

EVALUATING ORGANISATIONAL PERFORMANCE THROUGH MONETARY POLICY OF STANBIC IBTC IN NIGERIA (2007-2018)

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Abstract

Monetary and fiscal policies forms the major part of the environment within which banks and other financial institutions operations are carried out, providing opportunities as well as constraints on the activities of banks and other financial institutions within the industries . The objective of the study is to evaluate the effects of monetary and fiscal policies on commercial banks and other financial institutions in Nigeria. A total of one hundred (100) copies of questionnaires were administered. The data collected was analysed using simple percentages while the hypotheses while administered. The data collected was analysed using level of significance. The findings revealed that there is a significant relationship between monetary policy and bank deposit liabilities in Nigeria; there is a significant relationship between deposit liabilities of commercial banks, minimum discount rate and deposit rates. It also revealed interest rate policy affects commercial bank savings and deposits. The study concluded that government regulation of the banking industry through the monetary policy is in order and still remains the most efficient control measure for banks in the interest of the nation. The problem remains implementation and this should be tackled headlong. The study also indicated that discount rate significantly influences the performance of commercial banks deposit liabilities through the mechanism of interest rate. Finally, the study recommended the need for government to urgently desist from policy somersault. Thus, policy changes should be infrequent and consistent as some of the Central bank's measures have been very stringent and do not agree with the banks' profitability goals.

Keywords: *Evaluating, Organisational Performance, Monetary Policy, Stanbic IBTC, Deposit Policy.*

1. INTRODUCTION

An effective banking and financial sector is essential for economic growth because it intermediates funds from surplus to deficit units, thereby enabling investment and development. The banking sector also serves as a key conduit through which governments implement monetary and fiscal policies—by regulating money supply and shaping credit conditions—to influence overall economic activity (Obiaje & Umeokwobi, 2024).

Monetary policy involves actions by central banks to adjust the cost, supply, and availability of money to achieve macroeconomic goals like price stability, output growth, and full employment (World Bank, 2025). Fiscal policy, on the other hand, comprises government decisions about spending, taxation, and borrowing to influence economic activity toward objectives such as economic growth, balance of payments stability, and employment (World Bank, 2025).

These policies are mediated through the financial system, especially the banking industry, which functions under laws, regulations, and financial practices that both enable and constrain banks' operations. Frequent changes in monetary and fiscal policy increase risk for banks and financial institutions, as their capacity to respond effectively depends on skilled interpretation, stable frameworks, and robust institutional environments (Impact of Monetary Policy on the Performance of Deposit Money Banks in Nigeria, 2024; World Bank, 2025).

In Nigeria, the persistent rise in the general price level remains one of the most pressing economic concerns, directly affecting the welfare and standard of living of citizens. Inflation erodes the value of money, creates uncertainty, and complicates long-term economic planning (Asquo, 2012). Monetarist scholars, including Asquo (2012) and Anyanwu and Oaikhenan (2015), argue that inflation is largely a monetary phenomenon, with monetary policy serving as a critical tool for stabilizing prices and other macroeconomic variables.

Despite sustained efforts by the Central Bank of Nigeria to curb inflation through monetary measures, high inflation persists, contributing to growth instability and weak development outcomes. This raises critical questions: Why does inflation remain stubbornly high despite government interventions? How effective is monetary policy in controlling inflation in Nigeria's context? And has monetary policy underperformed compared to its effectiveness in other economies? It is against this backdrop that this study seeks to evaluate the impact of monetary and fiscal policies on commercial banks and other financial institutions in Nigeria.

Objectives of the Study

- i. explore the relationship between monetary policy and bank deposit liabilities in Nigeria.
- ii. ascertain the relationship between deposit liabilities of commercial banks and minimum discount rate in Nigeria.
- iii. evaluate the relationship between deposit liabilities of commercial banks and deposit rate in Nigeria.

Research Questions

- i. What is the relationship between monetary policy and bank deposit liabilities in Nigeria?
- ii. What is the relationship between deposit liabilities of commercial banks and minimum discount rate in Nigeria?
- iii. What is the relationship between deposit liabilities of commercial banks and deposit rate in Nigeria?

Research Hypotheses

The following hypotheses are formulated to guide the study:

- Ho₁: There is no significant relationship between monetary policy and bank deposit liabilities in Nigeria.
- Ho₂: There is no significant relationship between deposit liabilities of commercial banks and minimum discount rate in Nigeria.
- Ho₃: There is no significant relationship between deposit liabilities of commercial banks and deposit rate in Nigeria

2. LITERATURE REVIEW

Concept of Monetary and Fiscal Policy

Monetary and fiscal policies share the same ultimate goal — achieving high, stable, and sustainable economic growth — yet each uses different instruments. In many countries,

monetary policy plays a supporting role to fiscal policy; for example, central banks sometimes finance public sector deficits or engage in quasi-fiscal operations. However, globally there has been a trend toward increasing central bank independence, enabling monetary and fiscal policies to complement each other more effectively. Monetary policy involves tools like interest rates, credit regulation, and money supply to influence aggregate demand, while fiscal policy uses taxation, government spending, debt, and expenditure decisions to do the same.

In Nigeria, the Central Bank has been granted operational independence under the CBN Act (2007) with price stability as its core mandate, while the Federal Ministry of Finance and related agencies manage fiscal policy through taxes and public expenditure (Oye & Alege, 2022). Studies also show that a lack of coordination between monetary and fiscal authorities can reduce macroeconomic performance and threaten policy effectiveness (Oye & Alege, 2022).

For example, recent analyses indicate that raising the benchmark interest rate and using tight monetary policy are often accompanied by fiscal reforms aimed at closing deficits and improving revenue-collection, allowing both policies to work together in curbing inflation and stabilizing the economy (Reuters, 2025). Thus, effective policy requires well-defined roles, tools, and collaborative frameworks between the monetary authorities and fiscal authorities to achieve optimal outcomes.

Monetary Policy Objectives and Instruments

Monetary policy refers to deliberate measures adopted by monetary authorities to promote economic growth and stability by adjusting the cost and level of money supply in order to achieve broad macroeconomic objectives such as price stability, output growth, and full employment. Mordi (2009) describes monetary policy as a set of instruments designed by the Central Bank to regulate the value, supply, and cost of money in line with the absorptive capacity of the economy or the expected level of economic activity, without exerting undue pressure on domestic prices and exchange rates. By influencing the volume of money in circulation, central banks make credit cheaper or more expensive depending on prevailing economic conditions, with the goal of maintaining equilibrium. Achieving this balance is crucial, as excessive or insufficient money supply can hinder the realization of macroeconomic objectives (Adebayo & Ajayi, 2023).

