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RESEARCH ARTICLE

Role of Central Bank of Nigeria on the Performance of Deposit Money Banks in South East Nigeria

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Abstract

The study examined the role of Central Bank of Nigeria on the performance of deposit money banks in South East Nigeria. The specific objectives were to; examine the effect of implementing monetary policy on the profitability and evaluate the effect of currency regulator on the output of deposit money banks in South East, Nigeria. The study used the descriptive survey design approach. The primary source of data was the administration of questionnaire. A total population of 139 senior staff was used. The whole population was used as result of small number. One hundred and eleven (118) staff returned the questionnaire and accurately filled. Data was presented and analyzed using Likert Scale and the hypotheses was tested using Z- test. The findings indicated CBN Implementing of monetary policy had significant positive effect on the profitability Z (95, n = 118) = 4.557 < 5.385, p >0.05 and CBN Currency regulator had significant positive effect on the output of deposit money banks in South East, Nigeria, Z (95, n = 118) = 5.477 < 6.398, p >0.05. The study concluded that CBN implementing of monetary policy and CBN Currency regulator had significant positive effect on the profitability and output of deposit money banks in South East, Nigeria. The study recommended among others that for the benefit of the economy Nigeria, there is need for Central banks to use monetary policy to influence the growth of money supply consistent with the required aggregate Gross Domestic Product (GDP) growth rate, ensure financial stability, maintain a stable and competitive exchange rate of the naira, and achieve.

Keywords	*Central Bank of Nigeria; Performance; Deposit Money Banks; Currency Regulator; Monetary Policy*
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Introduction

Banking is an economic activity, which deals with the intermediation of funds between the surplus units and the deficit units of an economy and channeling of such resources to profitable investments. Banks also facilitate the provision of inefficient payment system (Nwanna and Odia, 2018). However, banks are in the business of making profits for its stakeholders. Dare and Okeya (2017) opined that it is a known fact that commercial banks (deposit money banks) exist primarily to make profits. They make profits by accepting deposits from customers and granting credits to interested individuals, companies, and other organizations and institutions at an agreed interest rate. Therefore, since banks do not operate in a vacuum, their overall lending behavior may generally be influenced by the environmental factors particularly the regulatory and other macroeconomic factors.

Furthermore, deposit money banks do not operate the way they want. Their activities are strictly monitored and regulated by the apex bank. The Central Bank's regulation of Deposit money banks has experienced various reforms. Hence, the Central Bank of Nigeria has adopted the use of monetary policy as a tool of its regulation. Monetary policy tools have been used to buffer the liquidity creation process of deposit money banks through deposit base and credit facilities to the public (Ndugbu & Okere, 2015). According to Akarara and Azebi (2018), open market operations (OMO) remained the main instruments of monetary policy, complemented by reserve requirement and discount window operations as well as the monetary policy rate (MPR), all intended to bring about stabilization of the economy. The Central Bank of Nigeria also has the role of regulating the domestic currency of the country, which ensures that currency is designed as it should, no counterfeiting and many more other functions. Therefore, it is only natural that the activities of the CBN becomes a factor in the performance of deposit money banks, in any region, especially in the South Eastern parts of the country.

Going further, performance is the comparison of an organization' s goals and objectives with its actual performance in three distinct areas-financial performance, market performance and shareholder value. Financial performance refers to an organization's result with regard to return on investment and return on assets. (Mbah, Ekechukwu and Odinachi, 2015). According to Heremans (2017), financial performance is the employment of economic indicators to measure the extent of actual achievement, contribution to making available financial resources and support of the bank with investment opportunities. In the case of deposit money banks, performance deals with meeting the financial targets of the bank, mainly in terms of its liquid assets. Monetary policies of the CBN through the use of various tools may mean that the bank will have less loan able funds, or might even have more loan able funds, as the CBN manipulates the economy.

The performance of deposit money institutions is highly impacted by the interest spread, which is defined as the difference between these two interest rates. This is particularly true in terms of profitability. As a consequence of this, the interest rate is recognized as a crucial factor that contributes to the continued existence and successful operation of deposit money institutions (Okoye & Eze, 2013). As a result, when interest rates change, as is seen from the unstable interest rate regime in Nigeria, such fluctuations in interest rates have the potential to damage both the overall performance of banks and the economy of a nation as a whole (Ali-Momoh and Fajuyagbe, 2022). Therefore, it is worth investigating the role that the CBN plays in the performance of DMBs in South East Nigeria.

Statement of the Problem

Every organization, especially organizations in the private sector have their number one business operation motive as profit making. Businesses exist in the private sector to maximize profit. Banks operating in the banking sector are not exempt of this. Banks generate their profits through lending of surplus deposits for interests, and also through other investments made by the bank, like in the forex market. So, how well a bank is able to perform depends on how it is able to leverage the demand for money in the society at a particular point in time. On the other hand, the Central Bank of Nigeria is in charge of dealing with the supply of money, and also regulates the activities and credit creation of deposit money banks.

Banks are required to adhere to the numerous regulations of Central Bank such as reserve ratios, bank rates and interest rate regulations. Therefore, sometimes, the profit motives of the deposit money banks might not fall in line with the monetary policies of the apex bank. Moreover, when the Central Bank of Nigeria makes poor monetary policies, the profitability of DMBs and their general performance levels will be affected. Also, currency regulation attempts of the apex bank will see deposit money banks receive the first shocks.

