EFFECT OF MONETARY POLICY ON THE FINANCIAL PERFORMANCE OF DEPOSIT MONEYBANK IN NIGERIA

(A CASE STUDY OF ACCESS BANK, ILORIN)

BY

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CERTIFICATION

This is to certify that this project work has been written by **JIMOH MAYOWA FARIDAT** with Matriculation Number **HND/23/ACC/FT/0408** and has been read and approved as meeting part of requirement for the Award of Higher National Diploma (HND) in the Department of Accountancy, Institute of Finance and Management Studies (IFMS), Kwara State Polytechnic, Ilorin, Kwara State

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DEDICATION

This research is work is dedicated to Almighty Allah the most beneficent the most merciful.

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I want to acknowledge the **Almighty Allah**, the author and finisher of all things, I want to acknowledge him for the wisdom, knowledge and understanding he grant unto me throughout this journey, for his grace, Mercy and strength May his name be forever praised.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

The financial sector is mainly significant to formal activities that are relevant to the economic activities in Nigeria. This has made it mandatory for monetary policy instruments to become crucial in driving the activities of the Nigeria economy. It has therefore been well observed in Nigeria as well as all other developing countries that prudent monetary policies are the key stone to effective regulations as well as supervision for the growth of any country's banking Industry. Adebiyi (2021).

By effective manipulation of monetary instruments, the growth rate in the supply of money can be influenced by the Central bank in many ways, namely, availability of credit interest rate level and availability of liquidity from the banking sector. All these can affect the investment, production, consumption of individual as well as government spending. Omankhanlen (2023). Business cycle evenness, financial crisis prevention, rate of interest stabilization in the long run, the rate of exchange in real terms has recently been identified as objectives supplementary to monetary policies due to global financial crisis weaving which overwhelmed both emerging and developed economies of the world (Mishra and Pradhan, 2013). Nigerian banks generally believe that there is great risk in lending to the manufacturing and agricultural sectors of the economy, hence, their apathy in giving credit to these sectors of the economy, though these sectors hold the key to the development of the economy especially in employment and foreign exchange generation. Akomolafe (2020).

A solid and stable financial sector is essential to make a well-functioning national economy and ensure balance liquidity within the economy. Appropriate liquidity management is essential to foster economic growth. Though, to achieve economic stability proper uses of fiscal and monetary policies are required. Despite establishing regulatory agencies and monetary policy committees, Nigerian banks have actually been deterred in creating adequate liquidity and additional credit for the sustenance of the entire economy. Chen (2021).

The Central Bank of Nigeria (CBN) over the years, have instituted various monetary policies to regulate and develop the financial system in order to achieve major macroeconomic objectives which often conflict and result to distortion in the economy. Although, some monetary policy tools like cash reserve and capital requirements have been used to buffer the liquidity creation process of deposit money banks through deposit base and credit facilities to the public. Chigbu (2024).

Monetary policy remains a critical tool in stimulating the growth and stability of financial institution in most developing economics. In Nigeria, the objectives usually include promoting monetary stability. Strengthening the external sector performance and generating a sound financial system that will support increased output and employment. Monetary policy is a major economic stabilization weapon which involves measures designed to regulate and control the volume, cost, availability and direction of money and credit in an economy to achieve some specific macro-economic policy objectives (Ndugbu and Okere, 2019).

Monetary policy according to Anyanwu (2020) involves a deliberate effort by the monetary authorities (the Central Bank of Nigeria) to control the money supply and credit conditions for the purpose of achieving certain broad economic objectives.

Central bank also determines certain targets on monetary variables. Although, some objectives are consistent with each other's, others are not, for example, the objectives of price stability often conflicts with the objectives of interest rate stability and high short run employment. The role of the banking industry in development process cannot be over-emphasized as they play so many functions. The most important banking industry in Nigeria is the deposit money banks. In order to make profit, deposit money banks invest customer deposits in various short term and long term investment outlet, however core of such deposits are used for loans. Hence, the more loans and advances they extend to borrowers, the more the profit they make (Solomon, 2012). Prior to 1986 direct monetary instruments such as selective credit controls administered interest and exchange rates, credit ceilings, cash reserve requirements and special deposits to regulate the banking system were employed. The fixing of interest rates at relatively low levels was done mainly to promote investment and growth. Occasionally, special deposits were imposed to reduce the amount of excess reserves and credit creating capacity of the banks. Damilola (2020).

1.2 STATEMENT OF THE PROBLEM

Monetary policy is one of the principal economic management tools that governments use to shape economic performance. Measured against fiscal policy, monetary policy is said to be quicker at resolving economic shocks. Monetary policy objectives are concerned with the management of multiple monetary targets among them price stability, promotion of growth, achieving full employment, smoothing the business cycle, preventing financial crises, stabilizing long-term interest rates and the real exchange rate. Experience shows that emphasis is usually placed on maintaining price stability or ensuring low inflation rates.

