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Vicennial Evaluation of the Impact of Monetary Policy Instruments on Performance of Commercial Banks Listed on Nigerian Stock Exchange

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ABSTRACT: The continuous decline in the effectiveness of Commercial Banks (CB)' ability to provide timely credits to the productive sectors of the economy in Nigeria has become a major source of concern. Commercial Banks loans and advances have continued to rise with many eventually becoming non-performing loans. This study seeks to evaluate the impact of Monetary Policy Reforms on the performance of Commercial Banks in Nigeria. Specifically, the study intends to determine the impact of Monetary Policy Rate (MPR) and Liquidity Ratio (LQR) on Return on Assets (ROA) of sampled CBs.It equally seeks to ascertainthe impact of Cash Reserve Ratio (CRR) and Loan to Deposit Ratio (LDR) on Return on Assets (ROA) of sampled CBs.The Casual Comparative research design was adopted. Data fromsecondary sources of data collection such as annual reports and audited accountsoffourteen (14) Commercial Banksquoted on the Nigerian Stock Exchange for the period 1999 -2018 (categorized into pre-consolidation period 1999 -2008 and post-consolidation period 2009 -2018) were obtained and evaluatedusing relevant ratios analyses. Output of ratio computations conducted were subjected to further analysis using the Multiple Regression Analytical technique. The result obtained showed that Monetary Policy Rate (MPR) and Liquidity Ratio (LQR) have no significant impact on Return on Assets (ROA) of the sampled Commercial Banks in Nigeria.It also found out that Cash Reserve Ratio (CRR) and Loan to Deposit Ratio (LDR) have no significant impact on Return on Asset (ROA) even as the extent of such impact was negative and positive respectively. Based on the above observations, the study concluded that the Monetary Policy Instruments of the Central Bank of Nigeria (CBN) hadpositive and negative impact on the performance of the banking industry in Nigeria during the periodscovered. The study thus recommends that the Central Bank of Nigeria (CBN) need to intensify more effort at maintaining dynamic and non-static rates for Monetary Policy Instruments in a responsive manner that readily boosts their potential to enhance the financial performance of Commercial Banks in Nigeria.More so, it is pertinent that the Central Bank of Nigeria (CBN) revisit its reforms on Monetary Policy tools such as Monetary Policy Rate (MPR), Loan to Deposit Rate (LDR), and Liquidity Ratio (LQR) that have shown from the study to have impacted negatively on the financial performance of Commercial Banks in Nigeria.

Keywords:Commercial Banks, Financial Performance, Liquidity Ratio,Monetary Policy Rate,Viccenial,

I. INTRODUCTION

The need for government's intervention in the functioning of economic variables aimed at achieving macroeconomic objectives has since been established. Keynes (1936) in his book "general theory of employment, money and interest" reaffirmed the age long reason for government intervention in the working of the economy. This, the federal government in Nigeria, has continued to approach through her monetary policy (MP) mechanism.Other economists like Dare,Funso,Okeya and Isaac (2017) posit that the ultimate goal of monetary policy is basically to control inflation, maintain a healthy balance of payment position in order to safeguard the external value of national currency and promote adequate and sustainable level of economic growth and development. Some of the monetary policy instruments introduced by the Nigerian Apex Bank, the Central Bank of Nigeria (CBN) includes Monetary Policy Rate (MPR), Cash Reserve Ratio

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(CRR), Open Market Operation (OMO), Liquidity Ratio (LR), Loan to Deposit Ratio (LDR) et cetera. These Monetary Policy Instruments are implemented through the Workings of the Nation's Commercial Banks.

