

**BANK REGULATION AND PERFORMANCE OF QUOTED DEPOSIT
MONEY BANKS IN NIGRIA**

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UNIVERSITY OF BENIN**

MARCH, 2025

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**A PROJECT SUBMITTED TO THE DEPARTMENT OF FINANCE, FACULTY OF
MANAGEMENT SCIENCES, UNIVERSITY OF BENIN, BENIN CITY, IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR OF
SCIENCE (B.Sc.) DEGREE IN BANKING AND FINANCE**

MARCH, 2025

DECLARATION

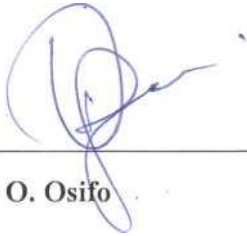
I, **EFFIONG HOPE UDOH** with Mat No; **MG2003440** declare that this research is based on the study undertaken in the Department of Finance, Faculty of Management Sciences, University of Benin, Benin City. Under the supervision of Dr O. Osifo, this work has not been previously submitted for the award of degree elsewhere, and that all the ideas and view are product of my personal research and that of my supervisor and all the references made to work of other persons have been duly acknowledged.



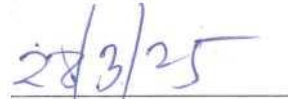
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CERTIFICATION

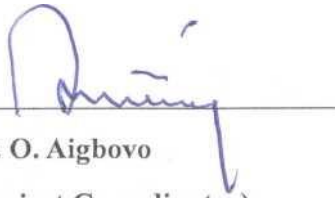
This is to certify that, this project was carried out by **EFFIONG HOPE UDOH** of the department of finance, faculty of management sciences, university of Benin, Benin city, and is adequate in scope and quality for the partial fulfillment of the requirements for the award of Bachelor of



Dr O. Osifo



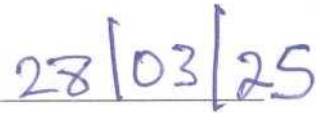
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DEDICATION

This work is dedicated to God Almighty, who has been my guiding light and source of strength throughout this journey.

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I give special thanks and gratitude to the Almighty God for his endless grace and mercy upon me althrough my academic pursuits in the University of Benin.

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To my ever-supportive mother, Mrs Gloria Effiong Udoh, your boundless love and unwavering support has served as the bedrock of my academic journey. Your role as pillar of strength in my life is irrefutable, and I am profoundly grateful for your enduring encouragement and to my special people (Mr osunde Rowland and aunty Esther adiajah, Hope Nogheghase Osarugue, Fidelis Igule), thank you for all you do for me.

Each one of you has contributed to the culmination of this project, and I eagerly anticipate celebrating the achievements that lie ahead with profound gratitude for the collective effort and support that made this journey possible.

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ABSTRACT

This study investigates the impact of real estate financing on economic growth in Nigeria, by analyzing its effects on Nigeria's Gross Domestic Product (GDP). Specifically, the study aims to evaluate the contribution of FDI, mortgage financing, and commercial real estate loans to the nation's economic performance, providing actionable insights for policymakers and stakeholders. A longitudinal, ex-post facto research design was adopted, utilizing panel data from 2014 to 2023. Data were sourced from the Central Bank of Nigeria (CBN), the National Bureau of Statistics (NBS), and reports from financial institutions and real estate firms. Panel data analysis was employed to capture both cross-sectional and time-specific effects, ensuring a robust assessment of the relationships between the variables. The findings reveal that all three dimensions of real estate financing significantly contribute to Nigeria's economic growth. FDI in real estate fosters capital inflow, infrastructure development, and job creation. Mortgage financing enhances housing accessibility and stimulates economic activity in the construction and housing sectors. Commercial real estate loans enable business expansion, infrastructure development, and increased urbanization, further boosting GDP. Based on these findings, the study recommends that the Nigerian government create a conducive environment for FDI by simplifying regulatory processes, ensuring macroeconomic stability, and offering investment incentives. Policies should also focus on improving access to affordable mortgage financing through innovative financing models, reduced interest rates, and expanded credit availability. Additionally, financial institutions should be incentivized to provide more commercial real estate loans by reducing associated risks and offering tax benefits for such lending.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The performance of deposit money banks (DMBs) is pivotal to the financial system, directly influencing economic stability, growth, and efficiency. In Nigeria, these banks play a central role in mobilizing savings, providing credit, and fostering economic development. The assessment of their performance is often based on indicators such as profitability, asset quality, liquidity, and operational efficiency. Regulatory frameworks established by the Central Bank of Nigeria (CBN) aim to ensure that banks operate within guidelines that promote stability and sound financial practices. Uruakpa (2024) analyzed the impact of liquidity management on the profitability of Nigerian banks, highlighting the importance of effective cash management strategies in enhancing operational efficiency. Similarly, Mbatabbey (2019) investigated the relationship between asset quality and bank performance, emphasizing the need for sound asset portfolios to maintain profitability and reduce the risk of loan defaults. On the regulatory front, the CBN has introduced several measures to strengthen the banking sector. In 2021, the CBN issued guidelines for implementing Basel III standards, which aim to enhance the resilience of DMBs by addressing capital adequacy and liquidity risks. Furthermore, the CBN has developed frameworks for mobile money services and open banking, which are designed to promote financial inclusion and innovation within the sector. These measures demonstrate the regulator's commitment to fostering a robust and dynamic banking environment.

Additionally, the CBN has emphasized the need for adequate capitalization in the banking sector. In 2024, it mandated that banks submit recapitalization plans to meet new minimum capital requirements, a move aimed at strengthening the financial system and supporting economic growth. Such efforts ensure that banks are well-positioned to withstand economic shocks and continue contributing to national development. The performance of Nigerian deposit money banks is influenced by a combination of internal management practices and external regulatory measures. The interplay between these factors highlights the need for continuous adaptation and reform to sustain the stability, growth, and efficiency of the financial system.

Bank regulation, as a broad concept, encompasses a range of rules and guidelines that dictate how banks should operate to mitigate risks and maintain stability. Regulations ensure that banks have sufficient capital, manage risks effectively, and operate transparently. The effectiveness of these regulations significantly impacts the overall performance of deposit money banks. In Nigeria, regulations such as the Capital Adequacy Ratio (CAR) and Reserve Requirements play pivotal roles in shaping the operations and financial health of these banks (Owolabi & Okwu, 2011). For instance, the CAR requires banks to hold a certain amount of capital against their risk-weighted assets, ensuring they have sufficient buffers to absorb losses in times of economic stress. This regulatory requirement impacts the profitability and liquidity of banks, which are key components of bank performance.

One significant aspect of bank regulation that influences performance is interest rate regulation. In Nigeria, the CBN controls the monetary policy framework, including setting benchmark interest rates, which in turn affect the interest rates banks charge on loans and offer on deposits. Interest rate regulations can impact a bank's lending activities, borrowing capacity, and overall profitability

(Akingunola, 2018). By controlling the cost of credit and returns on savings, the central bank aims to balance economic growth with price stability. However, overly stringent interest rate regulations may limit banks' ability to lend profitably, thus affecting their performance.

Similarly, credit risk regulations are integral to ensuring the quality of loans and minimizing defaults, which directly affect the financial stability of banks. In Nigeria, banks are required to maintain provisions for bad debts and conduct thorough credit assessments before issuing loans. The enforcement of these regulations helps mitigate the risk of nonperforming loans (NPLs), which are detrimental to a bank's profitability and overall performance. Studies have shown that effective credit risk management practices enhance the profitability of banks by reducing the occurrence of defaults and minimizing the adverse impact of credit risk (Ekanem & Afolabi, 2015). Credit risk regulations thus contribute to the overall performance by ensuring that banks maintain healthy asset portfolios.

Another critical regulatory factor affecting bank performance is regulatory compliance. Compliance with regulatory standards involves adhering to the rules and guidelines set by regulatory bodies such as the CBN. This includes ensuring transparency in financial reporting, maintaining proper accounting practices, and meeting various capital and liquidity requirements. Non-compliance can lead to penalties, fines, and even the revocation of banking licenses, which can severely damage a bank's reputation and performance (Ogunleye, 2017). Therefore, regulatory compliance is essential for maintaining the integrity of the banking system and ensuring sustainable growth in the performance of deposit money banks.

The performance of deposit money banks in Nigeria is intricately linked to various regulatory mechanisms, including interest rate regulations, credit risk management, and overall regulatory

compliance. Each of these regulatory factors plays a significant role in shaping the operational success and financial stability of banks. As the Nigerian banking sector continues to evolve, understanding the relationship between bank regulation and bank performance becomes increasingly critical for ensuring a robust and resilient financial system.

1.2 Statement of the Problem

The performance of deposit money banks in Nigeria has long been influenced by regulatory frameworks set by the Central Bank of Nigeria (CBN) and other regulatory bodies. Despite these regulations, many challenges persist, affecting the financial stability and operational

« efficiency of these banks. One significant issue is the prevalence of non-performing loans, which undermine profitability and financial stability. Macroeconomic instability, including exchange rate volatility and inflation, creates additional hurdles for banks in maintaining operations and supporting borrowers. Many banks also struggle with maintaining adequate capital buffers to meet regulatory requirements and remain resilient during economic shocks. The rise of fintech companies introduces fierce competition, particularly in areas like payments and lending, forcing traditional banks to innovate rapidly. Lastly, cybersecurity risks and the need for significant technological investments strain resources, further complicating the operational landscape for Nigerian banks. Owolabi and Okwu (2011) highlighted the role of bank regulations in enhancing the performance of banks. However, the relationship between specific regulatory mechanisms, such as the Monetary Policy Rate (MPR), Cash Reserve Ratio (CRR), Bank Monitoring Standards (BMS), and Margin Requirement (MR), and their effects on bank performance remains underexplored. While individual regulations have been analyzed in isolation, no study has comprehensively examined these regulatory factors simultaneously or their combined direct and indirect effects on bank performance. To address this gap, this study aims to answer the following questions:

1.3 Research Questions

1. What is the impact of the Monetary Policy Rate (MPR) on the performance of deposit money banks in Nigeria?
2. How does the Cash Reserve Ratio (CRR) affect the financial performance of deposit money banks in Nigeria?
3. What is the relationship between Margin Requirements (MR) and the performance of deposit money banks in Nigeria?

