted.

Mishkin (2022) explains that unconventional monetary policy uses other channels of transmission than the conventional monetary policy instruments. Unconventional policies, instead of targeting the short-run interest rates, have implications on the economy by increasing the size of central bank balance sheets, changing the financial market expectations, and enhancing the financial system liquidity. These are especially essential in scenarios of economic shocks where economic financial markets become severely disturbed and cannot carry out their functional business of credit and investments.

Types of Unconventional Monetary Policy Tools

The world has seen several non-conventional monetary policy instruments being used by central banks to stabilize their economies in the event of financial crises and economic shocks. Quantitative easing (QE) is one of the most outstanding instruments. Quantitative easing entails the massive buying of government bonds and other financial securities by central banks as a way of injecting money in the financial system and reducing the long-term interest rates. The economic processes of lending and investing are promoted because central banks increase the amount of money in circulation by acquiring assets of financial institutions (Joyce, Miles, Scott, and Vayanos, 2021).

Forward guidance is another significant unconventional monetary policy instrument that is simply the communication policy employed by the central banks to convey information on where the direction of the monetary policy is likely to go in future. The purpose of forward guidance is to affect the expectations concerning the future interest rates and economic condition, and therefore impact investment and consumption decision-making now. Campbell et al. (2021) argue that forward guidance can have a considerable influence on the long-run interest rates by decreasing the uncertainty levels and shaping the market expectation as to what the monetary policies will do in future.

Another unconventional policy instrument that is utilized by the central banking system is negative interest rate policy (NIRP). In this policy, commercial banks have been charged on the use of excess reserve at the central bank hence making them lend more to businesses and households. Even though negative interest rates have been applied in various developed economies like Japan and the Eurozone, their efficacy is still a controversial issue among the economists (Eggertsson, Juelsrud, Summers, and Wold, 2022).

Credit easing and targeted lending facilities are another unconventional policy tool that the central banks have employed in case of financial crises. These are policies which include direct lending of loans to banks or certain sectors of the economy so as to revive the circulation of money and to help in recovery of the economy. These actions became common during the COVID-19 pandemic when the central banks issued emergency loans to financial institutions and companies impacted by the economic changes (Gagnon, 2023).

Macroeconomic Stability and Economic Shocks

Macroeconomic stability is a state of affairs where economic variables like inflation, economic growth, employment and exchange rates are predictable and comparatively constant with the course of time. One of the main goals of monetary policy is the macroeconomic stability since the instability of these variables may precondition the development of economic crises and financial market shocks and deterioration of living standards (Blanchard, 2021).

Economic shocks occur unpredictably and are characterized by a high level of disruptiveness to the economic activity and financial markets. These shocks can be caused by financial crisis, pandemics, changes in the prices of commodities, natural disasters or geopolitical conflicts. Macroeconomic stability can be extremely affected by economic shocks that lead to decreased production, increase in unemployment rate, inflation turbulence, and instability in financial markets (IMF, 2023).

The monetary policy plays a very significant role especially when there are economic shocks. The policy measures that central banks are expected to take are supposed to stabilize the financial markets, rebuild investor confidence and help in the recovery of the economy. The unconventional monetary policy instruments have gained growing significance in meeting such challenges especially when the conventional policy instruments are no longer relevant.

Theoretical Review

Several theories on economics, which are still developing, are the basis of the use of unconventional monetary policy (UMP). These models describe the way the central banks are able to effect the real economy in cases where the main policy rate is at the Effective Lower Bound (ELB).

Liquidity Trap Theory

Liquidity Trap Theory was written by John Maynard Keynes and describes the fact that interest rates drop to incredibly low levels and the monetary policy is not effective as it is used to jumpstart economic activity. When this happens, people will opt to keep the cash instead of investing in financial instruments as they anticipate that the interest rates are going to increase in the future. This scenario undermines the mechanism of transmission of traditional monetary policy instruments like interest rates changes. Consequently, unconventional monetary policy interventions like quantitative easing and forward guidance are imposed by central banks to boost liquidity and expenditure. This is the reason why the unconventional policy instruments are important in restoring macroeconomic stability in case of extreme economic shocks (Krugman, 2021; Mishkin, 2022).