It has also been observed in Nigeria and other developing economies that prudent monetary policies are the backbone to achieving effective regulations and adequate supervision of any growth-geared banking industry (Anyanwu 2003;Nwoko,Ihejeme&Anumadu 2016).In other words, monetary policy is one of the economic growth and stability intervention measuresthatfocuses on promoting economic growth and development, price stability, fullemployment, healthy balance of payment, exchange rate stability and general economic stability (Adesina, Nwidobie and Amadi, 2018). Researchers such as Mishra and Pradhan (2008) have recently expanded the above objectives OF MP to include the smoothing of the business cycle, prevention of financial crises and long-term stabilization of interest rates and real exchange rate.This implies thatthe core intent of monetary policy is to ensure financial performance of the banking industry by striving to achieve commendable price stability and stimulation of aggressive investment and competition in the Nigerian banking industry.However, it is sad to note that despite the continued evolvementand implementation of these monetary policy measures, the problem of ineffective credit delivery to productive sectors remain unabated, therebyraising doubt as to the potency of these instruments in influencing the direction of Banks credits in the Nigerian economy. Besides, Commercial banks loans and advances have continued to rise with many of such loans becoming non-performing loans on the long run. This has, over the past decades, led many Commercial Banks (CBs) into insolvency problems, hence the mergers and takeovers in the Nigerian Banking Industry. Nevertheless, the discretionary control of money supply and credit conditions by monetary authorities for the sole purpose of achieving macroeconomic objectivesis not precluded from the focal emphasizes of monetary policy tools (Chrisantus, 2015). This equally attests to the resilient attempt being made by the governments to control the supply of money given the existing belief of the significant effect of high money supply on inflation rate. The situation in Nigeria is rather pathetic, as the country's inflation rate has since 2015 to date remained at double digit.

It isimportant to state that the position and role of the banking industry in the economic development of any nation cannot be overemphasized. This sensitive sector of any nation's economystands out as the viable means through which idle or surplus funds are made available to deficit but productive sectors of the economy towards promoting economic welfare and employment. Aurangzeb (2012) cited in Akomolafe, Danladi and Babalola (2015) concur to this asserting that the banking sector provides strong confidence for Depositors. Accordingly, a vibrant financial sector readily assists to keep the economy afloat against possible or impromptu shocks that may arise as a result fall or decrease in external capital inflow. Little wonder why Akomulafe (2014) in their study associated sustainable economic growth with countries that possess strong financial sector.Sanusi (2018) further noted that a stable financial sector is considered very essential to the secure of a well functional national economy that maintains reliable liquidity position for economic sustainability purpose.

It is obvious that monetary policy and the ability of Commercial banks to attract deposits and give out loans are connected. Olokoyo (2011) points out that the volume of loans a Commercial Bank could give out depends largely on many factors such as interest ratechargeable, liquidity ratio, volume of customers' deposits, their foreign and domestic investments, the customers prestige as well as public recognition.Ajie and Nenbe (2010) however argued that the reserves of the Commercial Banks are highly influenced by the CBN through its numerous monetary policy instruments.According to Akomulafe, Danladi, Babalola and Abah, (2015), the CBN sets the interest and allocates credits in the economy according to the economic objectives and plans of government. The policies involves targeting monetary aggregates with a view to monitoring and manipulating policy rates to direct the interbank rates in the desired direction which in turn determines the direction of other markets rates. And this, no doubt, affects the profit goal of Commercial banks positively or negatively. This is more as the survival, growth and sustenance of the going concern status of any business is believed to depend more on the profitability and its profit making capacity. Wilson (2003) stressed that Commercial banks need to invest Customers' deposits in various short term and long term investment outlets in order to achieve its profitability goal(s). This entails that a large chunk of these Customers' deposits are used for loans, thereby implying that the more loans and advances that is given out to borrowers, the higher the

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chances of Commercial banks to makeprofit (Solomon, 2012). However, when the government decides to carry out contractionary monetary policies, the available resources at the disposal ofCommercial banks to engage in profitable opportunities for growth and expansion purposes is unarguably reduced and affected. It is against this backdrop that the study intends to evaluate the vicennial (twenty years from 1999 - 2018) impact of monetary policy instruments on the financial performance of sampled Commercial banks in Nigeria with due emphasis laid on the pre-consolidation period (1999 – 2008) and the post-consolidation period (2009 – 2018). Specifically, the study intends to:

1. Evaluate the impact of Monetary Policy Rate (MPR) and Liquidity Ratio (LQR) on Return on Assets (ROA) of Commercial banks in Nigeria.
2. Determine the impact of Cash Reserve Ratio (CRR) and Loan to Deposit Ratio (LDR) on Return on Assets (ROA) of Commercial banks in Nigeria.

Hypotheses

In order to provide reliable answers to the above research questions, the following hypothesis have been formulated;

H_{o1}: Monetary Policy Rate (MPR) and Liquidity Ratio (LQR) have no significant impact on Return on Assets (ROA) of Commercial banks in Nigeria.