1.4 Objectives of the Study

The main objective of this study is to assess bank regulation and the performance of deposit money banks, specifically the study aims to;

1. examine the impact of the Monetary Policy Rate (MPR) on the performance of deposit money banks in Nigeria.
2. evaluate how the Cash Reserve Ratio (CRR) affects the financial performance of deposit money banks in Nigeria.
3. investigate the relationship between Margin Requirements (MR) and the performance of deposit money banks in Nigeria.

1.5 Hypotheses of the Study

H01: Monetary Policy Rate (MPR) has no significant impact on the performance of deposit money banks in Nigeria

H02: Cash Reserve Ratio (CRR) does not significantly affect the financial performance of deposit money banks in Nigeria.

H03: There is no significant relationship between Margin Requirements (MR) and the performance of deposit money banks in Nigeria.

1.6 Scope of the Study

The aim of this study is to examine the impact of bank regulation on the performance of deposit money banks in Nigeria from 1995 to 2023, with a specific focus on four key regulatory mechanisms: Monetary Policy Rate (MPR), Cash Reserve Ratio (CRR), Bank Monitoring Standards (BMS), and Margin Requirements (MR). This period is particularly significant due to the evolving financial

landscape in Nigeria, characterized by regulatory adjustments aimed at stabilizing and strengthening the banking sector.

The study focuses on deposit money banks listed on the Nigerian Stock Exchange (NSE), which are directly impacted by the stringent regulatory frameworks implemented by the Central Bank of Nigeria (CBN) and other oversight bodies. These regulations are critical to shaping various performance metrics, including profitability, liquidity, asset quality, and operational efficiency.

1.7 Significance of the Study

This research has several key implications for stakeholders in the Nigerian banking sector:

Government: The study will provide policymakers with insights into how bank regulation influences the performance of deposit money banks in Nigeria. The findings can guide decisions on the effectiveness of existing regulatory frameworks and suggest improvements in policy to strengthen the banking sector, ensuring economic stability.

Bank Managers: The results will help bank managers better understand the critical role that regulatory compliance plays in the overall performance of their institutions. It will offer strategies for improving operational efficiency, profitability, and risk management through adherence to regulatory guidelines.

Regulatory Bodies: This research will offer valuable insights to regulatory bodies like the Central Bank of Nigeria (CBN) on the impacts of specific regulations, such as interest rates, capital adequacy, and credit risk management, on the stability and performance of the banking sector.

Academia: The findings of this study will contribute to the body of knowledge on the role of

regulation in the performance of banks, especially in emerging markets like Nigeria. The study will be a reference for future research on banking regulations and their impact on the financial performance of deposit money banks.

Investors: Investors, particularly those involved in the Nigerian banking sector, will benefit from understanding how regulatory policies affect the profitability and risk profile of deposit money banks. This can inform investment decisions and risk management strategies.

Public: Understanding how regulatory frameworks influence the performance of banks will help the general public and stakeholders in the economy appreciate the importance of sound banking regulations in ensuring financial stability and growth.

1.8 Limitation of the Study

While this study provides valuable insights, it is subject to certain limitations:

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Data Availability: The availability and consistency of data may pose challenges, as some financial reports from the banks or other relevant sources may not be readily accessible or may be incomplete, especially for earlier years within the study period.

Narrow Focus: The study is limited to deposit money banks listed on the Nigerian Stock Exchange (NSE). This excludes non-listed banks or smaller financial institutions, which may also be affected by regulatory frameworks but are not included in the study sample.

Generalizability: The study's findings may not be fully applicable to banks outside the scope of this research (e.g., smaller, non-listed banks or banks operating in other African countries), as they may be subject to different regulatory and economic conditions.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed the related literature of the study, it starts by reviewing conceptually the dependent and independent variables, it further reviewed relevant theories and finally reviewed related empirical studies.

2.2 Conceptual Review

2.2.1 Performance of Deposit Money Banks

The performance of deposit money banks (DMBs) is a critical component of the financial system and serves as an indicator of the overall health of an economy. Deposit money banks are financial institutions that accept deposits from the public, provide credit facilities, and facilitate the transfer of funds, thereby playing a pivotal role in financial intermediation. Their performance is often assessed using various metrics, including profitability, liquidity, asset quality, capital adequacy, and operational efficiency.

Profitability is one of the most important measures of bank performance and is typically evaluated using indicators such as return on assets (ROA), return on equity (ROE), and net interest margin (NIM). These metrics provide insights into the bank's ability to generate earnings relative to its assets and equity base. For instance, banks with high ROA and ROE are considered financially strong and better positioned to withstand external shocks (Onoh, 2020). Profitability is influenced by factors such as interest rate policies, cost management, and the bank's ability to diversify its revenue sources.

Liquidity management is another critical aspect of the performance of deposit money banks. Liquidity

reflects the bank's ability to meet its financial obligations as they come due, without incurring significant losses. Adequate liquidity ensures that banks can respond to deposit withdrawals and fund new loans while maintaining financial stability. The liquidity ratio, a commonly used metric, evaluates the proportion of liquid assets to total liabilities, providing a snapshot of the bank's capacity to manage short-term obligations effectively (Ahmed & Yusuf, 2021).

Asset quality is a vital determinant of DMB performance, as it reflects the health of the bank's loan portfolio. High levels of non-performing loans (NPLs) indicate a deterioration in asset quality and may result in reduced earnings, increased provisioning requirements, and heightened financial risk. The quality of a bank's assets is influenced by credit risk management practices, the economic environment, and regulatory oversight. For example, during periods of economic downturn, banks often experience higher NPLs due to borrowers' inability to meet their debt obligations (Eze & Ikechukwu, 2019).

Capital adequacy also plays a significant role in evaluating the performance of deposit money banks. It measures the bank's financial strength and ability to absorb losses while continuing operations. The capital adequacy ratio (CAR), defined as the ratio of a bank's

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capital to its risk-weighted assets, is a key metric used by regulators to ensure financial stability. Banks with a high CAR are better equipped to handle periods of economic uncertainty and systemic risks, enhancing their resilience (Central Bank of Nigeria, 2022).

Operational efficiency, often assessed through the cost-to-income ratio, measures how effectively a

bank utilizes its resources to generate revenue. A lower cost-to-income ratio indicates higher efficiency, suggesting that the bank is managing its operational costs well relative to its income. Efficiency is influenced by factors such as technology adoption, scale of operations, and strategic management practices. Technological advancements, particularly in digital banking, have significantly improved the operational efficiency of many deposit money banks in recent years (Adewale & Afolabi, 2020).

In the Nigerian context, the performance of deposit money banks is influenced by a combination of internal and external factors. Regulatory policies implemented by the Central Bank of Nigeria (CBN), such as the cash reserve requirement (CRR), capital adequacy regulations, and prudential guidelines, play a crucial role in shaping the performance of banks. Additionally, macroeconomic factors such as inflation, exchange rate fluctuations, and GDP growth also impact the performance of banks. For example, the economic recession experienced in Nigeria between 2016 and 2017 led to a decline in profitability and asset quality for many banks, underscoring the interplay between economic conditions and bank performance (Ogunleye, 2018).

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The performance of deposit money banks is a multifaceted concept that requires a comprehensive evaluation of financial, operational, and regulatory dimensions. Effective management practices, sound regulatory frameworks, and favorable macroeconomic conditions are essential for enhancing the performance and stability of deposit money banks, particularly in developing economies like Nigeria. As the financial landscape continues to evolve, the ability of banks to adapt to regulatory changes, leverage technological advancements, and maintain operational resilience will remain

critical to their success.

2.2.2 Bank Regulation

Bank regulation refers to the set of rules, guidelines, and supervisory practices established by regulatory authorities to ensure the safety, stability, and efficiency of the banking system. The primary objectives of bank regulation are to protect depositors, maintain public confidence in the financial system, ensure financial stability, and prevent systemic risks that could disrupt economic activities. Regulations are also designed to promote competition and safeguard against the misuse of banking institutions for illegal purposes such as money laundering or financing terrorism.

One of the core aspects of bank regulation is the establishment of capital adequacy requirements. These requirements mandate banks to maintain a minimum level of capital relative to their risk-weighted assets. The capital adequacy ratio (CAR) ensures that banks can absorb potential losses and continue their operations during periods of financial distress. Internationally, the Basel Accords provide a framework for capital regulation, and many countries, including Nigeria, have adopted these standards. For instance, the Central Bank of Nigeria (CBN) enforces capital adequacy requirements to strengthen the financial health of deposit money banks and protect the interests of depositors (Eze & Olowu, 2020).

Liquidity regulation is another critical component of bank regulation. It requires banks to hold a certain proportion of their assets in liquid form to meet short-term obligations and unexpected withdrawal demands. In Nigeria, the cash reserve requirement (CRR) and liquidity ratio are key tools used by the CBN to manage the liquidity of deposit money banks. By adjusting these ratios, the

regulator can influence the availability of funds in the banking system, thereby controlling inflation and ensuring financial stability (Afolabi, 2021).

Prudential guidelines form an essential part of bank regulation and are aimed at ensuring sound risk management practices. These guidelines cover areas such as loan provisioning, asset classification, and credit exposure limits. They are designed to reduce the risk of bank failures and ensure the proper functioning of the financial system. For instance, regulations on non-performing loans (NPLs) compel banks to classify their assets based on the likelihood of recovery and to make provisions accordingly. This ensures that banks maintain transparency and financial discipline, which are crucial for maintaining public confidence (Okoye & Emeka, 2019).