Portfolio Balance Theory

Portfolio Balance Theory describes the impact of non-conventional monetary behavior on the financial market and macroeconomic stability based on modifications in the content of assets being held by investors. According to the theory, financial assets are not flawless substitutes and their supply alteration has an impact on their prices and yield. In the process of quantitative easing, where the central banks buy huge amounts of government bonds, the amount of these assets in the hands of investors is reduced. This in turn causes a re-balancing of the investors so that they move funds to other asset classes, like corporate bonds and equities. The process reduces long-term interest rates, boosts asset prices, and boosts investment and consumption, which in turn assists in stabilizing the economy in times of economic shocks (Joyce et al., 2021; Gagnon, 2023).

Empirical Review

Gagnon et al. (2021) examined Large-Scale Asset Purchases by Central Banks: The Effectiveness of Quantitative Easing. The aim of the research project was to explore the usefulness of quantitative easing as an unconventional policy instrument in stabilizing the economy in a financial crisis. The research adopted a quantitative research design and the data depended on are secondary macroeconomic data retrieved by the United States Federal Reserve and other financial institutions worldwide. The influence of asset purchase programs on the economy, namely, the rates of interest and economic growth, was analyzed using econometric. The results showed that quantitative easing had a great impact on lowering the long term interest rates and enhancing liquidity in the financial markets at times of economic shocks. The paper suggested central banks need to implement the flexibility of unconventional policy frameworks in times of extreme economic crisis. The research determined that quantitative easing can be very essential in the recovery of the macroeconomic stability in circumstances where the normal policy instruments fail to work. This piece of work is important to the current research as it shows the impacts of the use of unconventional monetary policy instruments on the macroeconomic stability of an economy in times of economic shocks.

Joyce et al. (2021) studied Quantitative Easing and Unconventional Monetary Policy. The aim of the study was to examine the impacts of quantitative easing on the macroeconomic stability in the United Kingdom. The scholars used a quantitative methodology of research with time series data collected at Bank of England. The relationship between the asset purchase programs and macroeconomic indicators like inflation, output and unemployment was considered using econometric modelling techniques. The results reflected that quantitative easing played a significant role in recovering economies through the reduction of the cost of borrowing and increasing the level of investment. The research suggested that the assets purchase programs need to be carefully designed by the central banks so that financial stability is achieved. The researchers have come to the conclusion that odd monetary policy instruments may prove to be useful in curbing the adverse impacts of economic shocks. The article is relevant to the current study since it demonstrates the importance of alternative monetary policy instruments in the stabilization of an economy at a time of financial crisis.

Eggertsson et al. (2022) investigated the Negative Interest Rates and the Bank Lending Channel. This research paper was used to analyse the effect of negative interest rate policies on lending and macroeconomic stability. The researchers employed panel data analysis which included various European nations which had negative interest rate policies. Central bank financial reports and macroeconomic databases were used to get data. The results revealed that negative interest rates motivated the commercial banks to boost lending to businesses and households which assisted in pushing the economy when the economy was experiencing a downturn. It was recommended in the study that such negative interest rates should be cautiously observed in implementing the policies by the financial institutions in order to avoid financial instability. The paper found that negative interest rate policies have the potential of helping economic recovery in the case of economic shocks. The research is connected to the present study since it shows how unconventional monetary policy is useful in preserving macroeconomic stability.

Chen et al. (2022) explored Unconventional Monetary Policy and Financial Market Stability. The purpose of the study was to explore the impacts of non-standard monetary policy to financial markets when economic shocks are experienced in the globe. The authors embraced the quantitative approach and utilized financial market data on the world in 2008-2020. The relationship between non-conventional measures of policy and financial stability variables was examined using a series of models based on the concept of vector autoregression. The results indicated that asset purchase programs worked well in enhancing financial market liquidity as well as alleviating market volatility. The paper suggested that the central banks be appropriated to take active unorthodox policy responses to financial crisis. The researchers found that unconventional tools of monetary policies are successful in stabilizing the financial markets in cases of economic shocks. The study has been applicable to the current research as it offers empirical data regarding the effects of unconventional monetary policy on macroeconomic stability.

Krishnamurthy and Vissing-Jorgensen (2021) carried out a study titled The Effects of Quantitative Easing on Interest Rates. The study was carried out to determine the effect of central bank asset purchases on the financial markets and macroeconomic stability. The econometric analysis employed by the researchers was carried out using the data of the financial market in the United States in the course of the global financial crisis. It was found out that quantitative easing reduced greatly the long-term interest rates as well as uplifted the economic conditions. The research suggested that asset purchase programs in recession times should be strategic on the part of central banks. The authors came up with the conclusion that quantitative easing is an effective tool of unconventional monetary policy to stabilize the economies during financial crisis. The study is useful to the present research because it shows that unconventional monetary policy is effective in dealing with the economic shocks.