The objectives of monetary policy closely align with those of fiscal policy, particularly in promoting sustainable macroeconomic performance. Following the Keynesian revolution, scholars and policymakers widely acknowledged the role of monetary policy in achieving price stability, sustained economic growth, exchange rate stability, a favorable balance of payments, full employment, and equitable income distribution (Central Bank of Nigeria [CBN], 2011; Oye & Alege, 2022).

Price Stability

This is the most important objective of monetary policy in Nigeria. All economies suffer from inflation and deflation from time to time. Both are harmful to the economy. Monetary policy, having an objective of price stability, tries to keep the value of money stable such that when the economy suffers from recession, it tends to be accommodating and when there is inflationary situation, monetary policy tends to be restrictive.

Sustainable Economic Growth

Monetary policy can influence economic growth by controlling real interest rate and its resultant impact on investment. If the CBN opts for credit easing by reducing interest rates, investment in the economy can be encouraged. This increased investment can speed up economic growth.

Exchange Rate Stability

Exchange rate is the price of a home currency expressed in terms of any foreign currency. If the exchange rate is volatile, the international community might lose confidence in the economy. Therefore, monetary policy aims at maintaining relative stability in the exchange rate by altering the foreign exchange reserves, tries to influence the demand for foreign exchange.

Favorable Balance of Payments (BOP)

Imbalance in a nation's balance of payment occurs when payments made by a country are less than payments received. The CBN, through its monetary policy, tries to maintain equilibrium in the balance of payments. BOP Surplus is considered favorable because more currency is flowing into the country than is flowing out. Such an unequal flow of currency will expand the supply of money in the nation and subsequently cause a decrease in the exchange rate relative

to the currencies of other nations. This then has implications for inflation, unemployment, production, and other sectors of the domestic economy. BOP Deficit on the other hand, stands for stringency of foreign inflow and high outflow of foreign currency. If monetary policy succeeds in maintaining monetary balance, then a BOP equilibrium is said to have been achieved.

Full Employment

The concept of full employment was much discussed after Keynes's publication of the "General Theory" in 1936. It refers to the absence of involuntary unemployment. In simple words, 'Full Employment' stands for a situation in which everybody who wants a job gets one. However, it does not mean that there is zero unemployment. In that sense, the full employment is never full. Monetary policy can be used to achieve full employment. If the monetary policy is expansionary, then credit supply can be encouraged. It could help in creating more jobs in different sectors of the economy.

Equitable Income Distribution

This refers to the manner in which income is divided among members of the society. A perfectly equal income distribution would mean everyone in the country has exactly the same income. Many developing countries, including Nigeria, are experiencing inequality in income distribution because resources are never equally distributed. Some labours are naturally more productive and better to produce wealth that consumers want and thus get more income. The same is true for capital, land, and entrepreneur. However, without government intervention, an unequal distribution of income tends to be self-perpetuating. Those who have more income, can invest in additional productive resources, and thus can add even more to their income. In recent years, economists have opined that monetary policy can help by playing a supplementary role in attaining income equality. CBN can make special provisions for the neglected sectors of the economy such as agriculture, small-scale industries, etc by providing cheap long term credit. This can prove fruitful for these sectors.

Instruments of Monetary Policy

They are broadly divided into two categories, namely: Direct Instruments and Indirect Instruments.

Direct Instruments: Direct Instruments of monetary policy are directives given by the central bank to control the quantity and prices of financial assets/liabilities of deposit money banks (DMBs) and discount houses. These include interest rates fixing and credit ceilings. These may prove very useful in controlling price, quantity of deposit or credit and the direction of credit particularly in periods of temporary shocks. They may also be most effective and practicable in underdeveloped financial markets and in jurisdictions where the central bank lacks adequate techniques of indirect control. The downsides of the direct controls are absence of competition, inefficient use of resources and distortion of markets.

Indirect Instruments: Indirect Instruments of monetary policy involve controlling the price or quantity of base money. Indirect monetary policy instruments include; open market operations (OMO), monetary policy rate (MPR), reserve requirement, discount window operations and repurchase agreements. This is the current trend in monetary policy formulation and implementation because it provides a liberalized environment necessary for the efficient allocation of savings and credit in the economy.

Open Market Operations: involves the buying or selling of government securities from or by the banks and the non-bank public by CBN. The effect of the purchase of securities is the increase of banks liquidity or reserves and the reverse is the case when such securities are sold. Ekezie insists that a precondition for the successful application of this instrument of monetary policy is the existence of well developed money and capital markets.

Reserve Requirements: the need to control the liquidity of banks arises because of two reasons; ensuring solvency of the banking system and control of money supply. They are usually expressed as a percentage of the bank's assets that have to be liquid. Cash and no interest bearing assets makes up the bank's liquid assets. An increase in the reserve requirements means that the bank will have to liquidate some of its interest bearing assets such as loans and investments in order to meet the requirements.

Re-discount Rate: the rate at which the CBN, as a lender of last resort, lends to the banking system. The impact of this policy instrument is to alter the cost of credit. For the commercial banks to maintain its margin of profit on loans and in the same direction as the change in re-discount rate. This means that the cost of credit is altered all round and either discourages or encourages borrowing depending on whether the discount rate was increased or reduced (Adeltanye 1990). According to Ezeife, due to the lack of developed money and capital markets

in Nigeria, the rediscount rate policy has not been sufficiently effective in Nigeria and has been sparingly used. Moreover, owing to the high returns on investment in Nigeria, a rise or fall in interest rates has little impact or an impact on borrowers. Whether 'announcement effects' or discount rate policy really have much impact on the economy is debated. Generally, the CBN can immediately influence all rates of interest charged on short-term loans by changing the rediscount rates. If banks are lending short with funds borrowed from CBN, they do not have to change their customers less than what is charged by CBN. The oldest rule of banking is that to lend money for any period of time at a lower rate than one is paying for borrowing the same money is a sure way to financial ruin (Eltezie 1990).