H_{o2}: There is no significant impact of Cash Reserve Ratio (CRR) and Loan to Deposit Ratio (LDR) on Return on Asset (ROA) of Commercial banks in Nigeria.

II. LITERATURE REVIEW

2.1 Concept of Monetary Policy

Monetary policy (MP), as a main economic stabilization weaponaccording toAyodele (2014), involves measures carried out by the Central Bank of Nigeria (CBN) to control and regulate the supply of money and credit in an economy in order to attain some needed macroeconomic policy objectives and fight against unwanted inflationary trends in the economy. Clearly, monetary policy is a process that is explored byregulatory monetary authoritieson behalf of the government for the effective control of the supply of money, availability of money and cost of money or interest rate so as to attain a set of objectives aimed at ensuring the growth and stability of the economy (Adesina, Nwidobie&Amadi, 2018). While Obioma (1998) viewed monetary policy as a measure designed to influence the availability, cost and direction of money and credit in pursuit of specific economic goals, Ogwuma (1996) is of the opinion that monetary policy basically deals with the control of the money stock in order to influence macroeconomic variables such as domestic prices, employment, balance of payment equilibrium and sustainable economic growth. Anyanwu (1993) equally asserts that this involves a deliberate effort by the monetary authorities such as the CBN to control the money supply and credit conditions for the purpose of achieving certain broad economic objectives.Apparently, monetary policy is a combination of various measures aimed at regulating the value, supply and cost of money in an economy in agreement with the expected level of economic activity (Folawewo&Osinubi, 2006). This entails that, for most economies, the core objectives of monetary policy include price stability, maintenance of balance of payments equilibrium, and promotion of employment, output growth and sustainable development. Hence, the objectives of MP are therefore necessary for the attainment of external and internal balance, and promotion of long term economic growth and development.To Uniamikogbo and Enoma (2001), it is one of the prime economic management tools that governments applied by governments globally to shape economic performances trend and movement.

In its annual report, CBN (2004) defined monetary policy as a measure introduced by the monetary authority on monetary targeting and mop up of excess liquidity, aimed at securing a non-inflationary macroeconomic environment. Similarly, CBN (2009) described it as specific actions taken by the CBN to regulate the value, supply and cost of money in the economy with a view to achieving government macroeconomic objectives. Taking full cognizance of the above reports from CBN, it therefore portends that the core aims of monetary policy implementation is to control inflation towards achieving price stability, exchange rate stability, equilibrium balance of payment, position and sustainable level of economic growth and development. Indeed, money play a vital role in any economy and this has made Policy Formulators to accord special attention to the conduct of monetary policy.Obadeyi, Okhiria and Afolabi (2016) cited in Afolabi, Adeyemi, Salawudeen and Fagbemi (2017) posit that the financial system of an economy is a conglomeration of several institutional arrangements prepared to transform savings into investments through channeling of funds from surplus sectors to deficit sectors in the economy. These institutional arrangements are enabled by legal framework made up of rules and regulations

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that govern banks financial practice and therefore, determine the flow of financial resources. Concurring to this, Jegede (2014) opined that monetary policy and Commercial banks are highly connected together,even as the assessment of theperformance of the banking industry can be evaluated through the performance of monetary policy tools (Jegede,2014).

Monetary Policy in Nigeria

The evolution of monetary policy in Nigeria is reliablytraceable to the establishment of the Central Bank of Nigeria in 1958. This single event had set the stage for a new era in which monetary policy thrived as an instrument for effective economic management (Ekpung, 2015). Since 1986, monetary policy had adopted the Structural Adjustment Programme (SAP) against the crash in the International Oil Market and the resultant deteriorating economic conditions in the country. It was designed to achieve fiscal balance and balance of payment viability by altering and restructuring the production and consumption pattern of the economy, eliminating price situations, reducing heavy dependence on crude oil exports and consumer goods imports, enhancing the non-oil exports base and achieving sustainable growth.