However, the question that this study seeks to answer is if the Central Bank of Nigeria has a significant role in the affairs of deposit money banks in the eastern parts of Nigeria. So, deposit money banks are faced with issues relating to the affairs and regulatory activities of the Central Bank. Hence, the study investigated the role of the Central Bank in the performance of Deposit Money Banks in South East Nigeria.

Objectives of the Study

The main objective of the study was to evaluate the role of Central Bank of Nigeria on the performance of deposit money banks in South East Nigeria. The specific objectives were to;

i. Examine the effect of implementing monetary policy on the profitability of deposit money banks in South East Nigeria.
ii. Evaluate the effect of currency regulator on the output of deposit money banks in South East, Nigeria.

Research Questions

The following research questions guided the study;

i. What is the effect of implementing monetary policy on the profitability of deposit money banks in South East, Nigeria?
ii. What is the effect of currency regulator on the output of deposit money banks in South East, Nigeria?

Statement of Hypotheses

The following hypotheses guided the study;

i. Implementing of monetary policy has significant effect on the profitability of deposit money banks in South East, Nigeria.
ii. Currency regulator has significant effect on the output of deposit money banks in South East, Nigeria.

Significance of the Study

This study holds substantial significance for various stakeholders, including policymakers, financial institutions, researchers, and the general public. The findings can inform policymakers at the CBN and other regulatory bodies about the effectiveness of their measures in fostering a conducive environment for DMBs' growth and stability. Also, DMBs can gain insights into how CBN policies impact their operations and profitability, aiding them in making informed strategic decisions. In addition, the study contributes to the existing body of knowledge by shedding light on the specific dynamics between the central bank and DMBs in a regional context, potentially leading to further research in this domain.

Scope of the Study

The scope of this study aims to investigate the role of the Central Bank of Nigeria (CBN) in influencing the performance of deposit money banks (DMBs) in the South East region of Nigeria. The independent variables of the study are monetary policy and currency regulation, while the dependent variable is the performance of deposit money banks within the region.

Conceptual Review

Central Bank of Nigeria

The Central Bank of Nigeria is the central bank and apex monetary authority of Nigeria established by the CBN Act of 1958 and commenced operations on 1 July 1959. The major regulatory objectives of the bank as stated in the CBN Act are to: maintain the external reserves of the country, promote monetary stability and a sound financial environment, and act as a banker of last resort and financial adviser to the federal government (CBN, 2023). The central bank's role as lender of last resort and adviser to the federal government has sometimes pushed it into murky regulatory waters.

Monetary Policy of Central Bank

Monetary policy can be defined as the instruments at the disposal of the monetary authorities to influence the availability and cost of credit/money with the ultimate objective of achieving price stability as demonstrated by Ibeabuchi (2012). Onuorah, et al (2016) defined monetary policy as a rule and regulation imposed by the monetary authority into controlling the money supply inflation and achieves economic growth. Onyeiwu (2012) defines monetary policy as a technique of economic management to bring about sustainable economic growth and development has been the pursuit of nations and formal articulation of how money affects economic aggregate. Chigbu & Okonkwo (2014) held that monetary policy generally refers to the deliberate efforts of the government to use changes in money supply, cost of credit, size of credit and direction of credit to influence the level of economic activities to achieve desired macroeconomic stability in an economy.

Currency Regulation by Central Bank

Currency regulation refers to the set of rules, policies, and measures implemented by a country's central bank or regulatory authorities to manage and control the circulation, issuance, and usage of its national currency. These regulations are put in place to ensure the stability of the financial system, facilitate economic activities, prevent counterfeiting, combat money laundering, and maintain the value of the currency. Currency regulation covers a wide range of aspects related to the national currency, including issuance, circulation, exchange, and international transactions. Okaro (2013) defined regulation as government enforcement of permissible and non-permissible business operations in Nigeria. Currency regulation is a backbone element to maintain the competitiveness of the country's economy, macroeconomic stability, and to stimulate economic growth (Sandoyan and Galstyan, 2019).

Performance

Performance refers to the evaluation of how effectively a bank or financial institution is achieving its objectives, goals, and targets. It involves assessing various aspects of the bank's operations, financial health, and customer satisfaction. Performance may be defined as the reflection of the way in which the resources of a company (bank) are used in the form which enables it to achieve its objectives (Ekechukwu, Ugochukwu and Mbah, 2018). Pandey (2010) termed performance to be characterized as an ability of enterprise to appreciate investments given into business activities, which will contribute to continual self-improvement and achievement of goals. Bank performance was analyzed by Mengistu (2015) in terms of its capacity to generate sustainable profitability. He opined that profitability is a bank's first line of defense against unexpected losses, as it strengthens its capital position and improves future profitability through the investment of retained earnings. An institution that persistently makes a loss will ultimately deplete its capital base, which in turn puts equity and debt holders at risk. Thus, this study employed, Return on Assets (ROA) and Return on Equity as a metric of financial performance.

Profitability

The profitability of a bank is determined by interior and exterior determinants (Sattar, 2014) which agrees with (Ongore, 2013; Al-Tamini et al., 2015). The interior determinants are called micro or bank specific determinants of profitability because they are initiated from bank accounts like balance sheet or profit and loss account. While on the other hand, the exterior determinants are the variables which are not in the control of banks' management such as monetary policy interest rates.