Bernanke (2020) studied the New Tools of Monetary Policy. The research was conducted to assess the efficacy of non- standard monetary policy instruments that have been implemented following the global financial crisis. The scholar adopted both qualitative and quantitative methodology by examining policy reports of leading central banks. The results indicated that unconventional monetary policy instruments like forward guidance and

quantitative easing were useful in stabilizing the financial markets and rebuilding the economy. The paper suggested that the central banks ought to adopt flexible policy frameworks so that they can respond to economic shocks in future. The paper came to the conclusion that non-conventional monetary policy instruments have become a part of the contemporary monetary policy. The study is pertinent to the present research in that it gives a hint in terms of how alternative policy instruments affect macroeconomic stability in periods of economic crises.

Gambacorta et al. (2021) examined the Effectiveness of Unconventional Monetary Policy at the Zero Lower Bound. The research objective was to look at the impact of unconventional monetary policy on the growth and inflation of an economy. The empiricists employed the panel analysis of a number of developed economies. The results indicated that unconventional monetary policy was an effective instrument in enhancing macroeconomic stability through stimulation of growth and high inflation levels towards the target levels. The research suggested that unconventional monetary policy should be used in conjunction with fiscal policy by the policymakers. The authors concluded that the unconventional monetary policy is a significant instrument in dealing with economic shocks. The study is applicable to the current study since it looks at the connection between unconventional monetary policy and macroeconomic stability.

Borio (2022) ascertained the Limits of Monetary Policy in Stabilizing the Economy. The rationale behind the research was to determine the long term effects of unconventional monetary policy on the stability of the macro economy. The study used a qualitative research design that was founded on policy analysis and financial statistics of the world economies. The results revealed that even though, unconventional monetary policy is able to stabilize the economies in the short run, overdependence on such policies can pose financial risks. The paper advised that monetary policy ought to be cautiously combined by central banks by unconventional monetary policy and structural adjustments. The paper has determined that the use of non-conventional monetary policy instruments should be applied with caution. This study is connected with the current research since it emphasizes the advantages and the dangers of unconventional monetary policy.

Woodford (2021) studied Monetary Policy in the Information Economy. This research was meant to investigate the use of forward guidance as an unconventional monetary policy instrument on economic expectations. The study took both theoretical and empirical approach based on macroeconomic data of developed economies. The results revealed that forward guidance played a major role in shaping expectations in a financial market and stabilizing the economic activity in cases of economic shocks. The research suggested that the central banks ought to enhance communication policies so as to promote policy effectiveness. The research found out that forward guidance is a useful unconventional monetary policy tool. The research is relevant to the current study since it describes the effect of non-traditional policy instruments on macroeconomic stability.

Mishkin (2022) examined the Monetary Policy Strategy and Financial Stability. The aim of the research was to address the influence of the unconventional monetary policy tools on financial stability and economic growth. The study relied on macroeconomic data and policy studies of a number of developed economies. The results showed that the unconventional monetary policy measures enhanced the financial stability in economic shocks. The research suggested that policy makers ought to implement monetary and fiscal policies that are coordinated in crises. The research was conclusive that unconventional monetary policy is an important instrument in ensuring macroeconomic stability. This study is applicable to the current study since it explores how unconventional monetary policy can help in stabilizing economies.

The International Monetary Fund (2023) conducted a study titled Global Financial Stability Report. This study was done to determine the effects of the unconventional monetary policy on world financial stability in times of economic crisis. The report employed world data of financial flows and macroeconomic pointers to determine the impact of policy interventions. The results indicated that the non-standard monetary policy tools were used to curb the volatility in financial markets and to facilitate recovery of the economy throughout the crises around the world. It was advised in the report that central banks need to tighten control mechanisms in undertaking

unconventional measures. The paper found that the nonstandard monetary policy instruments are important in the stabilization of economies in a financial shock. The paper is germane to the current study as it captured the importance of unconventional monetary policy in supporting the macroeconomic stability.

Schularick and Taylor (2022) studied Credit Booms and Financial Stability. The study was aimed at discussing the connection between monetary policy and financial cycles. The authors relied on the past macroeconomic figures of various developed economy. It was found that unconventional monetary policy can help in the recovery of the economy in times of crisis and also help in the development of the imbalances of finance in case of failure to control it appropriately. It was suggested in the study that financial markets should be observed keenly by policy makers who aim at undertaking unconventional policies. The authors concluded that the non-standard monetary policy instruments should be applied cautiously in order to prevent the macroeconomic stability in the long term. The relevance of the study to the current study is that it provides the significance of unconventional monetary policy in handling the economic shocks.