Since the inception of monetary policy in 1986, the main objectives have remained as in the earlier period which is in line with the general philosophy of enhancing the emergence of market oriented financial saving and efficient resource allocation. Also, with effect from August 1990, the use of stabilization securities for the purchase or reduction of bulging size of excess liquidity in Commercial banks was introduced, while Commercial banks in the country witnessed increase in Cash reserve requirements in 1989, 1990 and 1992 respectively.

Statutorily, the federal government of Nigeria promulgated the Central Bank of Nigeria decree no. 24 of 1991 and the Banks and other Financial Institutions Decree (BOFID) of 1991 to enhance its powers and discretion in the conduct and design of monetary policy management by bringing the non-bank financial institutions that were formerly outside the control of CBN.To this end, when the rate of interest is high, the tendency for Banks customers to increase their deposit will be high, but on the other hand, interest rate increase will discourage investment because of high cost of funds; thereby affecting the amount of loans Commercial Banks can give out. (Adesina, Nwidiose&Amadi 2016). It is also worthy to note that when the CBN raisesLiquidity Ratio (LR), that is the ratio of liquid assets of Commercial banks to their Total Assets (TA), it leads to a consequent reduction in the quantity of cash available as loan for interest income purpose.This same scenario is applicable to Cash Reserve Requirements (CRR). When CRR is increased by the CBN, cash available to Commercial banks as loans for the purpose of earning interest income is equally reduced to a target level. However, the reverse becomes the case whenLR and CRR are reduced, as this readily increases the quantity of cash available to Commercial banks as loans for interest income earning purpose (Adesina, Nwadiobe and Amadi 2016).

Concept of Financial Performance and its role in Commercial Banks

Financial performance is a term that sound so simple yet difficult to explain or define in entirety. It has been argued that no performance review is beyond dispute. For instance, reported profit is amatter of opinion. However, if income is to be measured in terms of increase or decrease of wealth of an enterprise, obviously some definition of that stock of wealth will be necessary. Akinsulire(2008) and Pandy (2003) outlined some basic measures of wealth evident from different literatures. These are;

i. Financial capital – This described as theEquity stake in an Enterprise or money terms.
ii. Real financial capital – This is viewed as the Equity stake in an Enterprise in real terms.
iii. Operating capacity capital – This is the ability of an Enterprise to maintain its provision of goods and services.

Laying more emphasis on this, Hunger and Wheelan(1997) cited in Ifionuand Keremah(2016) described performance as the end result of an activity.This implies that the appropriate measure selected by a corporate organization to assess corporate performance depends more on the type of organization to be evaluated and the goal/target for conducting such evaluation.

Al-Tamini(2010),Ongoreand Kusa (2013), and Khan and Satter(2014) have extensively deliberated on salient factors that determine the financial performance of Commercial Banks (formerly Deposit Money Banks). Generally, these factors have been divided into two broad categories such asmacro-economic factors (for instance, external factors) and specific factors (internal factors). The internal factors are considered specific to each bank as these are often influenced by the Internal Management and Board of Directors. The macroeconomic factors are not

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within the control of the Management of Commercial banks,as they are factors that are prevalent in a macroeconomics environment. The latter include macroeconomic variables such as inflation rate, exchange rate, interest rate and other monetary policy tools and regulatory pronouncements by monetary regulatory authority (ies).Accordingly, Adesina,Nwadibie and Amadi(2018) opine that monetary policy instruments areevolved to restrict the activities of Commercial banks towards managing macroeconomic variables most effectively amid the needto achieve and sustain commendable price stability and relative economic growth. However, in the cause of implementing these monetary instruments, the profit making abilities of Commercial banks is usuallyundermined and negatively affected. This is more as measurement of such financial performances in the financial sector as well as other industrial and non-industrial sectors is usually limited to the use of certain financial ratios such as Return on Equity (ROE), Return on Assets (ROA), and the Return on Capital Employed (ROCE).

III. THEORETICAL FRAMEWORK

Onyeiwu (2012) cited in Uloma (2017) agrees that there are diverse channels of transmission through which monetary policy affects thefinancial performance of Commercial banks and the economic activities of a nation at large. These channels of transmission have been broadly examined under the Keynesians and Monetarist schools of thought.