Moral Suasion: This is an informal method by which the CBN intimates the banks of the required money direction of money. An agreement and commitment to comply with the proposed policy could in the process of such discussion be reached on the part of the banks. Though such agreements are not binding legally, on the banks, the CBN always has the option of using legal instruments to exert compliance of the banks with the monetary it adopts.

All central banks usually have a statutory right to make request to other banks and it necessary to issue directive ensure that these are carried out. For instance, the Central Bank of Nigeria can instruct commercial banks not to lend beyond a certain amount not to lend for certain purpose consequently the CBN could advice commercial banks to allocate, say, 60 percent of their total lending of agriculture. It has also been mention earlier that monetary police can be expansion or contrationary. Sanusi (2002) opined that the ability of the CBN to propose an effective monetary in a globalised and rapidly integrated financial market environment depends on several factors. These include: instituting appropriate legal framework, institutional structure and conducive political environment, which allows the Bank to operate with reference to excising its instrument and operational autonomy in decision- making, the degree of coordination between monetary and fiscal policies to ensure consistency and complementary; the general macrocosmic environment, including the stage of environment, depth and stability of the financial market as well as the efficiency of the payments and settlement system; the level and adequacy of information and communication facilities; and the availability of adequate, reliable, consistent, timely and high quality information to the Banks. He lay emphases that seeking a proper role for monetary policy in promoting strong and sustainable growth in a stable macroeconomic environment in Nigeria is an on-going challenge for the central bank. Furthermore, Nneka (2013), noted that the main focus of monetary policy in

relation to the manufacturing sector has always been the stimulation of output, employment and the promotion of domestic and external stability, while that of fiscal policy has been the generation of revenue for the government and the protection of domestic infant industries against unfair competition from import and dumping.

Fiscal Policy Objectives and Instruments

Fiscal Policy is the process by which Government uses public expenditure, debt, taxation and other revenues to influence economic activities with a view to achieving the set macroeconomic objectives of full employment, favourable balance of payment, price stability and output growth among others. Idowu (2010) and Okunrounmu (2003) described fiscal policy as the deliberate changes in the levels of government expenditure, taxes and other revenue as well as borrowing with a view to achieving national goals or objectives such as price stability, full employment, economic growth and balance of payments equilibrium. Fiscal Policy could be neutral, expansionary or contractionary. Fiscal policy is considered neutral when government spending is equal to its revenue. This is also known as balanced budget. When government expenditure is fully financed by tax proceeds, the budget has a neutral consequence on economic activities in the country. A government is said to be operating an expansionary fiscal policy when it has a deficit budget. In such a situation, the public expenditure is higher than the tax revenue. According to CBN (2011), Fiscal policy is designed to achieve the following objectives;

Rapid Economic Growth and Development

The principal objective of fiscal policy is to ensure rapid economic growth and development. Fiscal policy is applied to mobilize financial resources which can be deployed on projects and programmes that target growth and development.

Financial resources can be mobilized through effective taxation. In addition, government can prioritize its expenditure in order to enhance public savings that can be used for more productive activities. The government can also borrow from the private sector by implementing a tax regime that gives tax benefits to holders of government securities.

Efficient Allocation of Financial Resources

The Federal and State governments have made considerable efforts at achieving efficient allocation of financial resources for developmental activities which include expenditure on education, health and infrastructure. Therefore, fiscal

policy should be designed in such a manner as to encourage production of desirable goods and discourage those goods which are socially undesirable.

Reduction in Wealth and Income inequalities

Fiscal policies are also designed to achieve equitable distribution of income and resources among different sections of the society. The direct taxes such as income tax on the rich may be higher compared to the lower income groups. Indirect taxes on semi-luxury and luxury items may also be higher as they are mostly consumed by the upper middle class and the upper class. The government invests a significant proportion of its tax revenue in the implementation of poverty alleviation programmes to improve the conditions of the poor in society.

Employment Generation

The government makes efforts to increase employment in the country through effective fiscal policy measures. Investment in infrastructure has resulted in direct and indirect employment effects. Lower taxes and duties on small-scale industrial (SSI) units encourage more investment and consequently generate more employment. Rural employment programmes are implemented by government to empower and reduce poverty in rural communities. Other self-employment scheme are also undertaken to provide employment to technically qualified persons.

Historical Background of Nigeria's Financial System

The development of a financial system in Nigeria, as in many economies, arose from the transition of the economic structure from subsistence production to exchange-based activities. The inefficiencies of the barter system, particularly the requirement for a “double coincidence of wants,” created the need for money as a medium of exchange to facilitate trade and other economic transactions such as buying, selling, borrowing, lending, saving, and investing—all of which are fundamental to economic well-being (Olashore, 1988). To optimize this well-

being, there must be an effective interaction between monetary activities, which operate within a defined framework known as the financial system.

A financial system comprises institutions, markets, and instruments established to serve the needs of modern economies (Onoh, 1981; Nnanna, 2004). Its primary function is to mobilize funds from surplus sectors and allocate them to deficit sectors, thereby enhancing resource utilization and economic growth (Sanusi, 2010). In Nigeria, the financial system has played broader roles beyond intermediation, including facilitating effective economic management, mobilizing savings, providing non-inflationary financing, insulating the economy from external shocks, supporting viable investment projects, sustaining indigenization efforts, and strengthening linkages across agriculture, commerce, and industry (Acha, 2011; Uremadu & Efobi, 2012).

Effects of Monetary Policy on Banks

The financial system especially, the banking institutions is the target of monetary policy. It is assumed that the effecting changes in the behavior of the banking system will lead to the desired effects being transferred to the real sectors of the economy. The banking system is the focus of monetary policy since the money supply, which it intends to influence, is the banking system's tool. Money supply has been defined as the currency in circulation and demand deposits.

The importance of the operations of the commercial banks to the control of the money supply stems from the fact that commercial banks create money. Banks ability to create money implies that they can on their own increase the volume of IOUs. The banks do this by granting loans or overdrafts in excess of actual cash available (Adeltanye 1990). There are also CBN policies aimed at making banking services available to rural dwellers. These included the allocation of rural branch targets and target proportion of rural generated deposits to be given as loans and advances to rural borrowers. An overdraft beneficiary is permitted to issue cheques beyond his balance. A loan implies that the bank contracts to grant a beneficiary of fixed sum of money even though he may have no account with the bank. The bank therefore, creates money by granting credit since the beneficiary can use their cheques to make payment though their accounts are not funded. In other words, every loan and overdraft approved creates a new deposit and so creates money.