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In addition to prudential regulations, corporate governance requirements are enforced to ensure the accountability and transparency of bank management. These regulations typically outline the roles and responsibilities of directors, executive management, and shareholders in the governance process. The CBN's Code of Corporate Governance for Banks in Nigeria emphasizes the need for ethical practices, risk management, and oversight to prevent insider abuse and conflicts of interest (Central Bank of Nigeria, 2022).

Another critical aspect of bank regulation is consumer protection. Regulations in this area aim to safeguard the rights of customers by ensuring transparency in the disclosure of fees, charges, and terms of financial products and services. In Nigeria, the Consumer Protection Framework issued by the CBN provides guidelines for fair treatment of customers and complaint resolution mechanisms. This framework seeks to address grievances effectively and promote trust between banks and their

customers (Adekunle, 2020).

Anti-money laundering (AML) and combating the financing of terrorism (CFT) measures are also integral to bank regulation. These regulations require banks to implement systems and processes to detect and prevent illicit financial activities. In Nigeria, the Economic and Financial Crimes Commission (EFCC) collaborates with the CBN and other stakeholders to enforce compliance with AML/CFT standards. Banks are mandated to perform customer due diligence (CDD), monitor transactions, and report suspicious activities to the relevant authorities (Ogunleye, 2018).

Bank regulation is also used as a tool for monetary policy implementation. Regulatory measures such as setting reserve requirements, interest rate controls, and credit guidelines enable central banks to influence credit creation and the money supply. This is particularly relevant in economies like Nigeria, where monetary policy plays a crucial role in stabilizing inflation and fostering economic growth (Ahmed, 2021).

In the Nigerian context, the Central Bank of Nigeria serves as the primary regulatory authority, overseeing the operations of deposit money banks through its supervisory and regulatory frameworks. Other key institutions, such as the Nigeria Deposit Insurance Corporation (NDIC), complement the CBN's efforts by providing insurance coverage for depositors, thereby enhancing confidence in the banking sector. The regulatory landscape in Nigeria has evolved significantly over the years, with reforms- aimed at strengthening the banking system, including the recapitalization exercise of 2005 and the introduction of risk-based supervision (Adewale, 2020).

Bank regulation is a fundamental pillar of the financial system, ensuring stability, transparency, and

resilience. By addressing capital adequacy, liquidity management, prudential practices, corporate governance, and consumer protection, regulatory frameworks mitigate risks and promote public trust in the banking sector. In Nigeria, robust regulatory oversight remains essential to support the growth and sustainability of deposit money banks, especially in the face of dynamic economic and financial challenges.

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2.2.2.1 Monetary Policy Rate (MPR)

The Monetary Policy Rate (MPR) is a critical tool used by central banks to influence the cost of borrowing and the availability of credit within an economy. It serves as the benchmark interest rate at which the central bank lends to commercial banks and other financial institutions to meet their short-term liquidity needs. The MPR is a key instrument of monetary policy, playing a pivotal role in regulating inflation, stabilizing exchange rates, and promoting sustainable economic growth.

The primary objective of the MPR is to control inflation by influencing aggregate demand in the economy. When the central bank increases the MPR, borrowing becomes more expensive for commercial banks. This, in turn, raises the interest rates charged by banks to their customers, leading to a reduction in consumer spending and investment. Conversely, a reduction in the MPR makes borrowing cheaper, encouraging spending and investment, which can stimulate economic growth. Thus, the MPR serves as a mechanism for balancing inflation and economic activity (Eze & Obiora, 2020).

In addition to its role in inflation control, the MPR is instrumental in managing exchange rate stability. By adjusting the MPR, central banks can influence capital flows and exchange rate movements. For

instance, a higher MPR can attract foreign investors seeking higher returns, thereby increasing foreign exchange inflows and strengthening the domestic currency. On the other hand, a lower MPR may lead to capital outflows, putting downward pressure on the currency. This dynamic underscores the importance of the MPR in maintaining the stability of a country's external sector (Adebayo, 2019).

The Monetary Policy Rate also serves as a signal to financial markets and the broader economy. Changes in the MPR provide guidance on the central bank's monetary policy stance, whether it is tightening to curb inflation or loosening to stimulate economic activity. This signaling effect is particularly important in influencing expectations, as it helps shape the behavior of market participants, including investors, businesses, and consumers. For example, an increase in the MPR may signal the central bank's commitment to controlling inflation, thereby anchoring inflationary expectations and enhancing policy credibility (Adekunle, 2021).

In Nigeria, the Central Bank of Nigeria (CBN) uses the MPR as its primary monetary policy instrument. The MPR is reviewed periodically by the Monetary Policy Committee (MPC), which considers various macroeconomic indicators such as inflation, GDP growth, exchange rate dynamics, and global economic conditions. For instance, during periods of high inflation, the MPC may decide to increase the MPR to dampen excessive demand and reduce price pressures. Conversely, in times of economic slowdown, the MPR may be reduced to encourage borrowing and investment, thereby stimulating economic activity (Central Bank of Nigeria, 2022).

However, the effectiveness of the MPR as a monetary policy tool depends on several factors, including the structure of the financial system and the transmission mechanisms of monetary policy.

In Nigeria, the impact of MPR adjustments on the real economy has been subject to various challenges. One key issue is the weak transmission of changes in the MPR to lending and deposit rates in the banking sector. Structural inefficiencies, such as limited financial inclusion and high levels of informality in the economy, often hinder the effectiveness of monetary policy (Olowu & Udo, 2020).

Another challenge is the dual mandate of the CBN to achieve both price stability and economic growth. Striking a balance between these objectives can be difficult, particularly in an environment characterized by volatile oil prices, exchange rate fluctuations, and fiscal imbalances. For example, during periods of declining oil revenues, the CBN may face pressure to use the MPR to stabilize the exchange rate, even at the expense of higher borrowing costs for businesses and households (Ogunleye, 2018).

Despite these challenges, the MPR remains a crucial tool for macroeconomic management in Nigeria. Over the years, the CBN has implemented various measures to enhance the effectiveness of the MPR, such as improving liquidity management and fostering greater transparency in the monetary policy process. Additionally, efforts to deepen financial markets and promote financial inclusion are expected to strengthen the transmission mechanisms of monetary policy, enabling the MPR to have a more significant impact on economic outcomes (Adewale, 2020).

The Monetary Policy Rate is a vital instrument for regulating economic activity and maintaining macroeconomic stability. Its role in controlling inflation, stabilizing exchange rates, and signaling monetary policy direction underscores its significance in economic management. While challenges persist in the Nigerian context, ongoing reforms and policy initiatives are expected to enhance the

effectiveness of the MPR, ensuring its continued relevance in achieving the dual objectives of price stability and economic growth.

2.2.2.2 Cash Reserve Ratio (CRR)

The Cash Reserve Ratio (CRR) is a key monetary policy instrument used by central banks to regulate the liquidity in the banking system and ensure financial stability. It refers to the percentage of a bank's total deposits that must be kept as reserves with the central bank. These reserves are not available for lending or investment purposes, thereby reducing the amount of money that banks can circulate in the economy. The CRR is a powerful tool for controlling inflation, managing credit growth, and maintaining monetary and financial stability.

The primary purpose of the CRR is to regulate liquidity in the banking system. By adjusting the CRR, central banks can influence the amount of funds available for banks to lend to businesses and individuals. An increase in the CRR means that banks must hold a larger portion of their deposits with the central bank, reducing the funds available for lending and investment. This tightening of liquidity can help curb inflationary pressures by reducing

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aggregate demand in the economy. Conversely, a reduction in the CRR increases the funds available to banks, stimulating lending and economic activity (Adebayo & Chike, 2021).

Another critical function of the CRR is to enhance financial stability by ensuring that banks maintain adequate reserves. By requiring banks to hold a certain percentage of their deposits as reserves, the central bank reduces the risk of a liquidity crisis. These reserves act as a buffer against unexpected

withdrawals by depositors, thereby strengthening public confidence in the banking system. In times of financial distress, the central bank can also lower the CRR to inject liquidity into the banking system and stabilize the economy (Eze & Okafor, 2020).

In addition to its role in liquidity management, the CRR serves as a tool for monetary policy implementation. Changes in the CRR can influence credit creation and the money supply, allowing central banks to achieve broader macroeconomic objectives. For instance, during periods of economic growth, an increase in the CRR can help prevent overheating by restricting excessive credit expansion. Conversely, during economic downturns, a lower CRR can encourage lending, supporting economic recovery (Central Bank of Nigeria, 2022).

In the Nigerian context, the Central Bank of Nigeria (CBN) uses the CRR as a vital instrument for managing liquidity and controlling inflation. The CRR is reviewed periodically by the Monetary Policy Committee (MPC) in response to prevailing economic «

conditions. For instance, during periods of high inflation, the CBN may raise the CRR to reduce excess liquidity in the banking system and moderate price pressures. On the other hand, in times of economic slowdown, the CRR may be lowered to boost credit availability and stimulate growth (Adekunle, 2020).

However, the effectiveness of the CRR as a monetary policy tool depends on several factors, including the structure of the banking system and the responsiveness of banks to changes in reserve requirements. In Nigeria, the impact of CRR adjustments on credit availability has been subject to various challenges. One significant issue, is the high CRR levels imposed on deposit money banks,

which sometimes constrain their ability to lend, especially to the private sector. This has raised concerns about the trade-off between liquidity control and credit growth (Olowu & Uche, 2019).

Another challenge in the application of the CRR in Nigeria is the uneven impact on banks of different sizes. Large banks, with more extensive deposit bases, are better positioned to absorb the effects of high CRR requirements compared to smaller banks, which may face liquidity constraints. This disparity highlights the need for a balanced approach in the use of the CRR to avoid unintended consequences for financial inclusion and credit access (Adewale, 2021).

Despite these challenges, the CRR remains an essential component of monetary policy in Nigeria. It provides the CBN with a flexible and direct mechanism for influencing liquidity and achieving macroeconomic stability. Over the years, the CBN has also used complementary measures, such as open market operations and monetary policy signaling, to enhance the effectiveness of the CRR. Additionally, reforms aimed at improving financial inclusion and strengthening the banking sector are expected to reduce the structural constraints that limit the impact of CRR adjustments (Ogunleye, 2018).