The Central Bank of Nigeria is responsible for the recommendation and implementation of monetary policy tools in Nigeria. The CBN recommends the CRR, CBR and Treasury bill rates. Those tools are implemented through deposit money banks and they are aimed at stabilizing the price levels in the economy. The use of cash reserve ratio affects the level of liquidity in the deposit money banks. When commercial banks are faced with limited liquidity, they turn to other deposit money banks for inter-bank borrowing. Those funds are borrowed at the CBR and it is usually very high, which affects the interest expense for the borrowing bank and the interest income for the lending bank. The other way to increase liquidity in the bank will be to borrow by floating a debt instrument. The rate offered for the debt instrument is also tied to the treasury bills or treasury bonds issued by the government through the Central Bank. These effects of the monetary tools are expected to have an effect on the financial performance of deposit money banks.

1.3 RESEARCH QUESTIONS

i. To what extent does monetary policy have impact on the financial performance of deposit money bank in Nigeria?

ii. Does Reserve Ratio Requirement has effect on the financial performance of Deposit Money Banks?

iii. Are there relationship between monetary policy and financial performance of Deposit Money Banks in Nigeria?

1.4 OBJECTIVES OF THE STUDY

The general objective of the study is to determine the effect of monetary policy on the financial performance of Deposit Money Banks in Nigeria.

The specific objectives are as follows:

i. To establish the effect of access bank on the financial performance of Deposit Money Banks.

ii. To find out the relationship between monetary policy and financial performance of Deposit Money Banks in Nigeria

iii. To establish the impact of monetary policy on the financial performance of Deposit Money Banks.

1.5 RESEARCH HYPOTHESIS

H1: Monetary policy have no impact on the financial performance of deposit money bank in Nigeria

H2: Reserve Ratio Requirement has no effect on the financial performance of Deposit Money Banks?

i. There is no relationship between monetary policy and financial performance of Deposit Money Banks in Nigeria?

1.6 SCOPE OF THE STUDY

The scope of this research work is to examine the effects of monetary policy on the financial performance of deposit money bank in Nigeria. In which access bank was use as a case study.

However, the research was limited to Access Bank Plc in Ilorin metropolis due to the schedule of researcher.

1.7 SIGNIFICANCE OF THE STUDY

The study helps us understand the impact of an effective monetary policy regime on the performance of the Deposit Money Banks. It would aid the regulators to carefully plan and forecast the effects of its policies to meet its objectives of economic growth and full employment. To bankers, it would expose the relationship existing between our relevant variables, which will be of interest to them in their respective banks. This would also benefit the academic community which would avail them the opportunity of conducting further research in the topic of similar areas.

The study is expected to contribute to the existing literature in the field of monetary policies. Future scholars can use this research as a basis for further research in the area of monetary policy theories.

The study will also enlighten management teams of commercial bank on the short-term and long-term effects of the monetary policy implementations by the Central Bank. This will greatly help them in designing the risk management measures to employ given anticipated changes in monetary policies.

1.8 LIMITATION OF THE STUDY

The major problem encountered in the course of this study is distance the company under is situated far away from the school it takes at least one day trip travelling for the collection of relevant data, Unwillingness of the respondent to give the replies.

a. **Time constraint**: a lot of a sacrifice has to be made so that the researchers could have enough time for this study. The time lag is a serious problem faced by the researcher, that is the time space between the period it was submitted which was not sufficient enough as the researcher has to combine academic activities with the research work which was not all that easy. Additionally, the time constraint made quite challenging following up on respondents to collect questionnaire feedback for the necessary required data for analysis as well as meeting with supervisor for consultation.

b. **Financial constraint**: the researcher encountered some financial difficulties as we could not get enough adequate funds for some activities which have great impact on the success of the researcher as well.

c. **Availability of Data**: the statistical data to be collected were scarcely recorded in almost all department in the organization and not properly kept, not updated and this made it difficult for the researcher to get sufficient and adequate information needed.

1.9 DEFINITION OF TERMS

- **Financial Performance** : Financial Performance analysis refers to analytical tools to measure the strength and weakness of a firm in relation to its balance sheet and profit and loss statement. Chenn (2021).
- **Monetary Policy Rate (MPR)** : Minimum Rediscount Rate (MRR) now known as Monetary Policy Rate (MPR) was used to signal the desired direction of interest rate movement (Nwude, 2018).
- **Deposit Mobilization** : Deposit Mobilization measures the aggregate mobilization of deposits in the economy. Deposits are bank accounts that allow the owner of the account (creditor) to make demand on banks. Ajayi (2020).