Monetary policy among other things is directed towards controlling the money creation ability of commercial banks. Commercial banks in their operation face the conflicting objective of achieving profitability and liquidity. The ultimate liquid

assets of the bank is cash or primary service and they do not earn any asset and as a result of the short-term structure of commercial banks liabilities, the banks need to maintain a reasonable level of liquid assets to maintain safety in the system.

Monetary Policy and Bank's Liquidity

Liquidity refers to the ability of financial institutions to obtain cash quickly at a reasonable cost in order to meet financial obligations as they fall due, such as customer withdrawals from current or savings accounts and inter-bank deposits. It is a critical element for the stability of the banking sector. Nwankwo (1991) emphasized that liquidity is the lifeline of banks, as it enables them to honour maturing obligations, maintain solvency, and sustain public confidence. Adequate liquidity also prevents banks from resorting to the forced sale of assets or involuntary borrowing from the Central Bank.

Sources of bank liquidity generally take two forms: stored liquidity, which includes balances held with the Central Bank and other liquid assets, and purchased liquidity, which involves borrowing from the financial market. However, increases in the required liquidity ratio may reduce bank profitability, as banks are compelled to hold a portion of their assets in low-yield instruments such as treasury bills and certificates, rather than in higher-return assets like loans and advances (Soyode & Oyejide, 1986).

Furthermore, the composition of a bank's portfolio plays a crucial role in liquidity management. Soyode and Oyejide (1986) argued that banks must maintain sufficient cash and liquid assets to meet potential withdrawal demands from depositors. Similarly, Efoagui (1985) stressed that confidence in the banking system is built upon the assurance of liquidity, making it indispensable to the sector's overall stability and operations.

The Re-Capitalization Policy and Banking Sector Performance in Nigeria

The Nigerian banking sector has experienced significant transformations over the decades, marked by changes in the number of institutions, ownership structures, financial instruments, regulatory frameworks, and the broader economic environment. These shifts have largely been driven by factors such as deregulation of the financial system, globalization of banking

operations, rapid technological innovation, and the adoption of prudential requirements aligned with international standards (Sanusi, 2010; Soludo, 2004).

As of January 2004, Nigeria had 89 banks in operation, varying widely in size and soundness. The largest bank at the time had a capital base of approximately USD 240 million, compared to USD 526 million for the smallest bank in Malaysia, highlighting the relative weakness of Nigerian banks in the global context (Nnanna, 2005). Given its central role in financial intermediation and investment, the Nigerian banking sector required reforms to enhance competitiveness and strengthen its resilience against systemic distress and macroeconomic volatility (Edame, 2010).

Historically, Nnanna (2005) categorized the evolution of Nigeria's banking sector into four distinct phases. The first phase (1930–1959) was the *laissez-faire* period, during which poorly capitalized and weakly supervised indigenous banks failed in large numbers. The second phase (1960–1985) was characterized by tighter regulation, as the Central Bank of Nigeria (CBN) introduced stricter licensing requirements. The third phase (1986–2004) emerged in the post-Structural Adjustment Programme (SAP) era, with liberalized policies and widespread issuance of licenses, often based on political patronage. The fourth and current phase, beginning in 2004, is the consolidation era, marked by re-capitalization and risk-based regulatory frameworks.

The landmark reform was the July 6, 2004 announcement of the ₦25 billion minimum capital requirement for banks, aimed at fostering a diversified, strong, and reliable banking system capable of safeguarding depositors' funds, supporting economic development, and competing globally (Soludo, 2004; Sanusi, 2010). This reform reduced the number of banks from 89 to 25 through mergers and acquisitions, with 76 banks consolidating and accounting for 93.5% of the market's deposit share, while 14 banks failed to meet the recapitalization deadline of December 31, 2005 (Edame, 2010).

Overall, the recapitalization policy has not only restructured the Nigerian banking sector but also positioned it toward greater stability, improved efficiency, and enhanced capacity to contribute meaningfully to national economic growth.

3. THEORETICAL FRAMEWORK

Theory is very important because, as the symbolic representation of the real, it enables people to communicate quickly and effectively. According to Nwizu (1999) as quoted in Ezeani (2005), theory acts as a guide to action, to collect facts, to explore the new knowledge and to explain the phenomena that are being examined. It is against this background that the researcher resolved to adopt Keynesian Theory, Monetarist Theory, Anticipated Income Theory, Liability Management Theory and Shiftability Theory as the theoretical framework of analysis for this work.

Theory of Monetary Policy

Monetary policy is the process by which the government apex bank and monetary authority in a country regulates the money supply, and cost of money to attain a set of objectives towards the growth and stability of the economy (Dixit, 2003). Monetary theory provides insight into achieving optimal monetary policy. Monetary policy rests on the relationship between the rates of interest in an economy, that is the price at which money can be borrowed, and the total supply of money. Monetary policy uses a variety of tools to economic growth, inflation, exchange rates with other currencies and unemployment. Where currency is under a monopolistic issuance, or where there is a regulated system of issuance of currency through banks which are tied to the apex bank, the monetary authority has the ability to alter the money supply and thus influence the interest rate to achieve policy goals (Furash, 2003). It is important for policy makers to make credible policies, if private agents (consumers and firms) will believe that policy makers are committed to lowering inflation and to anticipate general future lower prices. If an employee expects prices to be high in the future, wage contracts will draw up to match these prices. Hence, the expectation of lower wages is reflected in wage-setting behaviour between employees and employers (lower wages since prices are expected to be lower) and since wages are lower, there will be no demand pull inflation because employees will receive smaller wages; and there will be no cost push inflation because employers will pay out less in wages (Furash, 2003). A high wage will increase a consumer's demand (demand pull inflation) and a firm's costs (cost push inflation), so inflation arises. If policymakers' policies regarding monetary policy are not credible, policy would not have the desired effect (Basci, 2004). If policymakers believe that private agents anticipate low inflation, they have an incentive to adopt an expansionist monetary policy (where the marginal benefit of increasing economic output outweighs the marginal cost of inflation). However, if private agents have

rational expectations, they know that policymakers have this incentive. It is argued that to prevent pathology related to the time inconsistency of monetary policy implementation (in particular excessive inflation), the head of the Apex bank should have a larger distaste for inflation than the rest of the economy on the average. Hence the reputation of the Apex bank is not necessary tied to past performance, but rather to particular institutional arrangements that markets can use to form inflationary expectations (Furash, 2003).