The performance of banks gives direction to shareholders in their decision making. Wainaina, (2013) says the effect of macroeconomic factors in other sectors of the economy will always affect the banking sector and what goes on in the banking sector will affect the other sectors of the economy. A firm has several objectives but profit maximization is said to be paramount among these (Damilola, 2012; Raheman and Nasr, 2012). Profit is a tool for efficient resources allocation because it is the most appropriate measure of corporate performance under competitive market condition. Conceptually profit connotes the excess of revenue generated by a firm over its associated costs for an accounting period. Operationally the term profit is imprecise, as many variants exist. The term profit could refer to profit before tax, profit after tax, gross profit, net profit, profit per share, return on assets, among other variants (Damilola, 2012). According to Okafor (2016) the profitability performance also can be accessed from both book value and market value perspectives.

Output

Output in economics is the quantity of goods or services produced in a given time period, by a firm, industry, or country, whether consumed or used for further production. In an organization, the result of the use of inputs in production is output. Output could come in the form of services or in the form of actual products, depending on the sector of operation of the organization. The Cambridge English Dictionary (2022) defined Output as an amount of something produced by a person, machine, factory, country. In the same light, employee output refers to the amount of work that an employee is able to put in the productive process. Output refers to the tangible and intangible results produced by civil servants as they execute their roles and responsibilities within the government agencies. It serves as a fundamental measure of production, often considered alongside efficiency. Furthermore, output plays a significant role in everyday discussions, often being used to gauge productivity and economic health (Down, 2019). Overall, output is a crucial concept that gauges the productive capacity and economic performance of firms, industries, and nations.

Conceptual Framework of the Study

Independent Variable **Dependent Variable**

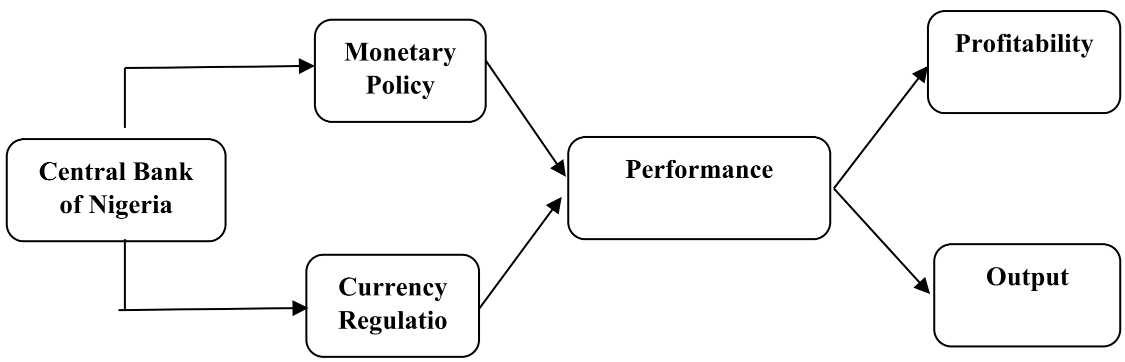

Figure 1: Linkages of Conceptual Variables

The diagram above shows how connected monetary policy and currency regulation are with the profitability and output of deposit money banks. The monetary policies of the CBN are expected to impact on the profitability of deposit money banks, through their various monetary policies like bank rate, OMO, etc. Also, currency regulation relates to the output of these banks. Strict regulation might impact negatively on output and vice versa.

Theoretical Framework

The study reviewed the following theory in line with the objective of the study. However, the study is anchored on the Neo-Classical Theory as the theory properly explains how the Central Bank influences the activities of commercial banks through its many monetary policies.

Neo-Classical Theory

Milton Friedman proposed the monetarist theory in1956 in response to criticism of the Keynesian theory. Friedman effectively conversed the role of monetary policy, which of course influences the volume, cost, and direction of money supply. Friedman's position is that inflation is always a monetary phenomenon. He recognizes that increasing the money supply can reduce unemployment in the short run but can also cause inflation, so monetary authorities should increase the money supply with caution (Onyemaechi,2005). According to Monetarist Theory, changes in the money supply have a significant impact on national output in the short run and on price levels over longer time periods.

The monetarist case is based on the old quantity theory of money. If the velocity of money in circulation remains constant, changes in the money supply will have a direct impact on prices and output or income (GNP). According to Friedman and Schwartz (1963), an expansive Open Market Operation by the Central Bank increases the stock of money, which leads to an increase in deposit money banks' reserves and ability to create credit, and thus increases the money supply via the multiplier effect. Banks and non-bank organizations purchase securities sold by the Central Bank in order to reduce the amount of money in their portfolios, thereby stimulating activity in the real sector. Tobin (1978) supports this viewpoint by looking at the transmission effect in terms of asset portfolio choice, which shows that monetary policy causes asset switching between equity, bonds, commercial paper, and bank deposits. According to him, tight monetary policy affects liquidity and banks' ability to lend, limiting loans to prime borrowers and business firms to the exclusion of mortgages and consumption spending, thereby contracting effective demand and investment.

Quantity Theory of Money

The widely accepted approach to monetary economics was the quantity theory of money formulated by Nicolaus Copernicus in 1517. The theory was used as part of a broader approach to micro and macro issues referred to as classical economics from the works of Irving fisher who laid the foundation of the quantity theory of money through his equation of exchange (Ibeabuchi, 2007). Anyanwu (1993) stated in his proposition that money has no effect on economic aggregate but price. The classical economists decided upon the quantity theory of money as the determinant of the general price level. Most theorists were of the opinion that the quantity of money determines the aggregate demand, which in term determine the price level as posited by Amacher &UIbrich (1986).Onouorah, et al. (2011) mentioned that the quantity theory of money was not only a theory about the influence of money in the economy and how a Central Bank should manage the economy’s money supply, but it represented a specific view of the private market economy and the role of government. Also, Punita, and Somaiyi,(2006) added that the private market such as deposit money banks provided the best framework for achieving socially and economically desired outcomes. According to the theory, the role of government was providing a system of laws and security to protect private property, as well as providing a stable financial and monetary framework. Therefore, the theory is relevant to the study as it highlights the possible role of the CBN in the affairs of deposit money banks.