- **Credit to the Private Sector** : Domestic credit to private sector by banks refers to financial resources provided to the private sector by other depository (IMF, 2022).
- **Loans and Advances:** Loans refers to a debt provided by a financial institution for a certain period while **Advances** are the funds provided by the banks, which needs to be payable within one year. Ajayi (2020).
- **Liquidity** : The ability of a bank to meet its current obligations when they are due, and is normally a short term debt measures. Damilola (2022).
- **Reserve Requirement** : This refers to the proportion of total deposit liabilities which the commercial and merchant banks are expected to keep as cash in vaults and deposits with the Central Bank of Nigeria. Damilola (2022).
- **Quantitative Directives:** These are directives from the Central Bank of Nigeria to the banks and other financial institutions under its control as to the total amount of money which they may lend. Ajayi (2020).
- **Financial System** : The channel or conduct through which the sayings of surplus sectors (the household) flow to the deficit sectors. Chigbu (2023).
- **Monetary System** : A system whose main function is the provision of adequate stock of money or currencies. Ajayi (2020).

CHAPTER TWO

LITERATURE REVIEW

2.1 PREAMBLE

This chapter discuss the investigation or review of the effect of monetary policy on the financial performance of deposit money banks in Nigeria.

2.2 CONCEPTUAL REVIEW

2.2.1 MONETARY POLICY

Monetary Policy specifically refers to the actions taken by monetary authority, such as the apex bank of a nation, to regulate the value of money; supply and cost of money in the economy with the aim of achieving predetermine macroeconomic objectives. Monetary policy is defined by the Central Bank of Nigeria (CBN) as mixture of processes intended to regulate value supply and interest rate as fees for money in a financial transaction, in agreement with the status of economic accomplishments(Nwoko, Ihemeje,& Anumadu, 2020; Central Bank of Nigeria, 2018).Nwoko, Ihemeje and Anumadu (2020)defined monetary policy as the blend of procedures taken by monetary authorities (e.g. the CBN and the ministry of finance) to influence directly or indirectly both the supply of money and credit to the economy and the structure of interest rate for economic growth, price stability and balance of payment equilibrium. He added that the CBN is empowered by decree 25 of 1991 Act, to formulate and implement monetary policy in Nigeria, in consultation with the ministry of finance subject to the approval of the President. Ufoeze, Odimgbe, Ezeabalisi and Alajekwu (2018)sums it up when he said that monetary policy is therefore applied to influence the availability and cost of credit in order to control the money supply policy.

2.2.2 FINANCIAL PERFORMANCE

Financial performance simply means the act of carrying on financial functions in a firm by manager. In broader sense, financial performance reflects the degree to which financial objectives being or has been achieved during a particular period of time. It is the process of accessing the achievements of a firm's policies and activities in financial terms. It is employed to evaluate firm's total financial sustainability over a given period of time and can also be used to compare and contrast similar firms across the same industry or to compare industries or sectors in aggregation (Ravinder & Muskula, 2021; Yahaya & Lamidi, 2019). Carton (2020);Richard, Devinney, Yip and Johnson (2020)also defines “financial performance as the measure of the variance of the financial state of an organization or the financial outcomes that results from management decisions and the implementation of those decisions by the management of the organization”. They further argues that the outcomes are not universal in nature but largely depend on the organizational context therefore selection of the measures that represent performance of a particular organization is done based upon the situation of the organization being rated.

These financial performances are however grouped into five (5) main categories:

(i.) The opening category contains profitability measures such as return on equity, return on assets, return on capital, return on sales and operating margin;

(ii.) (ii.) The next category of measures includes growth measures calculated on sales, total assets and total employees;

(iii.) The third collection of financial performance measures includes Leverage, Liquidity, and Cash Flow Measures such as Debt to equity ratio, operating cash flow to equity ratio and growth rate of operating cash flow;

(iv.) (iv.) there are also market based measures such as cost of equity capital and price to book ratio;

(v.) (v.) The final category of measures is referred to as Economic Value Measures such as residual income and Residual income return on investment (Carton, 2004;Crane, n. d.).

2.3 THEORETICAL FRAMEWORK:

The study adopted various combinations of theories on demand and supply of money as expressed by the classical school (Sir. Irving fisher), the monetarist (Milton Friedman) Keynesian monetary theory (John Maynard Keynes), and the Cambridge school (Pigou & Alfred Marshall 2023).