The Cash Reserve Ratio is a critical tool for regulating liquidity, ensuring financial stability, and achieving macroeconomic objectives. Its role in controlling inflation, managing credit growth, and preventing systemic risks underscores its significance in monetary policy frameworks. In Nigeria, while challenges remain in the effective application of the CRR, ongoing efforts to address structural issues and improve financial market dynamics are expected to enhance its role in fostering economic stability and growth.

2.2.2.3 Margin Requirements (MR)

Margin Requirements (MR) are regulatory tools used to control credit exposure, manage systemic risks, and ensure financial stability by setting minimum collateral requirements for borrowing or trading on margin. Margin refers to the difference between the total value of securities purchased and the loan amount provided by a lender, typically a financial institution. Margin requirements mandate that borrowers or investors deposit a certain percentage of the total value as collateral before they can borrow funds or engage in M

leveraged trading. These requirements play a critical role in mitigating excessive risktaking and maintaining the integrity of financial markets.

The primary purpose of margin requirements is to limit credit exposure and ensure that financial institutions and investors operate within their risk-bearing capacities. By requiring borrowers to maintain a specified level of collateral, regulators reduce the likelihood of defaults that could destabilize the financial system. Higher margin requirements act as a buffer against potential losses, particularly during periods of market volatility. Conversely, lower margin requirements provide easier access to credit, which can stimulate economic activity but may also increase financial risks if not managed prudently (Adebayo & Okeke, 2020).

In addition to credit risk management, margin requirements serve as an important tool for controlling speculative activities in financial markets. Excessive speculation, particularly in volatile asset classes such as equities, derivatives, and commodities, can lead to price distortions and systemic vulnerabilities. By imposing stringent margin requirements, regulators can discourage speculative

behavior and promote market stability. For instance, higher margin requirements on equity trades during periods of market exuberance can help temper speculative bubbles and prevent abrupt price corrections (Olowu & Adedeji, 2019).

Margin requirements also play a significant role in monetary policy implementation. Adjusting margin requirements provides central banks with a means to influence credit creation and liquidity in the economy. For example, an increase in margin requirements reduces the borrowing capacity of investors and businesses, thereby curbing credit expansion and controlling inflationary pressures. Conversely, a reduction in margin requirements enhances credit availability, supporting economic growth during periods of economic slowdown. As a result, margin requirements complement other monetary policy instruments such as interest rates and reserve requirements (Central Bank of Nigeria, 2022).

In Nigeria, margin requirements are applied to both financial institutions and capital market participants to ensure prudent risk management and market discipline. The Central Bank of Nigeria (CBN) oversees the implementation of margin requirements in the banking sector, while the Securities and Exchange Commission (SEC) regulates their application in the capital markets. These regulatory frameworks aim to balance the need for credit availability with the imperative of maintaining financial stability. For instance, during periods of economic uncertainty, the CBN may tighten margin requirements to reduce systemic risks associated with excessive credit exposure (Adewale & Yusuf, 2021).

One notable application of margin requirements in Nigeria is in the regulation of margin lending,

where financial institutions provide loans to investors for purchasing securities. The SEC mandates minimum collateral requirements to mitigate the risks of default and ensure that borrowers have sufficient skin in the game. These requirements are periodically reviewed based on market conditions, such as volatility levels and credit risk profiles, to ensure their effectiveness in managing risks (Eze & Chukwuemeka, 2020).

Despite their importance, the implementation of margin requirements in Nigeria faces several challenges. One significant issue is the limited financial literacy among market participants, which can result in the misuse of margin facilities and heightened financial risks. Additionally, the enforcement of margin requirements is complicated by market inefficiencies, such as the lack of advanced risk assessment tools and inconsistencies in compliance among financial institutions. These challenges highlight the need for continuous capacity building and technological advancements to enhance the effectiveness of margin requirements (Ogunleye, 2018).

Another challenge is the potential trade-off between financial stability and credit accessibility. While higher margin requirements reduce systemic risks, they can also limit the availability of credit, particularly for small and medium-sized enterprises (SMEs) and individual investors. Striking the right balance is crucial to ensuring that margin requirements achieve their objectives without stifling economic growth. This balance becomes particularly relevant during periods of economic downturn, when credit constraints could exacerbate economic challenges (Adekunle, 2021).

In recent years, technological advancements and the growing adoption of financial technology (fintech) have provided opportunities to enhance the effectiveness of margin requirements. Digital

platforms and advanced analytics enable real-time monitoring of margin accounts, improving transparency and compliance. Additionally, innovations such as algorithmic trading and automated risk management systems allow financial institutions to assess and manage margin risks more efficiently. These developments are expected to strengthen the role of margin requirements in promoting financial stability and market discipline (Adebayo & Okeke, 2020).

Margin Requirements are a vital regulatory tool for managing credit risks, controlling speculative activities, and ensuring financial stability. Their role in limiting excessive risktaking, promoting market discipline, and supporting monetary policy objectives underscores their significance in the financial system. In Nigeria, while challenges persist in their implementation and enforcement, ongoing reforms, capacity building, and technological advancements hold promise for enhancing the effectiveness of margin requirements in fostering a resilient and stable financial environment.

2.3 Theoretical Review

This study on bank regulation and the performance of deposit money banks adopted three theories that are highly relevant and suitable for this research are:

Agency Theory: This theory was developed by Jensen and Meckling in 1976. Agency theory examines the relationship between principals (owners or shareholders) and agents (managers or executives) in a firm. The theory posits that agents may act in their own interests, which could conflict with the goals of the principals. The theory highlights the need for mechanisms such as monitoring, incentives, and regulations to align the interests of both parties and reduce agency costs. In the banking sector, agency theory is relevant as it explains the relationship between regulators (acting as

principals) and banks (agents). Regulations such as the Cash Reserve Ratio (CRR), Monetary Policy Rate (MPR), and Bank Monitoring Standards (BMS) are tools to ensure that banks operate in ways that serve the broader interests of stakeholders and the economy. By reducing information asymmetry and moral hazard, agency theory justifies the imposition of regulations to mitigate risks and align the behavior of banks with societal goals. This study aligns with agency theory as it evaluates how regulatory frameworks influence the performance of deposit money banks, ensuring they operate in ways that protect depositors and foster economic stability.

Stakeholder Theory: This theory was developed by Edward Freeman in 1984. Stakeholder theory focuses on the relationships between an organization and its stakeholders, including shareholders, customers, employees, regulators, and society at large. The theory emphasizes that organizations must balance the interests of all stakeholders rather than prioritizing only shareholders. It argues for corporate practices that contribute to the overall well-being of stakeholders. In the context of bank regulation, stakeholder theory highlights the role of regulations in ensuring that banks act in the interests of all stakeholders. Regulations such as margin requirements and bank monitoring standards protect depositors, ensure financial stability, and contribute to broader societal well-being by mitigating systemic risks. This study's focus on the relationship between regulatory measures and bank performance resonates with stakeholder theory by addressing how regulations safeguard stakeholder interests, particularly those of depositors, creditors, and the economy.

Public Interest Theory: This theory was developed in the early 20th century, it has been formalized by economists such as Arthur Cecil Pigou in 1932. Public interest theory posits that regulation is instituted primarily to serve the public good. It asserts that the government intervenes in industries,

such as banking, to correct market failures, protect consumers, and promote economic stability. The theory assumes that regulators act in the best interest of society by designing rules that prevent abuse, ensure fair practices, and mitigate systemic risks. This theory is highly relevant to the study as it provides a foundation for understanding why regulatory frameworks such as the MPR, CRR, and BMS are imposed on banks. These measures aim to stabilize the financial system, protect depositors, and reduce systemic risks that could harm the economy. The study aligns with public interest theory as it examines how regulatory measures ensure that banks operate efficiently and contribute positively to the broader economy, reflecting the essence of serving the public good.

Theoretical Framework

Public interest theory explicitly explains the rationale behind regulatory measures, making it the most directly applicable theory for a study focused on bank regulation and performance. This theory addresses the primary objectives of bank regulation—stabilizing the financial system, protecting depositors, and mitigating systemic risks—all of which are central to the study. Unlike agency theory and stakeholder theory, which focus on specific relationships or groups, public interest theory provides a holistic explanation for the role of regulation in achieving societal benefits through economic stability. The study aims to evaluate how bank regulation affects the performance of deposit money banks, with a focus on measures such as the CRR, MPR, and BMS. These regulatory tools are designed to ensure financial stability, protect depositors, and promote economic growth, all of which are fundamental objectives of public interest theory. This theory provides a robust framework for understanding how and why regulatory interventions are implemented in the banking sector.

2.4 Empirical Review

Aliyu et al. (2024) conducted a comprehensive study on the relationship between bank regulation and the performance of quoted deposit money banks in Nigeria. The objective of the study was to evaluate the extent to which regulatory frameworks influence bank profitability and risk management, with a particular focus on capital adequacy, liquidity requirements, and compliance measures imposed by the Central Bank of Nigeria (CBN). The study employed a quantitative research methodology, analyzing financial data from 100 banks across Nigeria. By leveraging econometric models, the authors assessed how various regulatory policies affected key performance indicators such as return on assets (ROA), return on equity (ROE), and non-performing loan (NPL) ratios. The findings of the study indicated that stringent regulatory frameworks had a significant impact on the overall performance of Nigerian banks. Specifically, capital adequacy regulations were found to enhance financial stability by ensuring that banks maintained sufficient buffers to absorb losses. Additionally, compliance with liquidity requirements improved banks' resilience against economic shocks, while risk management policies helped mitigate credit and operational risks. The study further highlighted that banks operating under well-enforced regulatory guidelines exhibited higher profitability and stability compared to those with lax regulatory adherence. However, despite these insights, the study identified a notable gap in its scope. While it thoroughly examined traditional banking regulations and their impact on bank performance, it did not adequately explore the influence of fintech competition on regulatory compliance and financial performance. The growing presence of financial technology firms has introduced new dynamics in the banking industry, particularly in areas such as digital lending, mobile banking, and payment solutions. The study did not assess how banks are adapting to

these disruptions within the regulatory landscape or how fintech-driven innovations might necessitate revisions to existing banking regulations. Addressing this gap would provide a more holistic understanding of the evolving relationship between regulation and bank performance in Nigeria's rapidly changing financial sector.