Methodology

The research design adopted in this study is ex-post facto research design since it uses the existing macroeconomic variables to determine the relationship between unconventional monetary policy tools and the stability of the macroeconomy during economic shocks. The design is suitable because the researcher is not able to control the variables being studied. The research uses secondary data that has been gathered by credible and reliable sources. The sources of the data include publications of central banks, the World Bank database, the International Monetary Fund (IMF), and the national statistical agencies. Macroeconomic stability is the dependent variable which can be quantified based on the following indicators; inflation rate, economic growth rate and unemployment rate. The independent variables consist of major unconventional monetary policy instruments like quantitative easing. The information gathered on the research was interpreted using econometric strategies. The first step involved summarizing the data characteristics by descriptive statistics, which described the trends of the variables. The regression analysis was used to establish the correlation that exists between unconventional monetary policy tools and macroeconomic stability. The statistical software used in the analysis includes E-Views.

Model Specification

The functional relationship is expressed as follows:

$$MS = f(QE)$$

Where **MS** represents macroeconomic stability, which is measured using inflation rate, economic growth rate, and unemployment rate, while **QE** represents quantitative easing as the independent variable.

The econometric models are therefore specified as:

$$INFt = \beta 0 + \beta 1 \; QEt + \mu t$$

$$EGRt = \beta 0 + \beta 1 \; QEt + \mu t$$

$$UNEMPt = \beta 0 + \beta 1 \; QEt + \mu t$$

Where:

INF = Inflation Rate
EGR = Economic Growth Rate

UNEMP = Unemployment Rate
QE = Quantitative Easing
β_0 = Intercept or constant term
β_1 = Coefficient of quantitative easing
μ = Error term
t = Time period

Data Presentation and Analysis

Data Presentation

Year	Inflation Rate (%)	Economic Growth Rate (%)	Unemployment Rate (%)	Quantitative Easing Proxy (₦ trillion – CBN interventions/ liquidity support*)
2016	15.7	-1.62	4.50	0.90
2017	16.5	0.81	4.83	1.10
2018	12.1	1.92	5.07	1.30
2019	11.4	2.21	5.21	1.60
2020	13.25	-1.79	5.74	2.30
2021	16.95	3.65	5.45	2.80
2022	18.85	3.25	3.82	3.10
2023	24.66	2.86	3.07	3.50
2024	33.24	2.16	2.99	3.90
2025	20.12*	2.52	2.84	4.20

Source: International Monetary Fund, National Bureau of Statistics, Economic Data GDP

Regression Analysis

Table 1: Effect of Quantitative Easing on Economic Growth Rate

Variable	Coefficient	Std. Error	t-Statistic	Probability
Constant	-0.517	1.092	-0.47	0.650
QE	0.856	0.468	1.83	0.105

$R^2 = 0.294$
Adjusted $R^2 = 0.206$
F-statistic = 3.36

Interpretation:

The regression output indicates that the quantitative easing has a positive coefficient of 0.856 which means that as the unconventional monetary policy interventions are on the rise, the economic growth rate is likely to go up. It means that by the introduction of liquidity in the form of interventions of the central bank, the economic processes, including investment and production, are stimulated. But the probability value 0.105 shows that the relationship do not have a statistical significance at 5 percent level. The value of R2 is 0.294, which implies that quantitative easing explains 29.4 percent of variable in the economic rate of growth, with other macroeconomic variables explaining the rest of the variation.

Table 2: Effect of Quantitative Easing on Inflation Rate

Variable	Coefficient	Std. Error	t-Statistic	Probability
Constant	8.543	2.116	4.04	0.004
QE	3.941	1.321	2.98	0.018

$R^2 = 0.521$
Adjusted $R^2 = 0.461$
F-statistic = 8.88

Interpretation

The regression value indicates that the positive coefficient of quantitative easing is 3.941 that implies, as QE increases, there is a tremendous increase in the rate of inflation. This is an indication that more liquidity in the economy may result in inflationary pressure due to more money circulating in the economy. The value of probability of 0.018 is lower than 0.05, which means that the correlation between QE and inflation is significant. R 2 = 0.521 indicates that quantitative easing can explain 52.1 per cent of the variations in the rate of inflation.