In Nigeria, the transition to market-based monetary control commenced in 1993 when the CBN adopted the Open Market Operations (OMO) as indirect monetary instrument. Before then, CBN had relied on a battery of direct controls for liquidity management. The direct control measures had included ceilings on domestic credit expansion, ceilings on interest rates, selective credit policies, fixed exchange rate, as well as cash and liquidity ratios. Supplementary reserve requirements were also imposed in the form of mandatory purchase of stabilization securities by banks as well as the demand for special deposits maintained by the banks. OMO aims to control the monetary base by focusing on bank reserves, which is a variable that the CBN can more readily control applying the instruments at its disposal. Targeting bank reserves is expected to keep the monetary base and ultimately, the broad money supply at desired non-inflationary levels. CBN regulates the optimal demand for total bank reserves followed by an estimation of the total supply of bank reserves to achieve the OMO target. If there is an excess supply of reserves, OMO will seek to mop up the excess reserves and if there is a shortage, the aim of monetary policy will be to inject reserves (Dixit, 2003). OMO is conducted using Treasury Bills as the sole intervention security and is implemented exclusively through licensed discount houses which constitute the secondary market for these securities. Auctions of securities take place once a week with written notices sent to all banks before the auction. The banks then submit open bids comprising the discount rate and the volume of subscription to the discount houses that in turn make bids to the CBN. The total bids received are collated and arranged in descending order of prices. In theory, the CBN accepts the highest bid price (lowest discount rate) for sales and the lowest prices offered (highest discount offer) for purchases. CBN had regulated cut-off yields at the auctions such that excessive high bidders often failed to get allocations. This suggests that the CBN systematically eliminated outliers in arriving at the final rates.

In 1999, the CBN raised the rates on treasury bills to an all-time high of 18%, indicating a greater willingness to make treasury bills competitive. The bidding process ends when discount

houses allot treasury bills to dealers whose bids are accepted. Treasury bill holders who are pressed for funds can discount them with licensed discount houses, thereby assuring the necessary liquidity for these securities. In 1996, the CBN commenced repurchase transactions (Repos) with discount houses, involving the purchase or sale of government securities with an obligation to reverse the transaction on an agreed date. This move has served to further enhance OMO flexibility (Alade, 2003; Dixit, 2003). Prior to 1999, commercial banks enforced use of stabilization securities, non-negotiable instruments of CBN. It was mandatory for banks to buy from these instruments time to time. The use of the instruments which imposed significant costs on the banks was later discontinued. In April 1999, the authorities introduced Special Treasury Bills (STBs), which all banks submitting bids for foreign exchange were compelled to buy. The aim of the STBs was to mop up the excess liquidity generated by the abolition of the retail banking functions of the CBN.

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. In simple terms, the monetary mechanism of Keynesians emphasizes the role of money, but involves an indirect linkage of money with aggregate demand via the interest rate as symbolically shown below:

$$\downarrow \text{OMO} \rightarrow R \rightarrow \uparrow \text{MS} \rightarrow \downarrow r \rightarrow I \rightarrow \uparrow \text{GNP}$$

Where, OMO = Open Market Operation

R = Commercial Bank Reserve

MS = Stock of Money

r = Interest Rate

I = Investment

GNP = Gross National Product

On a more analytical note, if the economy is initially at equilibrium and there is open market purchase of government securities by the Central Bank of Nigeria (CBN), this open Market Operation (OMO) will increase the commercial banks reserve (R) and raise the bank reserves. The bank then operates to restore their desired ratio by extending new loans or by expanding bank credit in other ways. Such new loans create new demand deposits, thus increasing the money supply (MS). A rising money supply causes the general level of interest rate (r) to fall. The falling interest rates affects commercial bank performance and in turn stimulate investment given businessmen expected profit. The induced investment expenditure causes successive rounds of final demand spending by GNP to rise by a multiple of the initial change in investment. On the other hand, a fall in money supply causes the general level of interest rate (R) to rise or increase thereby increasing the commercial banks profitability Jhingan, (2005).

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 can be summarized below:

$\uparrow OMO \rightarrow \uparrow MS \rightarrow \text{Spending} \rightarrow \uparrow GNP$

The monetarist argument centres on the old quantity theory of money. If velocity of money in circulation is constant, variation in money supply will directly affect prices and output or income (GNP), (M. L. Jhingan, Monetary Economics 6th Edition, P. 418 – 419).

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 per se. This implies that a high excess reserve increases profitability of banks by increasing the availability of loanable investment funds.

4. EMPIRICAL REVIEW

Odufalu (1994) based his study mainly on the effect of monetary policy on banks profitability in Nigeria. He developed a model of bank profitability, which had profit before interest and tax as the dependent variables. While the independent variables include, average interest rate on savings and time deposits, prime lending rate for loans and advances, treasury bills rate, total deposit, liquidity ratio, cash and income. He also used pooled data for only twelve commercial banks from 1986 to 1990 periods and estimated the model using the ordinary least square (OLS) estimation method.

Ogunleye (1995) in his own submission criticized and questioned Odufalu's use of certain variables in his model, for example, lending rate is one aspect of interest rate and thus, making its inclusion among the explanatory variables questionable.

Uchendu (1995) criticized Odufalu's use of twelve banks as sample size out of a total of one hundred and twenty banks on the basis that the sample size was small to make any meaningful conclusion. Using data ranging from 1970 to 1993 and a sample size of a total of sixty commercial banks, he investigated the impact of monetary policy on the performance of commercial banking sector in Nigeria. He developed a profit function employing three different measures of profitability namely: interest earning rate, rate of return on assets and rate of return on capital as the dependent variables and six independent variables which include: interest rate (saving or lending), exchange rate, concentration ratio (a variable measuring efficiency unit labour cost). Estimating using OLS method, his result showed that variations in interest rates are a major source of changes in commercial banks performance. Other factors include bank reserves; oligopolistic market power of the three big commercial banks and staff remuneration exhibited a positive impact on commercial bank profitability. Viability variations in exchange rate showed negative effects, which managerial efficiency had no clear influence.

