



## **The Effect of Monetary Policy on the Performance of Deposit Money Banks in Nigeria**

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### **Abstract**

This study broadly seeks to analyze the effect of monetary policy on the performance of deposit money banks in Nigeria. This research was based on secondary source of data extracted out from Central Bank of Nigeria (CBN) statistical bulletin and Index mundi. The Autoregressive Distributed Lag (ARDL) approach to cointegration was applied to achieve the objective. The empirical results revealed that both in the long run and short run, bank lending rate (BLR) has been found to have a significant positive impact on banks loans and advances (BLA), This means that (BLR) has significant positive impact on the performance of deposit money banks in Nigeria. While liquidity rate (LR) has significant impact in the long run but has no significant impact in the short run likewise interest rate (IR) has no significant impact in the long run but in the short run has significant and positive impact on the performance of deposit money banks. The study concluded that increasing the interest rate can equally lead to improve performance in the short-run as this can motivate customers to save more but this effect will neutralize in the long-run. The study recommends that the central bank of Nigeria should redefine its monetary policy instruments to make them more attractive to the banks. This will make banks to embrace them beyond mere.

**Keywords:** Monetary policy, Deposit money, Banks performance, Bank lending, Interest rate

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