Empirical Review

The Effect of CBN Implementing Monetary Policy on the Profitability of Deposit Money Banks in South East, Nigeria.

Ekpung, Udude and Uwalaka (2015) investigated the effect of monetary policy on banking sector performance in Nigeria. The study period covers 36 years from 1970 to 2006, using selected indicator and employing the OLS regression technique. Results showed that overall; monetary policy has a significant effect on the bank deposit liabilities. Meanwhile, on individual basis, we discovered that Deposit Rate (DR) and Minimum Discount Rate (MDR) had a negative influence on the banks deposit liabilities in Nigeria, whereas Exchange Rate (EXR) had a positive and significant influence on the banks deposit liabilities in Nigeria. They conclude therefore that monetary policy plays a vital role in determining the volume of bank’s deposit liabilities in Nigeria. The study recommends that government and its monetary authorities should strive to create a better environment for banking sectors to grow in the country by packaging appropriate monetary policies that would guarantee and enhance growth and development of the banking sectors in Nigeria.

Sanusi (2018) examined the effect of Monetary Policy on the financial performance of Deposit Money Banks in Nigeria. Specifically, the study establishes the effect of Central Bank Rate (CBR) on the financial performance of Deposit Money Banks, it also established the effect of Reserve Ratio Requirement on the financial performance of Deposit Money Banks. The methodology used for data collection was mainly from primary source which included questionnaire and personal interview in order to have knowledge of Monetary Policy on the financial performance in UNION BANK PLC. Information was also gathered from these secondary sources which includes literature review of previous research, consultation of textbooks and internet. Simple percentage and Chi-square statistical method were used to analyse the data collected before reaching conclusion. The findings of the research indicated that deposit money bank policy affect banking operations in its bid to regulate money supply in the economy with particular reference to deposit and credit creation.

Osho and Adelalu (2020) examined the effect of monetary policy and financial performance of deposit money banks in Nigeria. Ex-post facto research design was adopted to examine how monetary policy variables affect financial performance measured by return on assets in selected Nigerian deposit money banks over a period of 15 years (2005-2019). The Study is established on Quantity of Money Theory. Multiple regressions were used to estimate the joint and individual effects of monetary policy variables measured by exchange rate, monetary policy rate and maximum bank lending rate on return on assets. The study revealed that the endogenous variables were significantly related with the dependent variable (return on assets). Thus, these independent variables strongly have an impact on the financial performance of deposit, money banks in Nigeria measured by return on assets. It is concluded that monetary policy instruments have been effective for deposit money banks by inducing higher savings, increasing credit supply, stimulating investment which helps these banks to generate higher levels of profitability.

Mboto, Akeh, Nkamere and Emmanuel (2022) examined the effect of monetary policy on performance of deposit money banks in Nigeria. Descriptive and exploratory designs were adopted to evaluate the effect of monetary policy on banks performance. Secondary sources of data were used as the main methods of data collection. The relevant data for this study was obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin, 2020. The data were collected on annual basis from1990 to 2020. Ordinary least square of multiple regression was employed in this study to test and estimate the relevant equations. This study employed the following techniques in order to analyze the relationship that existed between monetary policy and performance of deposit money banks. They include Philip-Perron (PP) unit root test, ARDL and error correction mechanism (ECM). In the long run, the study revealed that there was a positive and significant relationship between money supply and banks profit, there was a positive and significant relationship between interest rate and banks profit, and there was a positive and significant relationship between open market operation and banks profit.

Lawal, et al. (2022) looked at how monetary policies affected the performance of Nigeria's listed deposit money banks. The study's goal is to examine monetary policy instruments such as open market operations, cash reserve requirements, liquidity ratios, and interest rates to determine their impact on banks, whether significant or not, using return on assets as a performance metric. The purposive sampling technique was used to select five quoted deposit money banks in the financial services industry. The study's data came from CBN statistical bulletins and the annual reports of the companies studied, which ranged from 2012 to 2021. Using multiple linear regression and Pearson product correlation analysis, the hypotheses were tested to see if the null hypothesis was accepted or not. According to the study's findings, open market operations have no significant positive effect on the profitability of Nigeria's listed deposit money banks. Further research revealed that cash reserve ratios have a significant positive effect on the profitability of Nigeria's listed deposit money banks. Based on the findings, the study's main conclusion is that monetary policies have a significant influence on the profitability of Nigerian listed deposit money banks when they are pooled together.

The Effect of CBN Currency Regulator on the Output of Deposit Money Banks in South East, Nigeria.