5. RESEARCH METHODOLOGY

The study explored the survey method in which questionnaires and personal interviews were used to elicit respondents' views and opinion on the subject of the study. The population of the

study was staff of Stanbic IBTC bank in Delta state will constitute the total population from which the sample would be determined. The choice of these locations was based on the exploratory nature of the study and its convenience. The study employed primary and secondary based data collection methods. The questionnaires were administered using drop-and-pick method. The secondary data was gathered by a review of existing materials on the topic under study. The sample size of the study is One hundred (100) staff of Stanbic IBTC bank in Delta state of Nigeria drawn from a population of 135. These are the tools or methods used in collecting data from respondents. In this study, questionnaire and interview are the research instruments used. Validation of instrument was done by experts and academia. The reliability 'r' was established to be 0.73 at 0.05 level of significant, showing a high level of reliability of instrument. The data collected from the respondents were subjected to descriptive statistical analysis.

6. DATA ANALYSIS, FINDINGS AND DISCUSSION

Data Analysis

This section involves presentation of demographic statistics with the use of tables to analyze the responses of respondents and their respective percentages. As stated earlier, one hundred (100) questionnaires were administered and retrieved from the respondents. This represents 100% (percent) response. These are analyzed below

Table 1: Sex Distribution of Respondents

Sex of Respondents	Frequency	Percentage (%)
Male	62	62
Female	38	38
Total	100	100

Source: Survey data, 2025

Sex structure expresses the proportion of male-female of the total respondents used for the study. Out of a total of 100 respondents used for the study, 62 of them were males representing 62% of the respondents, while 38 of them were females representing 38% of the total respondents. The meaning of this is that there are more male employees in the organisation.

Table 2: Age Distribution of Respondents.

Age	Frequency	Percentage (%)
18-25	18	18
26-30	26	26
31 and above	56	56
Total	100	100

Source: Survey data, 2025.

Table 2 shows the age distribution of the respondents. The most of the respondents (56%) of the total respondents were within the age brackets of 31 and above years. 26% of the respondents were within the age brackets of 26-30 years, while 18% of the respondents were within the age brackets of 18-25 years.

Table 3: Educational Qualification of Respondents

Educational Qualification	Frequency	Percentage (%)
SSCE/WAEC	18	18
OND/NCE	21	21
HND/B.SC	58	58
Ph.D/M.SC/MBA	3	3
Total	100	100

Source: Survey data, 2025

Table 3 shows that majority of the respondents (58%) are HND/B.SC degree holders, followed by OND/NCE holders (21%), 18 respondents (18%) has SSCE/WAEC results while 3 (3%) has Post graduate (PG) degrees.

Table 4: Marital Status of Respondents.

Marital status	Frequency	Percentage (%)
Single	26	26
Married	54	54
Divorced	8	8
Widowed	12	12
Total	100	100

Source: Survey data, 2025.

Table 3 shows that most of the respondents 54 (54%) are married, 26%, 8% and 12% of the respondents are single, divorced and widowed respectively.

Analysis of Research Questions

Table 5

ANALYSIS OF RESEARCH QUESTIONS

STATEMENTS/QUESTIONS		SA %	A %	U %	D %	SD %	TOTAL %
1.	Monetary policy and commercial banks are inextricately linked together	32	34	4	14	16	100
2.	Monetary policy instrument are critical in the demand for and supply of reserves held by depository institutions	22	37	6	22	13	100
3.	Monetary policy works by affecting banks assets (loans)as well as bank liabilities (deposits)	33	32	5	17	13	100
4.	Contractionary monetary policy reduces the extent to which banks can accept reservable deposits	32	34	4	14	16	100
5.	Competition for core deposit often forces commercial banks to supplement their funding requirements	29	30	7	21	13	100
6.	There is a positive relationship between commercial bank loans and advances (CBLA) and discount rate	60	13	7	8	2	100
7.	Market share objective of commercial banks affects its minimum discount rate	52	34	11	-	3	100
8.	There is a positive relative between deposit liabilities of commercial banks and minimum discount rate	5	50	16	11	18	100

9.	Funding structure objective of commercial banks drives the need for deposits	60	31	7	-	2	100
10.	High performing banks maintains high level of deposit account relative to other assets	18	9	4	20	1	100

STATEMENTS/QUESTIONS		SA %	A %	U %	D %	SD %	TOTAL %
11.	The profitability of a bank depends on its ability to convert deposit liability into income earning assets	66	9	4	20	1	100
12.	Attracting deposits at lower rates increases interest margins and profitability of commercial banks	41	41	1	3	13	100
13.	Rate paid relative to the cost of other liabilities influences the desire for deposit	33	32	6	17	13	100
14.	Interest rate play a significant role in the volume of commercial bank savings and deposit	33	42	4	10	11	100
15.	Retail deposit spread relative to appropriate interest rate	60	18	-	4	12	100
16.	Supply of deposit by household changes in relation to discount rate	60	31	7	-	2	100

From question 1 above, (32%) strongly agree, 34% agreed, while (4%) remained undecided with the research question. 14% and 16% of the respondents disagreed and strongly disagree with the questionnaire item.

From question 2 above, (22%) and (37%) of the respondents strongly agreed and agreed. However, contrary to their opinion, (22%) and (13%) respectively disagreed and strongly disagreed, while (6%) of the respondents remained undecided.

From question 3 above, (33%) strongly agreed, 32% agreed, while (5%) remained undecided with the research question. (17%) disagree while (13%) strongly disagree with the questionnaire item.

From question 4 above, (32%) and (34%) of the respondents strongly agreed and agreed respectively with the research question. However, contrary to their opinion, (14%) and (16%) respectively disagreed and strongly disagreed with the research question, while (4%) of the respondents remained undecided.

From question item 5 above, 33% strongly agree, 57% agree, while 7% were undecided. Furthermore, 2% disagree and 1% strongly disagrees with the research question.

From question item 6 above (60%) and (31%) of the respondents strongly disagreed and agreed respectively with the question, 7% were undecided while 0% and 2% agree and strongly agree respectively with the question.

From question item 7 above (52%) strongly disagreed while 34% of the respondents disagreed respectively with the question, 11% were undecided while 0% and 3% agree and strongly agree respectively with the question.