2.3.1 CLASSICAL THEORY

The widely accepted approach to monetary economics was known as the quantity theory of money, used as part of a broader approach to micro and macro issues referred to as classical economics from the works of Irving fisher who lay the foundation of the quantity theory of money through his equation of exchange. Diamond (2021) states in his proposition that money has no effect on economic aggregates but price. The classical school evolved through concerted efforts and contribution of economists like Jean Baptist Say, Adam Smith, David Richardo, Pigu (2019) and others who shared the same beliefs. The classical economists decided upon the quantity theory of money as the determinant of the general price level. Most were of the opinion that the quantity of money determines the aggregate demand which in term determine the price level as posited by Amacher & UIbrich (2021).

2.3.2 THE KEYNESIAN THEORY

The Keynesian Economists think of monetary policy as working primarily through interest rate. In Keynesian transmission mechanism, an increase in the money supply leads to a fall in interest rate to include the public to hold additional money balances.

Consequently, a fall in interest rate may stimulate investment. The increased investments also increase the level of income or output through the multiplier, which may stimulate economic activities. Thus, monetary policy affects economic activity indirectly through their impact on interest rates and investment. Therefore, the Keynesian transmission mechanism is characterized by a highly detailed sector building up of aggregate demand and a detailed specification of portfolio adjustment process that attaches central role to interest as an indirect link between monetary policy and fiscal demand.

2.3.3 THE MONETARIST THEORY

The Monetarist Economist recognize that money is not just a close substitute for a small class of financial assets but rather a substitute for large spectrum of financial and real asset. Given an equilibrium position, an increase in money supply raises the actual proportion of money relative to the desired proportion. Symbolically, the monetarist conception of money transmission mechanism

2.3.4 ANTICIPATED INCOME THEORY

This theory states that banks should involves themselves in a broad range of lending which may include long-term loans to business, consumer installment loans and amortized real estate mortgage loans considering the fact that the likelihood of loan repayment which generates a cash flow that supplement bank liquidity depends on the anticipated income of the borrower and not the use made of the funds. This implies that a high excess reserve increases profitability of banks by increasing the availability of loanable investment funds.

2.3.5 LIABILITY MANAGEMENT THEORY

The theory holds that banks could satisfy any liquidity need and short-run profit opportunity by issuing money market liabilities such as certificate of deposit (CD). Another version of the theory states that money market bank liabilities should be used along with bank assets to meet liquidity needs, which will lead to deposit money banks profitability.

2.3.6 SHIFTABILITY THEORY

The central thesis of this theory holds that the liquidity of a bank depends on its ability to shift its assets to someone else at a predictable price. Better still; the theory of shiftability exposes the banks vulnerability to government security for liquidity. Whether or not a bank can quickly realize liquidity through this means depends on the marketability of the securities and their relative prices. The theory tries to broaden the list of assets demand legitimate for ownership and hence redirected the attention of bankers and the banking authorities from loan to investment as source of bank liquidity.

2.4 EMPIRICAL REVIEW

Fatade (2020) studied the influence of monetary policy on banks' performance in Nigeria; a number of observations are made. The main essence of the study was to establish whether the various monetary policy measures instituted in the country over the years had directly and indirectly affected the performance or the bank sector in Nigeria. The results from the study indicate that various monetary policy measures instituted in the country over the years have directly and indirectly affected performance of the banking firms in a number of ways while includes, banks profitability, deposit/savings mobilization, loans and advances and so on. It is also clear from the findings that the effectiveness of bank's performances depends on the instruments used in macroeconomic policies and the prevailing economic conditions and the deregulation of the sector has led to a number of improvements.

Punita and Somaiya (2021) observed the effect of monetary policy on profitability of banks in India between 1995 and 2000, presented some nonconforming signal that lending rate has a positive and significant affect banks' profitability, which shows a fall in lending rates will decrease the profitability of the banks. It was also discovered that bank rate, cash reserve ratio and statutory ratio significantly influence profitability of banks negatively. Their outcomes were the same when lending rate, bank rate, cash reserve ratio and statutory ratio were combined to explain the relationship between bank profitability and monetary policy instruments in the private sector. Paul, Damianus and Shem (2019) examined the income source diversification and financial performance of commercial banks in Kenya. This was a census study of all registered 44 commercial banks in Kenya and relied heavily on documentary secondary data for 5 year study period (2005-2009) and validated by primary data achieved through key informant method.