The Keynesians Economic Theory

The book on general theory of employment interest and money was Keynes response to the great depression experienced in Great Britain in 1936. The classical economist held that in capitalist market, economies which are subject to periodic shocks, the market mechanism called the invisible hand, would operate efficiently and quickly to restore full economic equilibrium. The classical economist believes that government intervention to stabilize the economy was neither desirable nor necessary. This assumption by this school of thought implies that full employment which was the normal state of affairs was destroyed by the experience of other major capitalist economies and Great Britain in the 1920s and 1930s. As a result, unemployment went up as high as 20% in great Britain in 1932 and 25% in the United States of America in 1933 (Snowdown&Vane, 2005 cited in Adesina, Nwodibie&Amadi, 2018).Snowdon and Vane (2005) noted that it was the experience of the great depression that pushed Keynes to author his most important book on economic theory “the general theory of employment, interest and money”. The two scholars further disclosed that in the book, Keynes laid great emphasis on the effect of uncertainty and expectations on aggregate instability. Keynes had argued that the capitalist market economies were internally unstable and are usually exposed totendencies of falling into chronic situation of subnormal activity for a considerable period of time without any market tendencies of either complete collapse or recovery(Adesina, Nwadibie & Amadi, 2018). Taking the opinion of Keynes into further consideration, the idea of instability was mainly considered the result of fluctuations in aggregate demands and the great depression resulting from a fast fall in investment expenditures caused by a cyclical change in the marginal efficiency of capital. Incidence of unemployment that accompanied the situation was rather involuntary, thusreflecting a state of low aggregate demand. Regardless of the equilibrating powers of the market mechanism, Keynes believed that only fiscal and monetary policies could instill effective change and reliable response to the aggregate instability prevalent in the affected market economies towards securing economic stability at full employment.

Keynes (1936) cited in Snowdonand Vane (2005) maintained that for the above views to be realized in any economy, government intervention becomes inevitable, as the non restoration offull employment readily limits the effective operation of the classical theory in any growth-geared economy.

3. Prior Studies

Using monetary policy variables such as monetary policy rate (MPR), cash reserve ratio (CRR) and liquidity ratio (LR) which was regressed independently with bank profitability using an autoregressive lag model analysis. Adesina, Nwodobieand Amadi(2018), assessedthe state of monetary policy and financial performance of selected Deposit Money Banks in Nigeria for the periods 2000 - 2016. The study however discovered that monetary policies of the Central Bank of Nigeria had significant effect on the performance of Deposit Money Banks on the short run but recorded insignificant effect on the long run.Godwin, Pius and Okon(2018) investigated the effectiveness of Open Market Operations instrument management in Nigeria between the periods 1993 and 2016 using the Ordinary Least Square (OLS) method of estimation and found that

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a significant relationship between monetary policy instruments and broad money supply.

Empirically, Okorafor (2010) conducted a study on Monetary Policy and economic development in Nigeria for the periods 1980 and2006 with the intent of drawing lessons from the deregulation policy. Applying the t-ratio analysis method in analyzing the data output from the Open Market Operations; Cash Reserve Ratio (CRR), Liquidity Ratio (LR) and Cash Deposit of sampled Commercial banks, the study found out that policy formulation and implementation inconsistencies during the period covered in Nigeria hindered the full impact of the Monetary Policy on the Nigerian economy.Deploying monetary policy instrumentssuch as minimum rediscount rate, treasury bill rate, exchange rate, and consumer price index, **Abenewe and Ndugbu ( ) carried o**ut a study on the effect of monetary policy development on equity prices in Nigeria for the years1985 - 2010. The outcome of the CrdinaryLeast Square regression (OLS) analysis conducted showed that a weak correlationexist between monetary policy and equity prices of sampled firms in Nigeria.