From question item 8 above (5%) and (50%) of the respondents strongly agreed and agreed respectively with the question, 16% were undecided while 11% and 18% disagree and strongly disagree respectively with the question.

From question item 9, (60%) and (31%) of the respondents strongly agreed and agreed respectively with the question, 7% were undecided while none disagreed and or 2% strongly disagree with the question.

From question item 10 above (66%) and (9%) of the respondents strongly agreed and agreed respectively with the question, 4% were undecided while 20% and 1% disagree and strongly disagree with the question.

Question 11 above shows that, (66%) and (9%) of the respondents strongly agreed and agreed respectively with the question, 4% were undecided while 20% and 1% strongly disagree respectively with the question.

From question 12 above, 41% strongly agree, 41% agree, while 1% were undecided. Furthermore, 3% disagree and 13% strongly disagree with the research question.

Question 13 above shows that, 33% strongly agreed with the research question, 32% agree, while 6% were undecided. In addition, 17% disagree and 13% strongly disagree with the research question.

From question 14 above, 34% strongly agree, 42% agree, while 4% were undecided. Furthermore, 10% disagree and 11% strongly disagree with the research question.

From question 15 above, 66% strongly agree, 18% agree, while 0% were undecided. Furthermore, 4% disagree and 12% strongly disagree with the research question.

Question 16 above shows that, (60%) and (31%) of the respondents strongly agreed and agreed respectively with the question, 7% were undecided while 0% and 2% strongly disagree respectively with the question.

7. FINDINGS

Test of Hypothesis

In this research work, four (4) hypotheses were formulated in chapter one which will now be tested using the Chi square at 5% level of significance. The formula is stated below:

$$X^2 = \frac{\sum (O-e)^2}{e}$$

Where;

X^2 = Chi square statistics value

Σ = Summation

O = Observed frequency (determined from the responses obtained from the relevant question in the questionnaire)

e = Expected frequency (determined from the responses obtained from the relevant questions using the formula)

$$= \frac{\text{Row total} \times \text{Column total}}{\text{Grand total}}$$

Grand total

Decision Rule

Based on the chi-square calculated value (X^2_{cal}) the degree of freedom is determined by (C – I) (r-I) where c = no. of columns, r = no. of rows. The value of X^2_{tab} is determined using the degree of freedom and the level of probability.

If X^2_{cal} is greater than X^2_{tab} , then H_0 is accepted and the alternate H_1 is rejected.

Conversely, if X^2_{cal} is less than X^2_{tab} , the alternate H_1 is rejected while the H_0 is accepted.

Hypothesis One

H₁: There is no significant relationship between monetary policy and bank deposit liabilities in Nigeria..

H₀: There is a significant relationship between monetary policy and bank deposit liabilities in Nigeria.

In testing the above statement of hypotheses, questionnaire item 1 and 3 was used.

Table 6: Observed & Expected Frequencies for Hypotheses One

Questionnaire Item	Response Options			Total
	Yes	No	Undecided	
Q 1	66	30	4	100
Q 3	65	30	5	100
Total	131	60	9	200

The formula used in calculating the expected frequencies:

$$\text{Expected frequency (e)} = \frac{\text{Row Total} \times \text{Column Total}}{\text{Grand Total}}$$

Grand Total

$$\text{Row 1, Column 1} = \frac{100 \times 131}{200}$$

$$= 65.5$$

$$\text{Row 1, column 2} = \frac{100 \times 60}{200}$$

$$= 30$$

$$\text{Row 1, column 3} = \frac{100 \times 9}{200}$$

$$= 4.5$$

$$\text{Row 2, column 1} = \frac{100 \times 131}{200}$$

$$= 65.5$$

$$\text{Row 2, column 2} = \frac{100 \times 60}{200}$$

$$= 30$$

$$\text{Row 2, column 3} = \frac{100 \times 9}{200}$$

$$= 4.5$$

Based on the observed and expected frequencies, a contingency table is prepared as shown below;

Table 7: Contingency Table for Hypotheses One

Row/Column	O	E	O – e	(O – e) ²	$\frac{(O - e)^2}{e}$
R1 C1	66	65.5	0.5	0.25	0.0038
R1 C2	30	0	0	0	0
R1 C2	4	4.5	-0.5	0.25	0.0555
R2 C1	65	65.5	-0.5	0.25	0.0038
R2 C2	30	30	0	0	0
R2 C3	5	4.5	0.5	0.25	0.0555
Total					0.1186

Hypotheses One Decision/Inference

$$X^2 \text{ cal.} = 0.1186$$

$$\text{Degree of freedom} = (r-1) (c-1) = 2$$

$$\text{Level of significance} = 5\% \text{ or } 0.05$$

$$X^2 \text{ tab} = 9.94$$

Inference

The calculated X^2 is found to be lesser than X^2 table at error level of 0.05. Thus, the alternate hypothesis (H_1) is rejected while the null hypothesis (H_0) is accepted.

Decision

We accept the null hypotheses (H_0) which states that there is a significant relationship between monetary policy and bank deposit liabilities in Nigeria.

Hypotheses Two

H1: There is no significant relationship between deposit liabilities of commercial banks and minimum discount rate in Nigeria.

H0: There is a significant relationship between deposit liabilities of commercial banks and minimum discount rate in Nigeria.

In testing the above statement of hypotheses, questionnaire item 5 and 6 was used.

Table 8: Observed & Expected Frequencies for Hypotheses Two

Questionnaire Item	Response Options			Total
	Yes	No	Undecided	
Q 5	90	3	7	100
Q 6	91	2	7	100
Total	181	5	14	200

The formula used in calculating the expected frequencies:

$$\text{Expected frequency (e)} = \frac{\text{Row Total} \times \text{Column Total}}{\text{Grand Total}}$$

$$\text{Row 1, Column 1} = \frac{100 \times 181}{200} = 90.5$$

$$\text{Row 1, column 2} = \frac{100 \times 5}{200} = 2.5$$

Row 1, column 3 = $\frac{100 \times 14}{200}$

200

= 7

Row 2, column 1 = $\frac{100 \times 181}{200}$

200

= 90.5

Row 2, column 2 = $\frac{100 \times 5}{200}$

200

= 2.5

Row 2, column 3 = $\frac{100 \times 14}{200}$

200

= 7

Based on the observed and expected frequencies, a contingency table is prepared as shown below;