Ajayi and Atanda (2022) observed the influence of monetary policy instruments on banks performance in Nigeria with the view to determine the presence of long-run relation between 19780 and 2008. The Engle-granger two step co-integration approach was adopted based on the regression model that regress banks total loan and advances on minimum policy rate, cash reserves ratio, liquidity ratio, inflation and exchange rate. The empirical estimates indicated that bank rate, inflation rate and exchange rate are total credit enhancing, while liquidity ratio and cash reserves ratio exert negative effect on banks total credit. Although, it is only cash reserve ratio and exchange rate found to be significant at 5% critical value. However, the co-integration test indicated that the null hypothesis of no co-integration was accepted. The main conclusion draw is that monetary policy instruments are not effective to stimulate credit in the long-run, while banks total credit is more responsive to cash reserve ratio.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter highlights the procedures used in conducting the study. Pertinent issues discussed in this section include the research design, population of the study, sample size and sampling techniques, sources and methods of data collection, instrument of data collection and techniques for data analysis.

3.1 RESEARCH DESIGN

The design of the study is the description of various processes to be undertaken for the successful completion of the work. The research is a descriptive survey research. The design will be used in making decision on the data sourced research instrument sampling, plan and content method. This is to enable the researcher obtains response and draw conclusion on the research problem.

3.3 POPULATION OF THE STUDY

Population is described as the entire member of object that needs to be studied. The population in this research work was the deposit money bank in Nigeria in which access bank Ilorin was used as a case study. The entire sample population is 50 staff, both male and female staff of access bank Plc, Ilorin

3.4 SAMPLE SIZE AND TECHNIQUES

A sample is a portion of the population selected for study. It is very important to select sample size that will give sufficient fair representation of the population. A reasonable size was randomly drawn from study population, the numerical strength of the sample size was anchored on the assumption of the statistical techniques adopted for the study. This is a sample size of fifty (50) respondents was used for the study.

3.5 SOURCES AND METHOD OF DATA COLLECTION

No work of this nature can be satisfactory accomplished without the employment of one means of the other to get the information vitally necessary to intimately make meaningful whole information, for this research data are gathered into two ways which are the primary and secondary data.

PRIMARY SOURCE

This covers all data collection for the research in their original state very includes interview and questionnaire.

a. Interview: Interview is a set of face to face interactive session between two or more persons namely, the interview of the interviewer of the interviewee on a particular subject. In this case, the interviewer is the researchers while the interview.

b. Structured Interview: This is an interview where the researcher reads out of a set of prepared question and notes the response of the respondents according to available choice of every question.

c. Unstructured Interview: In this researcher does not come to the venue of the interview with prepared set of question. Rather the researcher asks the question as they come to his or her mind as the interview progress.

2. Questionnaire: A questionnaire is a prepared set of written question for the purpose of complication or comparison, it relate to the purposes of study and is usually distributed to the respondents who will have to fill in their response.

The questionnaire must seek answer to the research questions usually roused in chapter one of the study. There are two types of questionnaires. They include

The structured/closed questionnaire: The structured or close, type of questionnaire is one in which the researcher asks a number of questions and provide answers from which the responds to choose from answer already provided answers opportunity to state his/her own opinion or response.

The unstructured/open questionnaire: In the unstructured or open questionnaire no set of answer is provided for the respondent to choose from here the respondent is free to answer the question the way he doesn't fit and okay.

SECONDARY SOURCE

Here, more information or data were collected such as account journal being published every at the end of their financial years. The banks annual reports, magazines, textbooks business brochures and financial estimate of the institution are consulted.

3.6 INSTRUMENTS FOR DATA COLLECTION

A research instrument is any device constructed for recording of measuring data. It is the means for generating pertinent information to be used for solving the research problems. The researcher made use of the following instrument in obtaining the needed information; questionnaire, personal interview and direct observation of financial statement.

Questionnaire was designed and administered to the employees of access bank in order to obtain valuable data for analysis, interpretation and appreciation of problems stated in this project. In this set of questionnaire structure question, multiple choice (close-ended) questions were used.

3.7 TECHNIQUES FOR DATA ANALYSIS

The researcher adopted the ratio analysis in evaluating the performance of the bank under study for effective decision making from the annual report and account.

In view to this tend percentage changed was used in the banks name from determining whether or not the competed ratio are high or low and whether they are indicator of good or poor performance by comparing the year result with the current year.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 PREAMBLE

In this chapter, the data collected from questionnaire are presented, analysed and tabulated. Fifty questionnaires were prepared and distributed to the respondent drawn from lower and senior staff of Access Bank.

The analysis were carried out using simple percentage method, the hypothesis will be analyse using the chi-square based on the analysis of the relevant questions.

4.2 RESPONDENTS CHARACTERISTICS CLASSIFICATION

Table 4.2.1 Sex distribution of the respondent

	Frequency	Percent	Valid percent	Cumulative percent
Male	32	64%	64%	64%
Female	18	36%	36%	36%
Total	50	100%	100%	100%

Source: Field Survey, (2025)

As shown in the table above, it was revealed that 32 (64%) of the respondents are male while 18 (36%) are female.