Afolabi, Adeyemi, SalawudeenandFagbemi(2018) observed a study on monetary policy and Bank credit in Nigeria for the period 1981 - 2016 usingToda Yamamato granger non-causality model to examine the relationship existing between Deposit Money Banks'Loans and Advances and Monetary Policy instruments in Nigeria. Outcome of the study indicated that structural change in Monetary Policy system and Monetary Policy Rate have significant impact on Loan and Advances of sampled Deposit Money Banks in Nigeria.Onodugo, Okoro, Benjamin and Vincent (2014) in similar study conducted a study on the impact of Monetary Policy regimes on performance of Commercial banks in Nigeria between 1986 and 2013, discovered that Monetary Policy implementation during Structural Adjustment Programme (SAP) erahad no significant impact on Total Assets value of sampled Commercial banks though the reverse was the case in the post-Structural Adjustment Programme (SAP) erawhere Monetary Policy implementationhad significant impact on the Total Assets value, Deposit mobilization, Loans and Advances and Credit to private sector of sampled Commercial banks in Nigeria. Uloma (2017) examined Monetary Policy instrumentsand their effects on Turnover ratio of Commercial banks in Nigeria. It found out that a negative relationship was recorded between Liquidity Ratio and Turnover ratio. Ndugbu and Okere(2015) investigated Monetary Policy and the performance of Deposit Money Banks (DMBs) in Nigeriabetween 1993 and 2013 and discovered that amongst all Monetary Policy instruments adopted in the study, only Bank Deposit Rate had significant relationship with the performance sampled DMBs though such relationship was inverse in nature.

Fatukasi (2015) investigated the determinant of inflation in Nigeria between 1981 and 2003. found out that the cause of inflation are multi-dimensional anddynamic and therefore requires full knowledge at any point in time to be able to proffer solutions to the inflationary trends in the country that would lead to high productivity and increased living standard of the citizenry.In a like manner, Sanusi(2018) examined the effects of Monetary Policy on the financial performance of Deposit Money Banks in Nigeria and found out that the Central Bank of Nigera's Monetary Policy instruments affect banking operations in a bid to regulate money supply in the Nigerian economy. Jegede (2014) investigated the effect of Monetary Policy on Commercial banks' lending in Nigeria between 1988 and 2014 using macroeconomics time series variables such as exchange rate, interest rate, liquidity ratio, money supply and Commercial bank loan and advances. The findings of the study indicated that there exists a long run relationship among the variables in the model with specific emphasis on the exchange rate and interest rate which significantly influenced Commercial banks' lending.Liquidity ratio and Money supply exerted negative effect.

IV. DATA ANALYSIS

Hypothesis One

Deploying the Ordinary Least Square (OLS) regression analysis, relevant test in respect of hypothesis one was conducted.

H_{o1}: Monetary Policy Rate (MPR) and Liquidity Ratio (LQR) have no significant impact on Return on Assets (ROA) of Commercial banks in Nigeria.

Given below is the output of the analysis carried out:

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Table 1

Regression Result for Impact of Monetary Policy Rate (MPR) and Liquidity Ratio (LQR) on Return on Asset (ROA).

Independent Variables	Coefficient	Standard Error	t-Statistic	Probability
C	-6.147706	104.0509	-0.059084	0.9540
MPR	3.114732	1.110457	3.054089	0.0082**
LQR	0.169849	0.033893	5.181872	0.0003**
DUMMY	5.953978	20.92048	0.284600	0.7818**
R^2	0.675450	F Statistic	8.167948	0.002175
Adjusted R^2	0.586644	D-W Statistic	2.075196	

Note: ** represent 5% level of significance
Source: Data Output from E-Views 9.0

Discussion of result

The Study found out that both Monetary Policy Rate (MPR) and Liquidity Ratio (LQR) have no significant impact on Return on Asset of Nigerian Banks within the period of study. This finding is hinged on the calculated probability values (p-values) of 0.0082 and 0.0003 for MPR and LQR which are less than 0.05(<0.05) at 5 percent level of significance. Closer observation also showed that the R Square and adjusted R square of this model (0.068 and 0.59) indicate that 59% variation in the financial performance (dependent variableproxied with Return on Asset) of sampled Commercial banks was contributively predicted by the various Monetary Policy instruments (independent variable) deployed in the study such as Monetary Policy Rate and Liquidity Rate. This implies that the goodness fitness of the model is positive and okay. Furthermore, the extent of this impact is considered very strong at 3.054089 and 5.181872 (t-statistics) for both MPR and LQR, implying that both Monetary Policy measures were less effective during the period under study as they both made strong positive contribution at predicting the insignificant impact of Monetary Policy measures on the performance of sampled Commercial banks in Nigeria.