Ifionu and Keremah (2016) investigated the impact of banking reforms on the performance of Deposit Money Banks in Nigeria spanning from 1995 to 2012. The main purpose of this study was to ascertain the effect of banking reforms on bank performances in Nigeria. The required data for this study was obtained from secondary sources which include publications of Central Bank of Nigeria and Federal office of statistics. This study covers all Deposit Money Banks in Nigeria. Test for Equality of means method was adopted, while E-views 7.1 is the computable software that was used to analyze the data. Thus, the study reveals that Return on Equity and banks profitability have a significant difference in the pre and post bank reform era while Return on Assets shows that there is no significant difference in the pre and post banking reform era in Nigeria. Thus, the study reached a consensus that the improved level of Deposit Money Bank profitability is associated to the various bank reforms in Nigeria. Therefore, we recommend that Banks should improve their total asset turnover and diversify in such way that they can generate more income on their assets.

Mwongeli (2016) carried out a research work on the effect of regulations on financial performance of commercial banks in Kenya. The objective of the study was to determine if there is a relationship between regulations and financial performance. Financial performance is measured using financial ratios such as return on capital, return on equity, return on assets, credit risk, liquidity ratio, interest coverage ratio, core capital to total risk weighted assets ratio, total capital to total risk weighted assets ratio and core capital to total deposit liabilities ratio. The study also analyzed capital adequacy. The population of study was the 4 3commercialbanks in Kenya and the period of study was between 2010 and2015. Chi square test of independence was used to analyze the relationship between the two variables. The test was carried out on each of the ratios and the findings were that there is no relationship between regulations and financial performance of commercial banks.

Edore and Aigheyisi (2017) investigated the effect of regulation by the central bank on the performance of five selected deposit money banks (DMBs) in Nigeria. Return on assets (used as proxy for bank performance) is the dependent variable while the explanatory variables are bank rate (or monetary policy rate (MPR)), cash reserve ratio, treasury bills rate and exchange rate. To achieve the objective of the study, the panel FMOLS estimator is employed to analyse a balanced panel data set (covering the period from 2003 to 2013) on five major commercial banks in the country. The empirical evidence indicates that monetary policy rate was positively and significantly related to bank performance. This was attributed to the rising demand for bank loans by the deficit unit (or the ultimate borrowers) of the economy in spite of the rising DMBs' lending interest rate engendered by the rise in the benchmark interest rate (MPR). It was also found that cash reserve ratio was negatively and significantly related to the return on assets of the banks. Furthermore, the study finds that exchange rate depreciation and high treasury bills rate are favourable to the performance of DMBs.

Nwanna and Odia (2018) examined the effect of Central Bank of Nigeria regulation on the profitability of Selected Deposit Money Banks (2004-2016). Banking regulation is implemented to ensure a safe and sound financial system in the economy. Secondary data were sourced from published Annual Financial Statements of the selected Deposit Money Banks that are considered very "strong" and the Central Bank of Nigeria Statistical bulletin over Thirteen years spanning from 2004-2016. The regression analysis used to test the desired hypotheses was Statistical package for Social Sciences (SPSS.). Findings revealed that monetary policy rate and liquidity ratio were the variables that have positive and significant relationship with Earnings per share, only monetary policy rate has positive significant relationship with return on assets (ROA), monetary policy rate has significant positive relationship with net profit margin and monetary policy rate was found to be the only variable that has significant (positive) relationship with return on equity. The study concluded that Central Bank of Nigeria regulation has not fully achieved its objectives in the selected deposit money banks profitability.

Osakwe, Udoye and Akunna (2022) examined the effect of Central Bank of Nigeria (CBN) regulation on the performance of Deposit Money Banks. CBN regulation was proxied by Return on assets which is the dependent variable while the monetary policy rate, treasury bills rate, lending rate and cash reserve ratio are the independent variables which proxied the deposit money banks. Secondary data of the variables was used and analyzed with Ordinary Least Square regression econometric technique. The results show that the monetary policy rate has a positive and significant relationship with return on assets of deposit money banks (DMB) in Nigeria, Treasury Bills rate has a positive but insignificant relationship with DMB, Lending rate has a significant negative relationship with DMB while cash reserve ratio has insignificant negative relationship with deposit money banks in Nigeria.

Gap in Empirical Review

The study investigated the role of Central Bank of Nigeria in the performance of deposit money banks in South East, Nigeria. The studies reviewed a number of existing studies on the role of CBN on bank performance, however, these studies did not investigate the combined effect of monetary policies and currency regulations of the bank on the profitability of commercial banks. Also, the studies investigated the subject matter, with specific reference to Nigeria as the geographical entity. However, the current study investigates this with reference to the south eastern part of Nigeria. Various economic factors mean that it is important identifying possible divergences or convergences in the economic patterns in the region, compared to other regions in the country.

Methodology

Research Design

The study employed descriptive survey design. The survey research is one in which a group of people or items is studied by collecting and analyzing data from only a few people or items considered to be representative of the entire group and descriptive survey design was used because it is economical.

Source of Data

Data are classified as either primary or secondary data. The classification was based on the two possible sources: primary source and secondary source.

Primary Source

The primary source was questionnaire. A primary data source is the one which the data is collected directly (usually first-hand) by the researcher.

Sources of Secondary Data

Secondary data source was the one which the data is obtained from published materials, internet websites, reports, dailies, text books and so on from the library of the institutions understudy. Sources of secondary can be split into two parts internal and external sources.

Area of Study

The area of the study was Abuja, Nigeria. The financial institutions understudy include: Guaranty Trust, First Bank, and Access bank. These three (3) banks out of eight (8) that have international authorization were chosen as result of high number of staff and ethical standard. Each of these bank's corporate headquarters were used in Abuja.