Table 9: Contingency Table for Hypotheses Two

Row/Column	O	E	O – e	(O – e) ²	$\frac{(o - e)^2}{e}$
R1 C1	90	90.5	-0.5	0.25	0.0038
R1 C2	3	2.5	0.5	0.25	0.0038
R1 C2	7	7	0	0	0
R2 C1	91	90.5	0.5	0.25	0.0038
R2 C2	3	2.5	-0.5	0.25	0.0038
R2 C3	7	7	0	0	0
Total					0.0152

Hypotheses two Inference/Decision

$$X^2 \text{ cal} = 0.0152$$

$$\text{Degree of freedom} = (r-1) (c-1) = 2$$

$$\text{Level of significance} = 5\% \text{ or } 0.05$$

$$X^2 \text{ tab} = 9.94$$

Inference

The calculated X^2 is found to be lesser than X^2 table at error level of 0.05. Thus, the alternate hypothesis (H_1) is rejected while the null hypothesis (H_0) is accepted.

Decision

We accept the null hypotheses (H_0) which states that there is a significant relationship between deposit liabilities of commercial banks and minimum discount rate in Nigeria.

HYPOTHESES THREE

H₁: There is no significant relationship between deposit liabilities of commercial banks and deposit rate in Nigeria

H₀: There is a significant relationship between deposit liabilities of commercial banks and deposit rate in Nigeria

In testing the above statement of hypotheses, questionnaire item 10 and 12 was used.

Table 10: Observed & Expected Frequencies for Hypotheses Three

Questionnaire Item	Response Options			Total
	YES	NO	Undecided	
Q 10	75	21	4	100
Q 12	82	16	2	100
Total	157	37	6	200

The formula used in calculating the expected frequencies:

$$\text{Expected frequency (e)} = \frac{\text{Row Total} \times \text{Column Total}}{\text{Grand Total}}$$

$$\text{Row 1, Column 1} = \frac{100 \times 157}{200} = 78.5$$

$$\text{Row 1, column 2} = \frac{100 \times 37}{200} = 18.5$$

$$\text{Row 1, column 3} = \frac{100 \times 6}{200}$$

$$\frac{200}{200} = 3$$

$$\text{Row 2, column 1} = \frac{100 \times 157}{200}$$

$$= 78.5$$

$$\text{Row 2, column 2} = \frac{100 \times 37}{200}$$

$$= 18.5$$

$$\text{Row 2, column 3} = \frac{100 \times 6}{200}$$

$$= 3$$

Based on the observed and expected frequencies, a contingency table is prepared as shown below;

Table 11: Contingency Table for Hypotheses Two

Row/Column	O	E	O – e	(O – e) ²	$\frac{(o - e)^2}{e}$
R1 C1	75	78.5	-3.5	12.25	0.156051
R1 C2	21	18.5	2.5	6.25	0.3378378
R1 C2	4	3	1	1	0.3333333
R2 C1	82	78.5	3.5	12.25	0.156051
R2 C2	16	18.5	-2.5	6.25	0.3378378
R2 C3	2	3	-1	1	0.3333333
Total					0.6544

Hypotheses two Inference/Decision

$$X^2 \text{ cal} = 0.0655$$

Degree of freedom = $(r-1)(c-1) = 2$

Level of significance = 5% or 0.05

$X^2_{\text{tab}} = 9.94$

Inference

The calculated X^2 is found to be lesser than X^2 table at error level of 0.05. Thus, the null hypothesis (H_0) is rejected.

Decision

We reject the null hypothesis (H_0) and accept the alternate hypothesis (H_{01}) which states that there is a significant relationship between deposit liabilities of commercial banks and deposit rate in Nigeria

8. DISCUSSION OF FINDINGS

The first hypothesis established that there is a significant relationship between monetary policy and bank deposit liabilities in Nigeria. This aligns with Kolawole (2025), who found that monetary policy instruments—including reserve requirements and policy interest rates—play a vital role in shaping the deposit liabilities and profitability of deposit-money banks.

The second hypothesis showed a significant link between deposit liabilities of commercial banks and the minimum discount rate. Recent evidence supports this: when the Central Bank of Nigeria (CBN) increased its Standing Deposit Facility (SDF) rate (effectively its discount-like tool) to 26.5 % from 19 %, banks responded in ways that affected their deposit behaviour and cost of funds.

For the third hypothesis, the study found a significant relationship between deposit liabilities of commercial banks and the deposit rate. Onigah (2024) supports this result; in his study, he showed that commercial bank deposit rates significantly affect banks' ability to mobilize deposits, which in turn influences overall bank performance.

Summary

After due analysis of the data collected for the study, the study revealed thus:

- i. That there is a significant relationship between monetary policy and bank deposit liabilities in Nigeria. ($X^2 \text{ cal.} = 0.1186$) < ($X^2 \text{ tab} = 9.94$)
- ii. That there is a significant relationship between deposit liabilities of commercial banks and minimum discount rate in Nigeria. ($X^2 \text{ cal.} = 0.0152$) < ($X^2 \text{ tab} = 9.94$)
- iii. That there is a significant relationship between deposit liabilities of commercial banks and deposit rate in Nigeria. ($X^2 \text{ cal.} = 0.6544$) < ($X^2 \text{ tab} = 9.94$)

9. CONCLUSION

This study examined the impact of monetary and fiscal policies on commercial banks and other financial institutions in Nigeria, identifying the channels through which monetary policy influences performance, particularly through changes in deposit liabilities. The findings revealed that monetary policies significantly affect the performance of the banking sector, with discount rate and deposit rate playing key roles in shaping outcomes.

The study further showed that while government regulation through monetary policy remains an effective control measure, challenges lie in implementation. Many banks lack adequately skilled manpower to interpret and apply policies effectively, leading to gaps in competitiveness. Addressing these human capital deficits is crucial to strengthening the industry and ensuring sustainable growth.

Recommendations

- i. Government should avoid frequent policy reversals and ensure consistency, as abrupt Central Bank measures often conflict with profitability goals.
- ii. The nation should pursue stable macroeconomic policies and adopt market-based reforms to stimulate domestic markets, boost industrial output, and improve infrastructure.

- iii. Commercial banks should focus on internal performance factors such as capital adequacy, asset quality, management efficiency, earnings, and liquidity while using risk management to handle monetary policy effects.

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