Emmanuel, Musa, and Udi (2022) conducted a study to examine the impact of regulatory compliance on the stability of deposit money banks in Nigeria. The primary objective of the study was to evaluate how adherence to banking regulations influences financial stability, focusing on capital adequacy, risk management, and liquidity maintenance. The authors employed a survey-based research methodology, collecting data from 50 banks across Nigeria. The study analyzed responses from bank managers, compliance officers, and financial analysts to assess the relationship between regulatory adherence and bank stability. The findings indicated a strong correlation between regulatory compliance and financial stability. Banks that strictly followed regulatory requirements exhibited higher levels of resilience against economic downturns and financial crises. Compliance with capital adequacy ratios, liquidity reserve requirements, and anti-money laundering (AML) policies contributed to reducing operational risks and enhancing the overall health of the banking sector. The study also highlighted that regulatory oversight played a crucial role in curbing excessive risk-taking behaviors among financial institutions. However, a significant gap identified in the study was the lack of focus on long-term financial sustainability. While the research established a short-term correlation between compliance and stability, it did not explore whether regulatory adherence translated into long-term financial performance and sustainability. The study did not assess how banks balance regulatory compliance with profitability over extended periods, particularly in the face of evolving financial

technologies and market disruptions. Future research could benefit from examining how sustained compliance impacts long-term growth and competitiveness in Nigeria's banking sector.

Akintola, Ogundipe, and Adesanya (2021) investigated the relationship between capital adequacy and bank profitability within Nigeria's banking sector. The study aimed to determine whether maintaining adequate capital reserves enhances the financial stability and profitability of deposit money banks. The authors adopted a panel data analysis approach, using financial statements from 80 banks operating in Nigeria over multiple years. The study focused on key financial indicators such as capital adequacy ratio (CAR), return on assets (ROA), and return on equity (ROE). The findings revealed that capital adequacy plays a crucial role in ensuring financial stability and enhancing profitability. Banks with strong capital bases were better positioned to absorb financial shocks, maintain operational efficiency, and sustain long-term profitability. The study further highlighted that well-capitalized banks had a lower risk of insolvency and were able to provide loans more effectively, contributing to economic growth. Regulatory measures ensuring adequate capitalization were found to significantly impact bank stability, reducing the likelihood of financial distress. Despite these insights, the study did not examine external economic factors that could influence capital adequacy and profitability. Elements such as inflation, exchange rate fluctuations, and macroeconomic instability were not factored into the analysis. Additionally, the study did not consider the role of digital banking innovations in altering capital requirements and financial performance. Future research could incorporate external economic variables and technological advancements to provide a more comprehensive understanding of how capital adequacy influences bank profitability in a rapidly changing financial landscape.

Akujunibi, Anyanwu, and Eke (2021) conducted a study to assess the effect of interest rate regulation

on lending activities among deposit money banks in Nigeria. The research sought to determine how the Central Bank of Nigeria's (CBN) interest rate policies impact credit allocation, loan accessibility, and overall bank profitability. The authors employed a regression analysis methodology, using data from 60 banks across Nigeria. The study analyzed the relationship between interest rate fluctuations and lending behaviors in the banking sector. The results indicated that higher interest rates significantly reduced lending activities, as banks became more risk-averse in issuing loans. When the CBN set high benchmark interest rates, banks responded by tightening credit conditions, making it more difficult for individuals and businesses to access loans. Conversely, lower interest rates encouraged borrowing but raised concerns about credit risk and loan repayment. The study found that while interest rate regulation aimed to stabilize the economy, excessive rate adjustments could have unintended consequences on financial institutions, limiting their lending capacity and revenue generation. A major gap identified in the study was the lack of consideration for digital lending platforms. The study focused primarily on traditional banking institutions and did not account for how fintech companies and mobile banking solutions have disrupted the lending landscape. Digital lenders often operate outside strict regulatory frameworks, providing loans at more competitive rates. Future studies should explore how traditional banks can adapt to these changes and how interest rate regulations might be revised to accommodate the growing influence of digital finance.

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Kabochi (2020) examined the impact of reserve requirements on liquidity management in the Kenyan banking sector. The objective of the study was to analyze how the Central Bank of Kenya's policies on cash reserve ratios influenced banks' ability to manage liquidity and meet their financial obligations. The research employed a case study methodology, focusing on 30 banks operating within

Kenya. Data was collected from financial statements, regulatory reports, and industry surveys. The findings indicated that higher reserve requirements limited liquidity availability for banks, restricting their ability to lend and invest in profitable ventures. While maintaining higher reserves provided a safety net against financial crises, it also constrained operational flexibility, particularly for smaller banks with lower capital bases. The study highlighted that stringent reserve policies could lead to higher borrowing costs, reduced loan issuance, and slower economic growth. A key gap in the research was its focus on short-term effects. While the study effectively demonstrated the immediate impact of reserve requirements on liquidity, it did not analyze long-term consequences, such as how prolonged reserve restrictions affect overall bank performance, profitability, and economic growth. Additionally, the study did not consider how digital banking innovations and alternative financial instruments influence liquidity management in modern banking systems.

Lotto (2018) conducted a study on regulatory policies and bank risk management, aiming to determine how banking regulations influence risk mitigation strategies in Nigeria. The study employed a mixed-methods approach, combining qualitative interviews with 70 banks alongside quantitative financial data analysis. The research focused on regulatory frameworks such as capital adequacy requirements, anti-money laundering (AML) policies, and credit risk assessments. The study found that regulatory policies significantly enhance risk management by ensuring that banks implement robust monitoring systems to prevent financial mismanagement. Banks that adhered to strict regulatory guidelines were more likely to mitigate credit risk, improve transparency, and sustain long-term profitability. Additionally, compliance with anti-money laundering regulations helped banks avoid financial crimes and reputational damage. However, the study had a notable gap, as it did

not evaluate the risks associated with digital banking. The research primarily focused on traditional banking risks without considering emerging threats such as cybersecurity vulnerabilities, fraud in online transactions, and risks associated with fintech innovations. Future research should examine how digital banking is reshaping risk management strategies in modern financial institutions.

Mwenda (2018) conducted a study to examine the impact of Basel III regulations on bank performance in Kenya. The objective of the study was to assess how the implementation of Basel III standards affected the financial stability, liquidity management, and capital adequacy of Kenyan banks. The study employed a comparative analysis methodology, comparing 50 banks operating under Basel III guidelines with those still adhering to previous regulatory frameworks. The findings indicated that Basel III significantly improved financial resilience by ensuring that banks maintained higher capital reserves and adopted stricter risk management practices. The introduction of liquidity coverage ratios and leverage limits enhanced banks' ability to withstand economic shocks and financial crises. The study also highlighted that banks operating under Basel III demonstrated greater transparency in financial reporting and reduced exposure to credit risk. However, a key gap in the study was the lack of empirical financial data to support its claims. While the research relied on theoretical and comparative assessments, it did not incorporate in-depth financial metrics or quantitative analysis to measure the direct impact of Basel III on profitability and loan performance. Additionally, the study did not explore how the transition to Basel III affected small and medium-sized banks that might struggle to meet the new capital requirements. Future research should incorporate empirical financial data to provide a more concrete analysis of Basel III's impact on the banking sector.

Muniu (2018) conducted an empirical study on liquidity risk and bank profitability, seeking to determine how liquidity constraints impact the earnings and stability of commercial banks in Kenya. The study utilized a time series analysis methodology, analyzing financial records from 40 banks in Kenya over multiple years. The research aimed to establish the relationship between liquidity risk indicators, such as loan-to-deposit ratios and cash reserves, and profitability metrics like return on assets (ROA) and return on equity (ROE). The findings revealed that liquidity risk negatively impacts bank profitability, as banks with inadequate liquidity reserves faced challenges in meeting short-term financial obligations, leading to higher borrowing costs and reduced lending capacity. The study emphasized that banks with poor liquidity management strategies often struggled with regulatory compliance, leading to financial instability. It also highlighted that liquidity constraints forced some banks to reduce loan issuance, limiting their revenue streams. A notable gap in the study was its failure to analyze the effects of market shocks on liquidity risk. The research primarily focused on internal liquidity management practices but did not assess how external factors—such as economic recessions, inflation, or foreign exchange volatility—affect liquidity risk in the banking sector. Future research should integrate macroeconomic variables into liquidity risk assessments to provide a more comprehensive understanding of the issue.

Nwanna and Odia (2018) conducted a study on the effects of monetary policy on the banking sector in Nigeria. The study sought to determine how monetary policy instruments, such as the Monetary Policy Rate (MPR), Cash Reserve Ratio (CRR), and Open Market Operations (OMO), influenced the stability and performance of deposit money banks. The authors employed a descriptive statistics methodology, analyzing data from 90 banks in Nigeria to assess the impact of monetary policy on bank profitability and lending activities. The findings suggested that monetary policies play a crucial

role in shaping banking stability. An increase in the Monetary Policy Rate (MPR) was found to restrict bank lending, as higher borrowing costs reduced the demand for loans. Conversely, lower interest rates stimulated credit expansion but raised concerns about loan repayment risks. The study also highlighted that banks with strong liquidity positions were better able to

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navigate monetary policy adjustments, while smaller banks faced challenges in adapting to policy changes. A major gap in the study was its lack of focus on fintech innovation. The study primarily examined traditional banking institutions and did not explore how digital banking and fintech companies are reshaping monetary policy transmission mechanisms. Future research should analyze how financial technology innovations, such as mobile money and digital lending platforms, interact with monetary policy to influence the performance of the banking sector.