Population of the Study

The total population for the study was One hundred and fifty-nine (159) as shown in table 3.1 for the population distribution of the relevant Deposit Money Banks understudy).

Table 1: Population of the Banks Understudy

S/N	Names of the Banks	Senior Staff strength	Percent
1	Guaranty Trust	38	27
2	First Bank	47	34
3	Access Bank	54	39
	Total	**139**	**100**

Source: *Human Resources Department of the selected financial institutions in 2023*

Sample Size Determination

The whole of the population was used due to small number

Sampling Technique

The stratified random sampling with a random start was adopted so as to give every unit of the population under study equal opportunity of being selected into sample. The secondary data were collected from firms, journals, publication, textbooks and the internet. Ten questions (10) in the questionnaire were arranged.

Instrument for Data Collection

The main instrument for data collection was a structured questionnaire. Copies of the questionnaire were administered to the bank staff. Ten (10) designed questionnaire was used. The responses generated were used thereafter for data analyses.

Validity of the Instrument

The instrument was given to two experts from the industry and academia to measure face and content validity. To make sure that the research instruments applied in the work are valid, the research ensured that the instrument measure the concept they are supposed to measure.

Reliability of the Research Instrument

This was done by administering 10 copies of the prepared questionnaire to the sample of the study. Cronbah's Alpha was used in determining the extent of consistency of the reliability. A Cronbach's alpha value (∞) of greater 0.781 indicated very strong reliability.

Table 2: Case Processing Summary

		N	%
Cases	Valid	10	100.0
	Excluded	0	.0
	Total	10	100.0

a. Listwise deletion based on all variables in the procedure.

Table 3, Reliability Statistics

Cronbach's Alpha	No. of Items
.78	10

Scale reliabilities were calculated using Cronbach's Alpha; the result obtained was 0.781. This shows that the internal consistency of the scale is good for the purpose of this study because it is greater than 0.78 which was good.

Method of Data Analyses

Data from the questionnaire were analyzed with the aid of SPSS version 23 using simple, percentages and correlation co-efficient. Data from the questionnaire were further analyzed using simple percentages, mean and standard deviation. For the 5-point likert scale questions, the scale and decision rule stated below were used in analyzing the findings.

Scale: Strongly Agree (SA) -5, Agree (A) - 4, Neutral(N) -3, Disagree (D) -2, Strongly Disagree(SD),1

Decision Rule: If Mean ≧ 3.0, the respondents agree and If mean ≦3.0, the respondents disagree . The decision rule is to accept the null hypothesis if the computed r is less than the tabulated r otherwise rejects the null hypothesis and Z - test was used to test the hypotheses and analyzed with the aid of SPSS.

Distribution and Returned Questionnaire

The chapter presents and analyzes the data collected for the study. The presentation and interpretation of data were based on the questionnaire administrated to the staff of the Banks under study. Table 4.1 shows the Distribution and Return of the Questionnaire from the Banks.

Table 4: Distribution and Return of the Questionnaire

Firms	Distributed	No Returned	percent	No not Returned	Percent
1. Guaranty Trust,	38	30	27	8	9
2. First Bank	47	32	23	5	3
3. Access Bank	54	46	33	8	2
Total	**139**	**118**	**83**	**21**	**17**

Source: Field Survey, 2023

One hundred and thirty nine (139) copies of the questionnaire were distributed to the respondents and One hundred and eighteen (118) copies were returned representing eighty three(83) percent, while twenty one (21) copies of the questionnaire were not returned representing seventeen (17) percent. That showed a high rate of response.

The Effect of CBN Implementing Monetary Policy on the Profitability of Deposit Money Banks in South East Nigeria

Table 5: Responses on the Effect of CBN Implementing Monetary Policy on the Profitability of Deposit Money Banks in South East Nigeria.

		5 SA	4 A	3 N	2 DA	1 SD	∑FX	- X	SD	Decision
1	The managing of economic fluctuations by CBN promotes business activities of the bank.	255 51 43.2	48 12 10.2	75 25 21.2	42 21 17.8	9 9 7.6	429 118 100%	3.63	1.388	Agree
2	The achievement of price stability by CBN enhances income generations.	290 58 49.2	48 12 10.2	48 16 13.6	46 23 19.5	9 9 7.6	441 118 100%	3.73	1.429	Agree
3	CBN set explicit inflation targets.	260 52 44.1	48 12 10.2	66 22 18.6	46 23 19.5	9 9 7.6	429 118 100%	3.63	1.406	Agree
4	The maintaining of a stable and competitive exchange rate of the naira promotes income margin of the bank.	260 52 44.1	80 20 16.9	39 13 11.0	34 17 14.4	16 16 13.6	429 118 100%	3.63	1.495	Agree
5	The level of interest rates moderation by the CBN influences the banks activation.	335 67 56.8	60 15 12.7	39 13 11.0	28 14 11.9	9 9 7.6	471 118 100%	3.99	1.362	Agree
	Total Grand mean and standard deviation							**3.998**	**1.333**	

Source: *Field Survey, 2023*

Table 5, 63 respondents out of 118 representing 53.4 percent agreed that The managing of economic fluctuations by CBN promotes business activities of the bank.3.63 and standard deviation of 1.388. The achievement of price stability by CBN enhances income generations 70 respondents representing 59.4 percent agreed with mean score of 3.73 and standard deviation of1.406. CBN set explicit inflation targets 64 respondents representing 54.3 percent agreed with mean score of 3.63 and standard deviation of 1.281. The maintaining of a stable and competitive exchange rate of the naira promotes income margin of the bank 72 respondents representing 61.0 percent agreed with mean score of 3.63 and 1.495. The level of interest rates moderation by the CBN influences the banks activation 82 respondents representing 69.5 percent agreed with a mean score of 3.99 and standard deviation 1.362.