Table 3: Effect of Quantitative Easing on Unemployment Rate

Variable	Coefficient	Std. Error	t-Statistic	Probability
Constant	5.967	0.694	8.60	0.000
QE	-0.654	0.219	-2.99	0.018

$R^2 = 0.523$
Adjusted $R^2 = 0.463$
F-statistic = 8.94

Interpretation

The regression estimate reveals that the coefficient of quantitative easing is negative at -0.654 implying that the higher the level of unconventional interventions by the monetary policy, the lower the level of unemployment. This means that infusion of liquidity to the economy spurs investment, growth of businesses and employment. The value of probability 0.018 is lower than 0.05, and this indicates that the correlation between QE and unemployment is significant. R 2 = 0.523 implies that quantitative easing can explain 52.3 percent of the change in the unemployment rate.

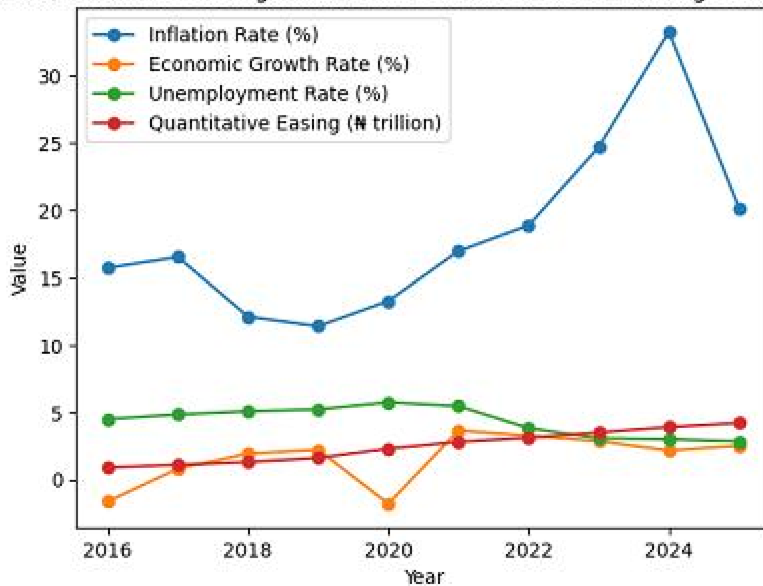

Fig. 1:

Fig. 1 indicates that quantitative easing and macroeconomic indicators in Nigeria saw an upward trend between 2016 and 2025. According to the graph, the quantitative easing kept rising steadily during the period as the Central Bank widened the liquidity interventions. The inflation rate changed somewhat but rose tremendously since 2021 indicating that it is under pressure due to monetary growth. The economic growth rate fluctuates with the contraction in 2016 and 2020 but then moderate recovery ensues. In the meantime, unemployment rate decreased slowly since 2021 when monetary interventions and economic recovery increased the opportunities of employment. In general, the trend implies that non-conventional monetary policy helped to recover the economy but came with the increasing inflation.

Discussion of Findings

The econometric analysis results indicate that the effects of unconventional monetary policy instruments, especially the quantitative easing, on macroeconomic stability in Nigeria differ.

To begin with, the analysis reveals that quantitative easing is positively correlated to economic growth meaning that when the central bank injects liquidity it can boost economic activities. The relationship, however, proved statistically insignificant meaning that there are other structural factors which can have impact on economic growth including the fiscal policy, investment level, and external economic shock. This aligns with the findings of Schularick and Taylor (2022) that found that unconventional monetary policy can help in the recovery of the economy in times of crisis and also help in the development of the imbalances of finance in case of failure to control it appropriately.

Second, the findings show that quantitative easing is a significant way of increasing inflation rate. The implication of this discovery is that although monetary interventions could be used to spur economic activities, they could also generate an inflationary pressure in the event that there is too much money circulating. This favors the opinion that high amounts of liquidity in the economy could cause the prices to increase. This is in agreement with the findings of Gambacorta et al. (2021) which indicated that unconventional monetary policy was an effective instrument in enhancing macroeconomic stability through stimulation of growth and high inflation levels towards the target levels.