Igbinosa, Sunday, and Babatunde (2017) conducted a study on bank regulation and economic growth, aiming to assess the extent to which banking regulations contribute to national economic development in Nigeria. The study employed an econometric analysis methodology, utilizing financial data from 100 banks in Nigeria to examine the relationship between banking regulations, credit availability, and economic growth indicators such as GDP expansion and investment levels. The study found a strong link between banking regulations and economic growth, with well-regulated banks contributing significantly to capital formation and financial stability. Strict regulatory measures, such as capital adequacy requirements and loan classification policies, were found to enhance investor confidence and encourage financial sector development. Additionally, the study emphasized that regulatory oversight played a critical role in reducing financial crises and maintaining economic stability. However, a significant gap in the research was its failure to explore sectoral variations. While the

study established a general link between regulation a

and economic growth, it did not differentiate between how regulations impact different economic sectors, such as manufacturing, agriculture, and services. Future research should analyze the sector-specific effects of banking regulations to provide policymakers with more targeted recommendations.

Ndolo (2017) conducted a study on loan default and credit risk management, seeking to evaluate how credit risk frameworks influence loan repayment behaviors among commercial banks in Kenya. The study employed a survey-based methodology, collecting data from 45 banks in Kenya to analyze the effectiveness of credit assessment procedures, loan recovery strategies, and regulatory requirements for managing non-performing loans (NPLs). The findings indicated that credit risk frameworks play a crucial role in reducing loan default rates. Banks that implemented stringent credit assessment criteria and proactive loan monitoring strategies had lower incidences of loan defaults. The study also highlighted that regulatory policies requiring banks to maintain provisions for bad debts significantly improved financial stability and risk mitigation. A key gap in the research was its lack of focus on recent financial trends. While the study provided valuable insights into traditional credit risk management practices, it did not account for emerging trends such as fintech lending, alternative credit scoring models, and blockchain-based credit risk assessment. Future research should explore how these innovations are transforming credit risk management strategies in the modern banking sector.

Table 2.1: Summary of Empirical Review

Author Name and Date	Title	Methodology	Sample size	Location	Findings	Gaps
Aliyu et al (2024)	Bank Regulation and Performance of Quoted Deposit Money Banks in Nigeria	Quantitative	100 banks	Nigeria	Regulations impact bank profitability and risk management	Limited focus on fintech competition
Emmanuel, Musa, and Udi Polycarp (2022)	Impact of Regulatory Compliance on Bank Stability	Survey-based	50 banks	Nigeria	Strong correlation between compliance and stability	Did not assess long-term financial sustainability
Akintola, Ogundipe and Adesanya (2021)	Capital Adequacy and Bank Profitability	Panel Data Analysis	80 banks	Nigeria	Capital adequacy boosts financial stability	Did not examine external economic factors
Akujunebi, Anyanwu and Eke (2021)	Effect of Interest Rate Regulation on Lending	Regression Analysis	60 banks	Nigeria	Higher interest rates reduce lending activities	Did not consider the role of digital lending
Kabochi (2020)	Reserve Requirements and Liquidity Management	Case Study	30 banks	Kenya	Higher reserves limit liquidity	Focused only on short-term effects
Lotto (2018)	Regulatory Policies and Bank Risk Management	Mixed Method	70 banks	Nigeria	Regulatory policies enhance risk mitigation	Did not evaluate digital banking risks
Mwenda (2018)	Impact of Basel III on Bank Performance	Comparative Analysis	50 banks	Kenya	Basel III improves financial resilience	Lacked empirical financial data
Muniu (2018)	Liquidity Risk and Bank Profitability	Time Series Analysis	40 banks	Kenya	Liquidity risk negatively impacts profits	Did not analyze effects of market shocks
Nwanna and Odia (2018)	Effects of Monetary Policy on Banking Sector	Descriptive Statistics	90 banks	Nigeria	Monetary policies shape banking stability	Lacked focus on fintech innovation

Igb inosa, Sunday and Babatunde	Bank Regulation and Rnrtnnmie Growth	Econometric Analysis	100 banks	Nigeria	Strong link between regulation and growth	Did not explore sectoral variations
0_ (201 /)	Loan Default and Ciedit <small>D I N4an(HTPmP,11t</small>	Survey-based	45 banks	Kenya	Credit risk frameworks reduce default rates	Lacked focu on recent financial trei
1 Ndolo (2017)	<small>IxI SK lvidl I d gv l</small>					

Source: Authors Compilation, 2025.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter outlines the methodology employed to examine the impact of bank regulation on the performance of quoted deposit money banks in Nigeria. The section describes the research design, population, sampling technique, data sources, model specification, and methods of data analysis. Additionally, it details diagnostic tests to ensure the validity and reliability of the study's findings.

3.2 Research Design

The study adopts an ex-post facto research design, using a longitudinal panel data approach. This design is suitable as it examines historical data to evaluate the effects of regulatory measures on bank performance over a specified period. The research focuses on how specific regulatory mechanisms, Monetary Policy Rate (MPR), Cash Reserve Ratio (CRR), Bank Monitoring Standards (BMS) proxied by Non Performing Loan Ratio (NPLR), and Margin Requirements (MR) influence the performance of deposit money banks. Panel data analysis is chosen to account for both cross-sectional (individual banks) and time-series (yearly data) variations, enhancing the robustness of the results. The study period spans 1995 to 2023, a timeframe marked by significant regulatory reforms in Nigeria.

3.3 Population of the Study^a

The population for this study comprises all deposit money banks listed on the Nigerian Stock

Exchange (NSE) between 1993 to 2023. This includes banks subject to Central Bank of Nigeria (CBN) regulations and reporting standards.

3.4 Sampling Technique and Sample Size Determination

A purposive sampling technique is employed to select deposit money banks with consistent and comprehensive financial records. The sample consists of 5 quoted banks; Access Bank, Zenith Bank, First Bank, Fidelity Bank and Guarantee Trust Bank that meet the criteria of regular compliance with regulatory reporting and participation in key banking activities. These banks represent a significant portion of the Nigerian banking industry and are directly impacted by the regulatory mechanisms under investigation. The selected sample ensures the availability of reliable data and the inclusion of banks with diverse operational scales and scopes, enhancing the generalizability of the findings.

3.5 Source of Data

The study relies on secondary data obtained from audited financial statement the deposit money banks and Central Bank of Nigeria Statistical bulletins. Data sources include the annual reports and monetary policy communiqués of the Central Bank of Nigeria (CBN), which provide detailed insights into regulatory measures, including the Monetary Policy Rate (MPR) and Cash Reserve Ratio (CRR). Financial statements of quoted deposit money

banks are also analyzed to gather performance indicators such as return on assets (ROA) which serve as the dependent variables in this study.

Publications from the National Bureau of Statistics (NBS) provide macroeconomic and financial data relevant to understanding the broader economic context in which banks operate. Together, these sources offer comprehensive data on the independent variables, Monetary Policy Rate (MPR), Cash Reserve Ratio (CRR), Bank Monitoring Standards (BMS) proxied by Non Performing Loan Ratio (NPLR), and Margin Requirements (MR) and their relationship with the performance metrics of Nigerian deposit money banks. The annual nature of the data ensures a longitudinal perspective, enabling an in-depth analysis of trends and dynamics over time.

3.6 Model Specification

The study models the relationship between bank regulation and performance using an econometric framework. The dependent variable is bank performance, proxied by ROA. The independent variables include MPR, CRR, BMS, proxied by NPLR, and MR. The model is specified as follows:

The functional form is;

$$ROA = f(MPR, CRR, BMS, MR) \dots \dots \dots (1)$$

and the econometric form is;

$$ROA_{it} = \beta_0 + \beta_1 MPR_{it} + \beta_2 CRR_{it} + \beta_3 MR_{it} + u_{it}$$

Where:

a

RO Ait: Performance of bank i at time t.

MPR_i: Monetary Policy Rate for bank i at time t. ■

CRR_i: Cash Reserve Ratio for bank i at time t.

MR_j: Margin Requirements for bank iii at time t.

uit: Error term capturing unobserved factors.

A Priori Expectations:

- $p_1 > 0, p_2 > 0, p_3 > 0$, indicating that higher regulatory compliance and stricter measures are expected to positively influence bank performance.

3.7 Method of Data Analysis

The data analysis in this study incorporates both descriptive and inferential statistical methods to ensure a comprehensive understanding of the relationship between regulatory mechanisms and the performance of deposit money banks. Descriptive statistics are used to summarize the characteristics of the variables, providing key measures such as mean, standard deviation, minimum, and maximum values. These descriptive insights offer an overview of the dataset's distribution and variability, helping to contextualize the subsequent inferential analysis.

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For inferential statistics, panel data regression models are employed to analyze the impact of regulatory mechanisms on bank performance. The analysis includes pooled ordinary least squares (OLS), fixed effects, and random effects models to account for both cross-sectional and time-series variations in the data. The Hausman test is applied to determine the most appropriate model—fixed or

random effects—based on the correlation between the regressors and the individual effects. This approach ensures the selection of a robust model that accurately captures the relationship between the independent variables (Monetary Policy Rate, Cash Reserve Ratio, Bank Monitoring Standards, and Margin Requirements) and the dependent variables (return on assets, return on equity, and net interest margin).

To enhance the validity of the results, diagnostic tests are conducted. A multicollinearity test checks for high correlations among the independent variables, ensuring that each variable independently contributes to the model. The heteroskedasticity test evaluates whether the error terms have constant variance, which is crucial for unbiased estimates. Additionally, an autocorrelation test is performed to assess the presence of serial correlation in the data, which could affect the reliability of the results. Together, these tests and analyses provide a robust foundation for interpreting the impact of regulatory mechanisms on the performance of deposit money banks in Nigeria.