The Effect of CBN Currency Regulator on the Output of Deposit Money Banks in South East, Nigeria.

Table 6: Responses on the effect of Currency Regulator on the Output of Deposit Money Banks in South East, Nigeria.

		5 SA	4 A	3 N	2 DA	1 SD	∑FX	- X	SD	Decision
1	The ensuring of fair and ethical business behavior increase the productivity of the DMB.	275 55 46.6	148 37 31.4	27 9 7.6	20 10 8.5	7 7 5.9	477 118 100%	4.04	1.359	Agree
2	CBN acts to ensure the soundness of the financial system of DMBs as last resort.	260 52 44.1	148 37 31.4	30 10 8.5	14 7 5.9	12 12 10.2	464 118 100%	3.93	1.384	Agree
3	There is insurer spilling over to the real economy by the DMB through CBN.	305 61 51.7	92 23 19.5	27 9 7.6	28 14 11.9	11 11 9.3	46.3 118 100%	3.92	1.276	Agree

4	The risks are avoided in a particular bank with the help of CBN.	285 57 48.3	168 42 35.6	12 4 3.4	20 10 8.5	5 5 4.2	490 118 100%	4.15	1.176	Agree
5	Too much money slowing(inflation) or too little money flowing(deflation) both are controlled by CBN.	245 49 41.5	168 42 35.6	12 4 3.4	30 15 12.7	8 8 6.8	463 118 100%	3.92	1.334	Agree
	Total Grand mean and standard deviation							**3.998**	**1.333**	

Source: *Field Survey, 2023*

Table 6, 92 respondents out of 118 representing 78.0 percent agreed that The ensuring of fair and ethical business behavior increase the productivity of the DMB 4.04 and standard deviation of 1.359. CBN acts to ensure the soundness of the financial system of DMBs as last resort 408 respondents representing 7.55 percent agreed with mean score of 3.93 and standard deviation of 1.384. There is insurer spilling over to the real economy by the DMB through CBN 84 respondents representing 71.2 percent agreed with mean score of 3.92 and standard deviation of 1.276. The risks are avoided in a particular bank with the help of CBN 99 respondents representing 83.9 percent agreed with mean score of 4.15 and 1.176. Too much money slowing (inflation) or too little money flowing(deflation) both are controlled by CBN 91 respondents representing 77.1 percent agreed with a mean score of 3.92 and standard deviation 1.334.

Test of Hypotheses

Hypothesis One: CBN Implementing of Monetary Policy has Significant Effect on the Profitability of Deposit Money Banks in South East, Nigeria

Table 7: One-Sample Kolmogorov-Smirnov Test

		The managing of economic fluctuations by CBN promotes business activities of the bank.	The achievement of price stability by CBN enhances income generations.	CBN set explicit inflation targets.	The maintaining of a stable and competitive exchange rate of the naira promotes income margin of the bank.	The level of interest rates moderation by the CBN influences the banks activation.
N		118	118	118	118	118
Uniform Parameters[a,b]	Minimum	1	1	1	1	1
	Maximum	5	5	5	5	5
Most Extreme Differences	Absolute	.419	.419	.419	.419	.496
	Positive	.076	.076	.076	.076	.076
	Negative	-.419	-.419	-.419	-.419	-.496
Kolmogorov-Smirnov Z		4.557	4.557	4.557	4.557	5.385
Asymp. Sig. (2-tailed)		.000	.000	.000	.000	.000
a. Test distribution is Uniform.						
b. Calculated from data.						

Decision Rule

If the calculated Z-value is greater than the critical Z-value (i.e $Z_{cal} > Z_{critical}$), reject the null hypothesis and accept the alternative hypothesis accordingly.

Result

With Kolmogorov-Smirnon Z – value ranges from 4.557 < 5.385 and on Asymp. Significance of 0.000, the responses from the respondents as display in the table is normally distributed. This affirms the assertion of the most of the respondents that CBN implementing of monetary policy had significant positive effect on the profitability of deposit money banks in South East, Nigeria.

Decision

Furthermore, comparing the calculated Z- value ranges from 4.557 < 5.385 against the critical Z- value of .000 (2-tailed test at 95 percent level of confidence) the null hypothesis were rejected. Thus the alternative hypothesis was accepted which states that CBN Implementing of monetary policy had significant positive effect on the profitability of deposit money banks in South East, Nigeria.

Hypothesis Two: Currency Regulator has Significant Effect on the Output of Deposit Money Banks in South East, Nigeria.

Table 8: One-Sample Kolmogorov-Smirnov Test

		The ensuring of fair and ethical business behavior increase the productivity of the DMB.	CBN acts to ensure the soundness of the financial system of DMBs as last resort.	There is insurer spilling over to the real economy by the DMB through CBN.	The risks are avoided in a particular bank with the help of CBN.	Too much money slowing (inflation) or too little money flowing(deflation) both are controlled by CBN.
N		118	118	118	118	118
Uniform Parameters[a,b]	Minimum	1	1	1	1	1
	Maximum	5	5	5	5	5
Most Extreme Differences	Absolute	.530	.504	.517	.589	.521
	Positive	.059	.102	.093	.042	.068
	Negative	-.530	-.504	-.517	-.589	-.521
Kolmogorov-Smirnov Z		5.754	5.477	5.616	6.398	5.662
Asymp. Sig. (2-tailed)		.000	.000	.000	.000	.000
a. Test distribution is Uniform.						
b. Calculated from data.						