The above finding is also in agreement with the research observation of Isaac and Akinwumi (2019) who obtained similar result. This could be attributed to the fact that the banking sector is becoming competitive and market forces are creating a dynamic atmosphere where many banks simply cannot afford to have weak balance sheet. The finding however, do not agree with the Keynesians Economic Theorywhich is of the view that a little Government intervention through Fiscal and Monetary Policy could solve the problem of the invisible hands such as market forces, that readily affects the performance of the economy. On the contrary, the above findingsclearly indicates that government's intervention by means ofMonetary Policy measures such as Monetary Policy Rate and Liquidity Ratio has had no significant impact on the Return on Asset (performance) of sampled Commercial banks during the period covered in the study.

Hypothesis Two

Deploying the Ordinary Least Square (OLS) regression analysis, relevant test in respect of hypothesis two was conducted.

H_{o2}:There is no significant impact of Cash Reserve Ratio (CRR) and Loan to Deposit Ratio (LDR) on Return on Asset (ROA) of Commercial banks in Nigeria.

Table 2

Regression Result for Impact of Cash Reserve Ratio (CRR) and Loan to Deposit Ratio (LDR) on Return on Asset (ROA).

Independent Variables	Coefficient	Standard Error	t-Statistic	Probability
C	-6.147706	104.0509	-0.059084	0.9540
CRR	-0.033713	0.050973	-6.016438	0.0000**
LDR	0.612421	0.223855	3.169066	0.0095**

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DUMMY	5.953978	20.92048	0.284600	0.7818**

Source: Data Output from E-Views 9.0

Discussion of Result

The study found out that both Cash Reserve Ratio (CRR) and Loan to Deposit Ratio (LDR) had no significant impact on Return on Asset (ROA) within the period covered by study. This finding is hinged on the calculated probability value (p-value) of 0.0000 and 0.0095 for CRR and LDR which are less than 0.05(<0.05) at 5 percent level of significance.

Further examination of the analysis output revealed that although Loan to Deposit Ratio (LDR) made a strong and positive contribution at predicting a no significant impact on the Return on Asset (financial performance) of sampled Commercial banks at 3.17 (t-statistics), the Cash Reserve Ratio (CRR) Monetary Policy efforts of the Central Bank of Nigeria during the period appeared to be more reliable as it made a very strong negative contribution at predicting the no significant impact of the Monetary Policy measures of the CBN on the financial performance of sampled Commercial banks at -6.02(t-statistics).

The above finding is in agreement with the findings of Ndubuaku, Ifeanyi, Nze and Onyemere (2017) who studied the impact of Monetary Policy Regimes on the performance of the Banking Sector in Nigeria and obtained a similar result. The finding also negates the belief of Keynesian Economic Theory that posits that the government has the responsibility to undertake actions through the enforcement of Fiscal and Monetary policies to stabilize the economy. However, as seen in the outcome of the analysis of hypothesis two, Monetary Policy intervention in the form of Cash Reserve Ratio (CRR) and Loan to Deposit Rate (LDR) have had insignificant impact on the Return on Asset (ROA) of Nigerian banking industry at varying extent (both strong but LDR was positive while CRR was negative) during the period under study.

V. CONCLUSION AND RECOMMENDATIONS

The implications of the findings from this study reflect the potency of the variables as important conduit in transmitting Monetary Policy impulse to the banking sector in Nigeria. However, the regression model indicated that Nigerian Banks' performance is more responsive to Cash Reserve Ratio (CRR) and Monetary Policy Rates (MPR) during the period covered. We therefore concludes that Monetary Policy Instruments of the Central Bank of Nigeria have both Positive and Negative impacts on the performance of the Nigerian banking industry.

As a result, it is recommended that:

The Central Bank of Nigeria (CBN) need to place more emphasis on the implementation pattern of Monetary Policy Rate (MPR) and Liquidity Rate (LQR) by embracing the flexibility principle/approach. This will help strengthen CBN's goal target topositively influence the financial performance of quoted Commercial banks (CBs) in Nigeria towards securing and sustaining the nation's financial system from imminent or impromptu but unhealthy threat in the face of global financial distress or natural disaster that is capable of crippling the performance of the International Market to the disadvantages of capital markets in developing economies.

The Central Bank of Nigeria need to regulate the Cash Reserve Ratio (CRR) as it negatively affected the performance of sampled Commercial banks in Nigeria during the periods under study.

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