Table 4.2.2 Age distribution of the respondent

	Frequency	Percent	Valid percent	Cumulative percent
20-30 years	6	12	12	12
31-40 years	24	48	48	48
41 and above	20	40	40	40
Total	50	100%	100%	100%

Source: Field Survey, (2025)

As shown in the table above, it was revealed that 6 (12%) of the respondents fall under the age range of 20 to 31years, 24 (48%) of the respondents fall in 31 to 40 years, while 20 (40%) of the respondents falls to 41 years and above.

Table 4.2.3 Marital Status of the respondents

	Frequency	Percent	Valid percent	Cumulative percent
Single	10	20	20	20
Married	40	80	80	80
Total	50	100%	100%	100%

Source: Field Survey, (2025)

As shown in the table above, it was revealed that 10 (20%) of the respondents are single while 40 (80%) are married.

Table 4.2.4 Academic qualification of the respondents

	Frequency	Percent	Valid percent	Cumulative percent
OND/NCE	16	32	32	32
HND/BSc	22	44	44	44
MBA/MSc	8	16	16	16
Others	4	8	8	8
Total	50	100%	100%	100%

Source: Field Survey, (2025)

According to academic qualification of respondent of respondents, the responses in the questionnaires shows that respondents 16 (32%) are Diploma/NCE holders, 22 (44%) respondents are BSC/HND certificate holders while 8 (16%) respondents are MBA/MSC holders.

Table 4.2.5 Year of Experience of the respondents

	Frequency	Percent	Valid percent	Cumulative percent
0 -5 years	12	24	24	24
6 – 10 years	20	40	40	40
11-15 years	10	20	20	20
16 and above	8	16	16	16
Total	50	100%	100%	100%

Source: Field Survey, (2025)

Form the table above it shows that the 12 respondents representing 24% has a working experience for period of 0 – 5years, 20 respondents representing 40% has been working for the period of 6 – 10years, 10 respondents representing 20% has been working for 11 – 15 years while 8 respondents representing 16% has been working for 16 years and above.

4.3 PRESENTATIONA AND ANALYSIS OF DATA

Table 4.2.6 is there any effect of monetary policy on the financial performance of deposit money banks in Nigeria?

	Frequency	Percent	Valid percent	Cumulative percent
Strongly agreed	25	50	50	50
Agreed	10	20	20	20
Strongly disagreed	9	18	18	18
Disagreed	6	12	12	12
Total	50	100%	100%	100%

Source: Field Survey, (2025)

It could be inferred that majority of the respondent strongly agree that there are effect of monetary policy on the financial performance of deposit money banks in Nigeria while minority disagreed.

Table 4.2.7 Does your deposit money bank protect the helpless depositors?

	Frequency	Percent	Valid percent	Cumulative percent
Strongly agreed	34	68	68	68
Agreed	8	16	16	16
Strongly disagreed	4	8	8	8
Disagreed	4	8	8	8
Total	50	100%	100%	100%

Source: Field Survey, (2025)

It could be inferred that majority of the respondent strongly agree that there deposit money bank protect the helpless depositors while minority strongly disagree and disagree.

Table 4.2.8 Does deposit money bank put inflation into check?

	Frequency	Percent	Valid percent	Cumulative percent
Strongly agreed	23	46	46	46
Agreed	12	24	24	24
Strongly disagreed	10	20	20	20
Disagreed	5	10	10	10
Total	50	100%	100%	100%

Source: Field Survey, (2025)

It could be seen from the table that the majority representing 70% strongly agreed and agreed that deposit money bank put inflation into check.

Table 4.2.9 Does Access Bank Rate has effect on the financial performance of deposit money banks in Nigeria?.

	Frequency	Percent	Valid percent	Cumulative percent
Strongly agreed	12	24	24	24
Agreed	15	30	30	30
Strongly disagreed	10	20	20	20
Disagreed	3	6	6	6
Total	50	100%	100%	100%

Source: Field Survey, (2025)

From the above table majority agreed that Central Bank Rate has effect on the financial performance of deposit money banks in Nigeria whereas minority thought otherwise.

Table 4.2.10 Does Deposit Money Banks create sustainable friendly banking environment in Nigeria?

	Frequency	Percent	Valid percent	Cumulative percent
Strongly agreed	30	60	60	60
Agreed	13	26	26	26
Strongly disagreed	3	6	6	6
Disagreed	4	8	8	8
Total	50	100%	100%	100%

Source: Field Survey, (2025)

It could be deduced that the majority representing 86% strongly agreed and agreed that Deposit Money Banks create sustainable friendly banking environment in Nigeria.

Table 4.2.11 Does Deposit money bank imposes or prescribe penalty on any defaulting financial institution?