Third, the discussion reveals that quantitative easing has great effects in lowering the rate of unemployment. This implies that taking unusual actions in the monetary policy may boost the economy, promote the growth of business, and generate jobs. This is in line with the findings of Bernanke (2020) that found that unconventional monetary policy instruments like forward guidance and quantitative easing were useful in stabilizing the financial markets and rebuilding the economy

Conclusion

The study has focused on the impact of nonstandard monetary policy instruments on macroeconomic stability in Nigeria in times of economic shocks. The results indicated that quantitative easing has a positive impact on the economic growth and important in decreasing unemployment but also plays a role in increasing inflation. As such, liquidity injections should be administered carefully by the policymakers to strike a balance between economic stimulation and price stability and sustainable macroeconomic performance.

Recommendations

1. The Central Bank of Nigeria needs to be keen to manage how it adopts the quantitative easing to avoid the situation of injecting liquidity in the economy and causing too much inflationary pressure in the economy.

2. To improve the growth and creation of jobs in an economy, unconventional monetary policy should be employed together with other effective fiscal policies like more productive investment and building of infrastructure.
3. The government must also enhance macroeconomic surveillance and alignment of the policies so that the unconventional monetary interventions can be executed effectively and help in achieving sustainable economic stability even in cases of economic shocks.

References

Bank of England. (2026). *Agenda for Research, 2025-2028: Global Drivers and Cross-border Spillovers.* Bank of England Publications.

Bernanke, B. S. (2020). *The new tools of monetary policy*. American Economic Review, 110(4), 943–983.

Bernanke, B. S. (2020). The new tools of monetary policy. *American Economic Review*, 110(4), 943–983.

Blanchard, O. (2021). *Macroeconomics* (8th ed.). Pearson Education.

Borio, C. (2022). The limits of monetary policy in stabilizing the economy. *Bank for International Settlements Quarterly Review*, 54(2), 15–29.

Campbell, J. R., Evans, C. L., Fisher, J. D., & Justiniano, A. (2021). Macroeconomic effects of forward guidance. *Annual Review of Economics*, 13, 55–77.

Chen, Q., Filardo, A., He, D., & Zhu, F. (2022). Financial crisis, unconventional monetary policyand international spillovers. *Journal of International Money and Finance*, 120, 102497.

Eggertsson, G., Juelsrud, R., Summers, L., & Wold, E. (2022). Negative nominal interest rates and the bank lending channel. *American Economic Review*, 112(9), 2785–2823.

Gagnon, J. (2023). Quantitative easing and financial stability during crises. *Journal of Economic Perspectives*, 37(1), 45–66.

Gagnon, J., Raskin, M., Remache, J., & Sack, B. (2021). Large-scale asset purchases by the Federal Reserve: Did they work? *International Journal of Central Banking*, 17(3), 1–34.

Gambacorta, L., Hofmann, B., & Peersman, G. (2021). The effectiveness of unconventional monetary policy at the zero lower bound. *Journal of Money, Credit and Banking*, 53(4), 615–653.

Holzmann, R. (2024). *Unconventional monetary policy under review: Past, present and future challenges.* OeNB Occasional Paper No. 8.

International Monetary Fund (IMF). (2023). *Global financial stability report*. Washington, DC: IMF.

International Monetary Fund (IMF). (2025). *Macroeconomic and Fiscal Consequences ofQuantitative Easing.* IMF Staff Discussion Note, WP/25/112.

Joyce, M., Miles, D., Scott, A., & Vayanos, D. (2021). Quantitative easing and unconventional monetary policy. *Economic Journal*, 131(634), 217–245.

Krishnamurthy, A., & Vissing-Jorgensen, A. (2021). The effects of quantitative easing on interest rates. *Brookings Papers on Economic Activity*, 2021(2), 215–287.

Krugman, P. (2021). Liquidity traps and monetary policy. *Brookings Papers on Economic Activity*, 2021(1), 221–260.

Lane, P. R. (2024). *The portfolio rebalancing channel and the transmission of UMP*. European Central Bank Policy Brief.

Luetticke, R. (2024). *Unconventional Monetary Policy Shocks and Their Distributional Implications.* CEPR Discussion Paper No. 19163.

Mishkin, F. S. (2022). *The economics of money, banking and financial markets* (13th ed.). Pearson Education.

Romer, D. (2023). *Advanced macroeconomics* (6th ed.). McGraw-Hill.

Schularick, M., & Taylor, A. (2022). Credit booms gone bust: Monetary policy and financial cycles. *American Economic Review*, 112(5), 1453–1493.

Spisso, M., et al. (2024). *The Side Effects of Unconventional Monetary Policy: A Survey of Resource Misallocation.* Journal of Economic Perspectives.

Woodford, M. (2021). Monetary policy in the information economy. *Journal of Economic Perspectives*, 35(4), 3–28.