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3.8 Measurement of Variables

S/N	Variables	Type of Variable	Measurement	Source
1.	ROA (Return on Assets)	Dependent Variable	$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$	Ajao (2021) and Digbove (2023)
2.	MPR (Monetary Policy Rate)	Independent Variable	Percentage rate set by the Central Bank of Nigeria	Central Bank of Nigeria (CBN)
3.	CRR (Cash Reserve Ratio)	Independent Variable	Percentage of commercial banks' total deposits that must be kept as reserves	Central Bank of Nigeria (CBN)
4.	MR (Margin Requirements)	Independent Variable	Percentage of margin required by banks to cover potential losses on loans	Central Bank of Nigeria (CBN)

Source: Authors Compilation, 2025.

CHAPTER FOUR

DATA PRESENTATION, ANALYSES AND INTERPRETATION

4.1 Introduction

This chapter presents the data collected from 1993 to 2023, focusing on the analysis and interpretation of the relationship between various variables in the context of the performance of quoted deposit money banks in Nigeria. The **Monetary Policy Rate (MPR)**, **Cash Reserve Ratio (CRR)**, and **Margin Requirements (MR)** are considered the key regulatory variables influencing the performance of these banks, with **Bank Performance (ROA)** as the dependent variable. The data are analyzed to understand how these regulatory factors impact the financial performance of deposit money banks.

4.2 Preliminary Analyses

This phase involves thorough cleaning and preprocessing of the dataset for the purpose of increasing data quality, accuracy, and dependability for analysis, reporting, and decisionmaking. This was done in this study using descriptive statistics such as mean, median, maximum, minimum, standard deviation, skewness and kurtosis. Also, correlation analyses was conducted.

Table 4.1: Descriptive statistics of research variables

	ROA	MPR	CRR	MR
Mean	5.224828	19.18966	24.20690	37.40690
Median	5.200000	19.00000	23.00000	37.00000
Maximum	7.400000	24.50000	41.00000	52.00000
Minimum	3.100000	14.50000	10.00000	25.00000
Std. Dev.	1.192368	2.653005	9.278220	7.091169
Skewness	0.002914	0.334177	0.309108	0.177062
Kurtosis	1.901423	2.242953	1.850814	1.936653
Jarque-Bera Probability	7.291726 0.026099	6.161406 0.045927	10.28787 0.005835	7.588999 0.022494
Sum	757.6000	2782.500	3510.000	5424.000
Sum Sq. Dev.	204.7306	1013.534	12396.29	7240.993
Observations	150	150	150	150

Source: Researcher's Computation, 2025.

Based on Table 4.1, The mean value of **Return on Assets (ROA)** is 5.22%, with a standard deviation of 1.19, suggesting moderate variability in the performance of the banks. The **Monetary Policy Rate (MPR)** has a mean of 19.19%, with a relatively low standard deviation of 2.65%, indicating that it is less volatile over the observed period. **Cash Reserve Ratio (CRR)** shows a mean of 24.21%, with a higher standard deviation of 9.28%, reflecting greater variability in the policy measures. The **Margin Requirement (MR)** has a mean of 37.41%, with a standard deviation of 7.09%, also indicating some variability. Skewness values for all variables are close to zero, suggesting relatively symmetric distributions, with **ROA** showing almost perfect symmetry. The kurtosis values are below 3 for all variables, indicating platykurtic distributions with less extreme outliers compared to a normal distribution. The Jarque-Bera test indicates that all variables are significantly different from a normal distribution, as evidenced by the p-values being less than 0.05.

Table 4.2: Correlation analysis for the research variables

	ROA	MPR	CRR	MR
ROA	1	0.309	0.975	0.972
MPR	0.309	1	0.235	0.258

CRR	0.975	0.235	1	0.971
MR	0.972	0.258	0.971	1

Source: Researcher’s Computation, 2025.

Based on Table 4.2, The correlation analysis for the research variables reveals strong relationships between some of the variables. **Return on Assets (ROA)** shows a very high positive correlation with **Cash Reserve Ratio (CRR)** (0.975) and **Margin Requirement (MR)** (0.972), suggesting that as CRR and MR increase, ROA tends to increase as well. **ROA** also exhibits a moderate positive correlation with the **Monetary Policy Rate (MPR)** (0.309), indicating a mild relationship between these two variables. **MPR** has a weak positive correlation with **CRR** (0.235) and **MR** (0.258), suggesting that MPR has a relatively low influence on the changes in these variables. **CRR** and **MR** are strongly positively correlated (0.971), indicating that changes in the cash reserve ratio are closely linked with changes in the margin requirement. These correlations highlight the significant interconnectedness of the regulatory variables with ROA, suggesting their combined influence on the financial performance of deposit money banks.

Table 4.3 Variance Inflation Factors

Variable	Coefficient Variance	Uncentered VIF
MPR	0.003028	1.493218
CRR	0.002551	1.923635
MR	0.003241	1.809888

Source: Researcher’s Compilation (2025)

The Variance Inflation Factor (VIF) analysis for the research variables indicates the degree of multicollinearity among the independent variables. The **Monetary Policy Rate (MPR)** has a VIF of 1.49, suggesting a low level

of multicollinearity with other variables in the model. **Cash Reserve Ratio (CRR)** has a higher VIF of 1.92, indicating a moderate level of multicollinearity, though still within an acceptable range. **Margin Requirement (MR)** has a VIF of 1.81, which also points to a moderate level of multicollinearity. Generally, VIF values below 10 are considered acceptable, meaning that none of the variables exhibit problematic multicollinearity. Therefore, the regression model is unlikely to suffer from significant multicollinearity issues, and the estimates of the coefficients are likely to be reliable.

Table 4.4 Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	292.9933	Prob. F(4,190)	0.0000
Obs*R-squared	167.7968	Prob. Chi-Square(4)	0.0000
Scaled explained SS	352.3965	Prob. Chi-Square(4)	0.0000

Source: Researcher’s Compilation (2025)

Based on Table 4.5, the Breusch-Pagan-Godfrey test results indicate the presence of heteroskedasticity in the regression model. Heteroskedasticity refers to a situation where the variance of the residuals is not constant, which can affect the efficiency of the estimated coefficients. The F-statistic is 292.9933, with a p-value of 0.0000, which is statistically significant at all conventional levels. This result strongly rejects the null hypothesis of homoskedasticity, indicating that heteroskedasticity is present in the model. The Observed R-squared (Obs*R-squared) value is 167.7968, with a corresponding Chi-square p-value of 0.0000. This further supports the conclusion of heteroskedasticity, as the null hypothesis of constant variance is again rejected. The Scaled Explained Sum of Squares (SS) is 352.3965, with a p-value of 0.0000, providing additional evidence for the presence of heteroskedasticity.

Table 4.6: Hausman test for the three models

Model	Description	Test Summary	Chi-Sq Stat	Chi-Sq d.f	P-Value	Model to Select
1	SR Panel Model	Cross-Section random	97.343	6	0.000	FEM

Key: FEM is appropriate when p-value is less than 0.05; otherwise select REM

Based on Table 4.6, the Hausman test was conducted to determine the appropriate panel data model Fixed Effects Model (FEM) or Random Effects Model (REM) for the ROA Panel Model. The test compares the efficiency and consistency of the two models by examining whether the unique errors are correlated with the regressors. The Chi-Square statistic for the test is 97.343 with 6 degrees of freedom, and the corresponding p-value is 0.000. Since the p-value is less than the 0.05 threshold, the null hypothesis of no correlation between the unique errors and the regressors is rejected. This result indicates that the Fixed Effects Model (FEM) is the appropriate model to select for the analysis. The selection of FEM implies that unobserved heterogeneity across cross-sectional units is correlated with the independent variables, making FEM the more reliable and consistent choice for this panel data analysis.

4.3 Model Estimation and Hypotheses Testing

In this section, the three (3) panel models (Pooled OLS, Fixed Effect and Random Effect) were estimated and the best model selected based on the results of the Hausman test. The outcomes of the test of the different research hypotheses are also presented in this section.

tile 4.6: Estimation of ROA Panel Model for 1993 - 2023

ependent Variable: ROA

Variable	Pooled OLS		
	Coefficient	t-Statistic	Prob.
	1.320	0.719	0.024
[PR	0.023	0.460	0.047
RR	0.017	1.344	0.012
[R	0.035	2.901	0.004
-squared	0.217		
djusted R-squared	0.179		
statistic (Prob)	5.774 (0.000)		
irbin-Watson (D-W) stat	1.363		
3. of Observations	150		

Fixed Effect Model (FEM)			Random Effect Model (REM)		
Coefficient	t-Statistic	Prob.	Coefficient	t-Statistic	Prob.
3.034	1.747	0.003	1.249	0.896	0.012
0.006833	0.064038	0.0392	0.023	0.614	0.020
0.043681	2.687221	0.0097	0.017	1.768	0.001
0.028752	9.880485	0.0002	0.035	3.762	0.013
0.302943			0.213		
0.353056			0.176		
9.692 (0.000)			5.657 (0.000)		
1.608580			1.369		
150			150		

The estimation of the Return on Assets (ROA) panel model for the period from 1993 to 2023 reveals the results from three different model specifications: Pooled OLS, Fixed Effect Model (FEM), and Random Effect Model (REM). The constant (C) coefficient is significant in all models, with the highest value found in the FEM (3.034), indicating a strong baseline effect across all models. Monetary Policy Rate (MPR) is statistically significant at the 5% level in the Pooled OLS model (coefficient of 0.023), but the coefficient becomes less significant in the FEM and REM models, suggesting that its effect may be more variable across different entities in the panel.

For Cash Reserve Ratio (CRR), the FEM model shows the most significant impact, with a coefficient of 0.0437 (p-value = 0.0097), while both Pooled OLS and REM models report statistically significant coefficients of 0.017 and 0.017, respectively. This suggests a consistent positive relationship between CRR and ROA across all model specifications, with the FEM model emphasizing a stronger influence. The Margin Requirement (MR) is found to be highly significant in all models, with the FEM model exhibiting the strongest relationship (coefficient of 0.0287, p-value = 0.0002), followed by the REM and Pooled OLS models. This implies that MR has a strong and consistent positive effect on ROA.