	Frequency	Percent	Valid percent	Cumulative percent
Strongly agreed	15	30	30	30
Agreed	22	44	44	44
Strongly disagreed	10	20	20	20
Disagreed	3	6	6	6
Total	50	100%	100%	100%

Source: Field Survey, (2025)

It could be deduced that the majority representing 74% strongly agreed and agreed that deposit money bank imposes or prescribe penalty on any defaulting financial institution.

Table 4.2.12 Does deposit money bank policy affect banking operations in its bid to regulate money supply in the economy with particular reference to deposit and credit creation?

	Frequency	Percent	Valid percent	Cumulative percent
Strongly agreed	28	56	56	56
Agreed	13	26	26	26
Strongly disagreed	4	8	8	8
Disagreed	5	10	10	10
Total	50	100%	100%	100%

Source: Field Survey, (2025)

The table above shows that almost all the respondents strongly agreed and agreed that deposit money bank policy affect banking operations in its bid to regulate money supply in the economy with particular reference to deposit and credit creation.

Table 4.2.13 Does Reserve Ratio Requirement have effect on the financial performance of Deposit Money Banks in Nigeria?

	Frequency	Percent	Valid percent	Cumulative percent
Strongly agreed	28	56	56	56
Agreed	13	26	26	26
Strongly disagreed	4	8	8	8
Disagreed	5	10	10	10
Total	50	100%	100%	100%

Source: Field Survey, (2025)

This table shows that most of the respondent strongly agreed and agreed that the Reserve Ratio Requirement have effect on the financial performance of Deposit Money Banks in Nigeria, while few respondents strongly disagreed and disagreed that the Reserve Ratio Requirement have effect on the financial performance of Deposit Money Banks in Nigeria.

Table 4.2.14 Has Central Bank of Nigeria gone far in its achievement of regulating money supply?

	Frequency	Percent	Valid percent	Cumulative percent
Strongly agreed	30	60	60	60
Agreed	10	20	20	20
Strongly disagreed	7	14	14	14
Disagreed	3	6	6	6
Total	50	100%	100%	100%

Source: Field Survey, (2025)

From the table above majority of respondents strongly agreed and agreed that the Central Bank of Nigeria has gone far in its achievement of regulating money supply. While only few respondents disagreed.

Table 4.2.15 Do you think monetary policy has improve the industries in Nigeria as a whole?

	Frequency	Percent	Valid percent	Cumulative percent
Strongly agreed	4	8	8	8
Agreed	2	4	4	4
Strongly disagreed	30	6	60	60
Disagreed	10	20	20	20
Total	50	100%	100%	100%

Source: Field Survey, (2025)

The table above shows that majority of respondent strongly disagreed and disagreed that monetary policy has improve the industries in Nigeria as a whole. While minority agreed.

Table 4.2.16 Is there any impact of exchange rate on the performance of deposit money bank in Nigeria?

	Frequency	Percent	Valid percent	Cumulative percent
Strongly agreed	32	64	64	64
Agreed	12	24	24	24
Strongly disagreed	4	8	8	8
Disagreed	2	4	4	4
Total	50	100%	100%	100%

Source: Field Survey, (2025)

It could be seen from the table that the majority representing 88% strongly agreed and agreed that there are impact of exchange rate on the performance of deposit money bank in Nigeria.

Table 4.2.17 Are there importance of monetary tools in achieving the desired control through bank operations?

	Frequency	Percent	Valid percent	Cumulative percent
Strongly agreed	25	50	50	50
Agreed	22	44	44	44
Strongly disagreed	10	20	20	20
Disagreed	3	6	6	6
Total	50	100%	100%	100%

Source: Field Survey, (2025)

From the above table majority strongly agreed that there are importance of monetary tools in achieving the desired control through bank operations whereas minority thought otherwise.

4.4 TEST OF HYPOTHESIS

H0: There is no significant relationship between monetary policy and financial performance of Deposit Money bank in Nigeria.

Table 4.3.1: Testing of the 1st Hypothesis

Respondent's view	Oi	Ei	Oi-Ei	$\frac{(Oi-Ei)2}{Ei}$
Strongly agreed	25	12.5	12.5	156.25
Agreed	10	12.5	-2.5	6.25
Strongly disagreed	9	12.5	-3.5	12.25
Disagreed	6	12.5	-6.5	42.25
Total	50	50	0	217

Source: Field Survey, (2025)

Therefore X2 calculated = 17.36

X2 tabulated = 9.488

Decision Rule = Since X2 (calculated) is greater than 5% confident level, the null hypothesis is rejected and the alternative hypothesis which states that there is significant relationship between monetary policy and financial performance of Deposit Money Bank in Nigeria is accepted.