Decision Rule

If the calculated Z-value is greater than the critical Z-value (i.e $Z_{cal} > Z_{critical}$), reject the null hypothesis and accept the alternative hypothesis accordingly.

Result

With Kolmogorov-Smirnon Z – value ranges from 5.477 < 6.398 and on Asymp. Significance of 0.000, the responses from the respondents as display in the table is normally distributed. This affirms the assertion of the most of the respondents that Currency regulator had significant positive effect on the output of deposit money banks in South East, Nigeria.

Decision

Furthermore, comparing the calculated Z- value ranges from 5.477 < 6.398 against the critical Z- value of .000 (2-tailed test at 95 percent level of confidence) the null hypothesis were rejected. Thus the alternative hypothesis was accepted which states that CBN Currency regulator had significant positive effect on the output of deposit money banks in South East, Nigeria.

Discussion of Findings

Effect of Implementing Monetary Policy on the Profitability of Deposit Money Banks in South East Nigeria.

From the result of hypothesis one, the calculated Z- value ranges from 4.557 < 5.385 against the critical Z- value of .000 which implies that CBN Implementing of monetary policy had significant positive effect on the profitability of deposit money banks in South East, Nigeria. In the support of the result in the literature review, Ekpung, Udude and Uwalaka (2015) investigated the effect of monetary policy on banking sector performance in Nigeria. They conclude therefore that monetary policy plays a vital role in determining the volume of bank's deposit liabilities in Nigeria. Mboto, et al. (2022) examined the effect of monetary policy on performance of deposit money banks in Nigeria. the study revealed that there was a positive and significant relationship between money supply and banks profit, there was a positive and significant relationship between interest rate and banks profit, and there was a positive and significant relationship between open market operation and banks profit.

Effect of Currency Regulator on the Output of Deposit Money Banks in South East, Nigeria.

From the result of hypothesis Two the calculated Z- value ranges from 5.477 < 6.398 against the critical Z- value of .000 which implies that CBN Currency regulator had significant positive effect on the output of deposit money banks in South East, Nigeria. In the support of the result in the literature review, Ifionu and Keremah (2016) investigated the impact of banking reforms on the performance of Deposit Money Banks in Nigeria spanning from 1995 to 2012. Thus, the study reached a consensus that the improved level of Deposit Money Bank profitability is associated to the various bank reforms in Nigeria. Mwongeli (2016) carried out a research work on the effect of regulations on financial performance of commercial banks in Kenya. The findings were that there is no relationship between regulations and financial performance of commercial banks. Edore and Aigheyisi (2017) investigated the effect of regulation by the central bank on the performance of five selected deposit money banks (DMBs) in Nigeria. It was also found that cash reserve ratio was negatively and significantly related to the return on assets of the banks. Furthermore, the study finds that exchange rate depreciation and high treasury bills rate are favourable to the performance of DMBs

Summary of Findings

i. CBN Implementing of monetary policy had significant positive effect on the profitability of deposit money banks in South East, Nigeria, $Z\ (95,\ n = 118) = 4.557 < 5.385,\ p > 0.05$

ii. CBN Currency regulator had significant positive effect on the output of deposit money banks in South East, Nigeria, $Z\ (95,\ n = 118) = 5.477 < 6.398,\ p > 0.05$

Conclusion

The study concluded that CBN Implementing of monetary policy and CBN Currency regulator had significant positive effect on the profitability and output of deposit money banks in South East, Nigeria. After the end of imperial rule, the desire of the government to become proactive in the development of the economy became visible, especially after the end of the Nigerian civil war, the bank followed the government's desire and took a determined effort to supplement any show shortfalls, credit allocations to the real sector. The bank became involved in lending directly to consumers, contravening its original intention to work through commercial banks in activities involving consumer lending.

Recommendations

i. For the benefit of the economy Nigeria, there is need for Central banks to use monetary policy to influence the growth of money supply consistent with the required aggregate Gross Domestic Product (GDP) growth rate, ensure financial stability, maintain a stable and competitive exchange rate of the naira, and achieve.

ii. The CBN should monitors the use of scarce foreign exchange resources of the deposit Money Bank to ensure that foreign exchange disbursements and utilization are in line with economic priorities of the country and within the annual foreign exchange budget in order to ensure available balance of payments position as well as the stability of the Naira.

Contribution to Knowledge

The studies done were carried outside the role of Central Bank of Nigeria on the performance of deposit money banks in South East Nigeria and did not focus to best of my knowledge on the implementing monetary policy on the profitability and currency regulator on the output of deposit money banks in South East, Nigeria. Most of the studies reviewed analyzed their data through A purposeful sampling technique, Descriptive statistics and appropriate inferential statistics, Purposive Sampling technique, Pearson Moment Correlation Coefficient, Multiple sampling technique, Partial Least Square Structural Equation Modeling (PLS-SEM), Multiple Regression Analysis (MRA) method, Simple linear regression and Pearson correlation coefficient (r) while the present study made use of Z test to test the hypotheses. Therefore, the study aimed at filling this research gap by evaluating the role of Central Bank of Nigeria on the performance of deposit money banks in South East Nigeria.

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