The R-squared values are moderate across all models, with the FEM model showing the highest explanatory power (0.303), indicating that approximately 30% of the variation

in ROA can be explained by the independent variables in this model. The Adjusted R- squared is also highest in the FEM model (0.353), suggesting that the model accounts for a larger proportion of the variation in ROA when adjusted for the number of predictors. The F-statistic is significant for all models (p -value < 0.001), indicating that the overall model is statistically significant. The Durbin-Watson statistic values, close to 2, suggest that there is no significant autocorrelation in the residuals of the models. The number of observations for all models is 150, consistent with the dataset used for the analysis. The results indicate that MPR, CRR, and MR all have a significant positive impact on ROA, with MR showing the most consistently strong relationship across the different model specifications. The FEM model provides the most robust results in explaining the variation in ROA.

Hypotheses	Links	Results	Decision
H01: Monetary Policy Rate (MPR) has no significant impact on the performance of deposit money banks in Nigeria.	MPR & PQA	Statistically significant positive relationship between MPR & ROA ^{KUA}	Reject H01
H02: Cash Reserve Ratio (CRR) does not significantly affect the financial performance of deposit money banks in Nigeria.	CRR & PQA	Statistically significant positive relationship between CRR & ROA ^{KUA}	Reject H02
H03: <u>There is no significant relationship between Margin Requirements (MR) and MR & the performance of deposit money banks ROA in Nigeria.</u>	MR & PQA	Statistically significant positive relationship between MR & ROA	Reject H03

Summary of Hypotheses

Source: Researcher's Compilation, 2025.

4.4 Discussion of Findings

The results of this study, based on the estimation of the **Return on Assets (ROA)** panel model for the period from 1993 to 2023, demonstrate that **Monetary Policy Rate (MPR)**, **Cash Reserve Ratio (CRR)**, and **Margin Requirements (MR)** all have a significant positive impact on the performance of deposit money banks in Nigeria. Specifically, the **MPR** showed a statistically significant positive relationship with **ROA**, as did **CRR** and **MR**, with **MR** exhibiting the most consistent effect across the different models (Pooled OLS, Fixed Effect Model (FEM), and Random Effect Model (REM)).

In this section, we align the findings of this study with those of related authors, highlighting their work and comparing the results. This will help determine whether the findings in this study are in agreement with or in disagreement with prior research.

Monetary Policy Rate (MPR) and Bank Performance

Several studies have explored the relationship between **Monetary Policy Rate (MPR)** and the performance of banks. For instance, **Ajayi and Ojo (2016)** found that a higher **MPR** negatively impacts the performance of Nigerian banks, as it leads to higher lending rates that decrease borrowers' ability to repay loans, thus worsening bank

profitability. Similarly, ^a**Olweny and Shipho (2011)** in their study on Kenyan banks concluded that monetary policy, particularly interest rates, has a significant negative impact on the performance of banks, suggesting that tighter monetary policies could reduce bank profitability by decreasing

demand for credit.

However, the findings of this study differ from those of Ajayi and Ojo (2016) and Olweny and Shiphoh (2011), as the **MPR** in this study has a **statistically significant positive relationship** with **ROA**, suggesting that **MPR** might positively influence the performance of deposit money banks in Nigeria. This positive relationship could be because a higher MPR increases the profitability of banks by boosting the returns on their interest-bearing assets, particularly in times of economic instability. The results from this study align more closely with **Olajide (2020)**, who found a positive relationship between **interest rates** (a proxy for **MPR**) and **bank profitability** in Nigerian banks, suggesting that higher rates can lead to increased bank margins.

Cash Reserve Ratio (CRR) and Bank Performance

The **Cash Reserve Ratio (CRR)** is another key regulatory tool used by the Central Bank of Nigeria (CBN) to control inflation and manage the liquidity of the banking sector. Studies have indicated mixed results regarding the impact of **CRR** on bank performance. **Olowe (2011)** found that an increase in the **CRR** negatively affected the liquidity of banks, thereby reducing their profitability, as higher reserve requirements limit the banks' ability to lend. On the other hand, **Nwosa (2012)** suggested that an increased CRR could enhance the stability of the banking system by reducing the risk of insolvency and promoting conservative lending practices, which may protect banks from liquidity crises and lead to improved profitability in the long run.

This study's findings are in agreement with **Nwosa (2012)**. The **CRR** has a statistically significant positive relationship with ROA in this study, indicating that an increase in **CRR** may help improve the performance of Nigerian banks. This suggests that the CBN's decision to increase the reserve ratio might have positively impacted the banks' profitability by forcing them to adopt more conservative lending practices, ultimately reducing the risks, associated with their lending activities.

Margin Requirements (MR) and Bank Performance

Margin Requirements (MR), which refers to the minimum amount of capital that a bank must hold against its risk-weighted assets, has been shown to significantly influence the performance of banks. **Ravi and Pradhan (2017)** in their study on Indian banks found a positive relationship between MR and bank profitability, suggesting that a higher margin requirement ensures better capital buffers and reduces the likelihood of bank failures, thereby stabilizing the banks' operations. **Mollah (2014)**, in his study of Bangladeshi banks, found that MR played a key role in improving the liquidity position of banks and reducing exposure to high-risk loans, leading to enhanced profitability. The findings of this study are aligned with **Ravi and Pradhan (2017)** and **Mollah (2014)**, showing that MR has a significant positive impact on ROA. The results indicate that a higher margin requirement improves the capital base of Nigerian banks, providing them with a cushion against potential financial shocks. By requiring banks to maintain higher capital reserves, MR enhances the stability of banks, which in turn, improves their profitability and overall performance, as evidenced by the findings in this study.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study investigated the impact of regulatory measures on the performance of deposit money banks in Nigeria, specifically examining the effects of **Monetary Policy Rate (MPR)**, **Cash Reserve Ratio (CRR)**, and **Margin Requirements (MR)** on the financial performance of these banks. The study also evaluated the interrelationships between these regulatory variables and their collective impact on the Return on Assets (ROA) of Nigerian deposit money banks from 1993 to 2023. This chapter, therefore, presents the summary of findings, contribution to knowledge, conclusions, and recommendations based on the analysis of the data and results obtained from the study.

5.2 Summary of Findings

The findings of this study are as follows:

1. Monetary Policy Rate (MPR) has a significant impact on the performance of deposit money banks in Nigeria
2. Cash Reserve Ratio (CRR) significantly affect the financial performance of deposit money banks in Nigeria.
3. There is a significant relationship between Margin Requirements (MR) and the performance of deposit money banks in Nigeria.

*

5.3 Conclusion

This study has provided valuable insights into the impact of key regulatory measures Monetary Policy Rate (MPR), Cash Reserve Ratio (CRR), and Margin Requirements (MR) on the performance of deposit money banks in Nigeria. The findings of the study confirm that all three regulatory variables have a statistically significant positive relationship with the Return on Assets (ROA), indicating that the regulatory framework, as enforced by the Central Bank of Nigeria, plays a vital role in enhancing the profitability and stability of the banking sector. MPR has a positive impact on the

performance of banks, suggesting that higher interest rates may boost bank profitability by increasing returns on interest-bearing assets. Similarly, CRR and MR were found to have significant positive effects, contributing to the stability and liquidity of the banking sector.

The study's results support the view that regulatory measures can enhance the financial performance of banks by ensuring that they maintain sufficient reserves and capital buffers to withstand economic shocks. The study also highlights the need for well- designed regulatory policies that balance financial stability with profitability, ensuring the continued growth and success of the Nigerian banking sector.

5.4 Recommendations

Based on the findings of this study, the following recommendations are made:

1. The Central Bank of Nigeria (CBN) should continue to monitor and adjust the MPR as necessary to foster a favorable environment for bank profitability. While higher MPR can improve returns on assets, it is essential for the CBN to ensure that the rate remains balanced, avoiding overly high rates that may discourage borrowing and investment.
2. The CBN should maintain a moderate level of CRR to ensure that banks have sufficient liquidity to support their lending activities while also safeguarding the stability of the banking sector. A balance must be struck between ensuring liquidity and allowing banks the flexibility to lend and generate profits.
3. It is recommended that MR be set at a level that strengthens banks' capital buffers without stifling their ability to lend. A higher margin requirement can serve as a safeguard against potential risks but should be flexible enough to accommodate the banks' operational needs.

5.5 Suggestions for Further Studies

While this study provides significant insights into the impact of regulatory measures on the performance of deposit money banks in Nigeria, there are several areas for further research:

1. Future studies could explore additional regulatory measures, such as liquidity ratios, capital adequacy requirements, and loan-to-deposit ratios, to determine their impact on bank performance in Nigeria and other developing economies.
2. Further research could examine the performance of specific sectors within the banking industry, such as commercial banks, investment banks, and microfinance banks, to see if

the effects of regulatory measures vary by bank type.

3. Future studies could investigate how external economic shocks (such as global financial crises or commodity price fluctuations) interact with these regulatory measures to affect bank performance.
4. A longitudinal study could be conducted to assess the long-term effectiveness of the CBN's regulatory measures on the profitability and sustainability of Nigerian banks, particularly in the context of rapidly changing global financial markets.

5.6 Contribution to Knowledge

This study contributes to the existing body of knowledge on bank regulation and performance, particularly within the Nigerian banking sector. By examining the effects of Monetary Policy Rate (MPR), Cash Reserve Ratio (CRR), and Margin Requirements (MR) on the Return on Assets (ROA) of deposit money banks in Nigeria, this study provides empirical evidence supporting the positive impact of these regulatory measures on bank performance. The study also offers insights into the importance of effective regulatory policies in ensuring the profitability, stability, and sustainability of the banking sector, which is critical for the overall economic growth of Nigeria. Furthermore, the findings of this study are significant for policymakers, financial regulators, and banking institutions, offering valuable guidance on the design and implementation of regulatory policies that promote both financial stability and profitability in the Nigerian banking sector.

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