4.5 SUMMARY OF FINDINGS

From the above analysis, it is seen that in the Hypothesis tested, respondents agreed that there is a significant relationship between monetary policy and financial performance of Deposit Money bank in selected access Banks in Ibadan metropolis.

Also in table 4.2.6, shows that 50% respondents strongly agreed that there is advantage to be derived from the implementation of monetary policy in financial institutions in Nigeria. 20% of the respondents agree while 18 of the respondents disagree.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY

The general objective of this study was to determine the effect of monetary policy on the financial performance of Deposit Money Banks in Nigeria. Other specific objectives were to; establish the effect of Central Bank Rate (CBR) on the financial performance of Deposit Money Banks and establish the effect of Reserve Ratio Requirement on the financial performance of Deposit Money Banks.

A sample is a portion of the population selected for study. It is very important to select sample size that will give sufficient fair representation of the population. There are two basic way of making the sample size decision, one is by rule of thumb and the other one is by calculated method. In this research work, the rule of the thumb was used for this research where 50 workers of total population were selected as the sample size. The sample is also made up of senior and junior staff of the Access Bank Plc. This test will provide answers to the questions raised in the research problem. The questionnaires were administered based on the non-random selection of the persons as contained in the sample. This was done in such a way as to get the desired result. The questionnaire contains nineteen fifty (50) questions. The formulated hypotheses were tested using chi-square (X2) test statistics which measures the significance of the difference between the observed set of frequencies.

5.2 CONCLUSION

The study examined the effect of monetary policy tools on the financial performance of Deposit Money Banks in Nigeria. The study found that monetary policy tools have no significant effect on the financial performance of Deposit Money Banks in Nigeria. Thus, the study concludes that monetary policy tools do not influence the financial performance of Deposit Money Banks in Nigeria.

The study assessed the effect of Treasury Bill Rate (T-Bill Rate) on the financial performance of Deposit Money Banks in Nigeria. The results showed that T-Bill Rate had a positive effect on the financial performance of Deposit Money Banks. Thus, the study concluded that T-Bill rates have a positive but insignificant affect the financial performance of deposit money banks in Nigeria.

The study examined the effect of Central Bank Rate on the financial performance of Deposit Money Banks in Nigeria. The results showed that Central Bank Rate had a negative effect on the financial performance of Deposit Money Banks. The study therefore concluded that Central Bank Rate has no significant affect the financial performance of Deposit Money Banks in Nigeria.

The study also assessed the effect of Cash Reserve Ratio on the financial performance of Deposit Money Banks in Nigeria. The results showed that Cash Reserve Ratio had a negative effect on the financial performance of Access Bank. Thus, the study concluded that Cash Reserve Ratio does not affect the financial performance of Deposit Money Banks in Nigeria.

The study examined the effect of bank size on the financial performance of Deposit Money Bank. Thus, conclude that a bank size affect Access Bank as a case study.

5.3 RECOMMENDATIONS

Based on the findings made in this study, the following recommendations have been made to address some of the problems discovered:

i. The study recommends that Deposit Money Banks should put more emphasis on the internal factors to financial performance.

ii. These internal factors include capital adequacy, asset quality, management efficiency, earnings ability and liquidity management.

iii. Monetary policy tools effect will be handled by the management through risk management policies for the bank.

iv. The study further recommends that while bank size was found to lead to better financial performance, it is important that banks understand the source of its funds and the costs associated with the funds.

v. Findings emanating from the empirical analysis of this study proffered that monetary authority; the Central Bank of Nigeria (CBN) should adjust the monetary policy rate by reducing the cash reserve ratio which will increase liquidity to enable the Deposit Money Banks to discharge their lending and investment duties effectively to the public.

vi. It is important that monetary and fiscal policies be complimentary and not working at variance. The co-intergration tests which show a disquilibrium by 41% which suggest that the level of cohesion in harmonizing policies are not adequate. The CBN and the

Ministry of finance should work more closely to objectively articulate policies in the same economic direction.

vii. The CRR should be complementing the Open Market Operations (OMO) in ensuring that excess liquidity or lack of it in the banking system is minimized, that way Money Supply (M2) will be more effective as a tool on measuring other performance indicators.

viii. From the findings, the Liquidity Reserve Ratio (LRR) tends to impact more on bank turnover ratio. Because monetary effects of CRR changes are hard to be isolated from those of other policy measures. It means that the constraint of higher reserve requirements on bank lending seems more binding when initial excess reserves shrink below some threshold, restraining the subsequent loan expansion while leading to higher, more volatile market interest rates. The CBN should carefully and thoroughly consider the turnover effect in deciding the LRR.

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