



MONETARY POLICY AND RETURN ON CAPITAL EMPLOYED: EVIDENCE FROM LISTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

This study examined the monetary policy and return on capital employed of listed deposit money banks in Nigeria. Data for the study were gathered through Annual Reports and Accounts of the deposit money banks and Statistical Bulletin of the Central Bank of Nigeria for the period of 2014-2023. Data was analysed using both descriptive and inferential statistics. Multiple regression analysis was employed to test the hypothesis using statistical package for social sciences (SPSS). Findings of the study showed that monetary policy rate (MPR), cash reserve rate (CRR), and exchange rate (EXR) have statistically significant impact on the return on capital employed of listed deposit money banks in Nigeria. It was also found that cash reserve ratio and exchange rate have significant linear relationship with return on capital employed of listed deposit money banks in Nigeria. This means an upward movement in monetary policy does have significant impact on the return on capital employed of listed deposit money banks in Nigeria. The research therefore

recommends the need by the C.B.N. to ensure that adequate monetary policy rate is put in place to improve the significance in terms of safeguarding the impetus of monetary policy in the

Keywords: Monetary Policy, Monetary Policy Rate, Cash Reserve Ratio, Exchange Rate, Return on Capital, Employed, CBN, DMBs.

Nigerian economy. The study also recommends the need for managers of these banks to fully adhere to the CRR policy by organising more training and workshops to staff on the importance of preserving and adhering to the monetary policy for the effective and efficient operationalisation of the

deposit money banks in the short-run and a better health: recently naira continues to appreciate against the US Dollars.
on banking industry in the long-run. Considering the dependence of using foreign currency in making transactions and the import driven economy has seriously affected the Nigerian economy. Although,

Introduction

Return on Capital Employed (ROCE) is a profitability ratio used to measure the profit earned by the business irrespective of how that business is financed. Businesses are financed on the basis of equity with little of debt, some were managed at par between equity and debt whereas other businesses were ran on debt with small amount of equity capital. However, ROCE is calculated on the basis of profit before interest and taxation as a percentage of the capital employed in the business irrespective of whether financed by shareholders equity or borrowings. Therefore, Capital employed means shareholders equity plus liabilities. In this study, return on capital employed was used as a proxy for profitability. It is pertinent to note that, ROCE (profitability) of the Listed Deposit Money Banks in Nigeria are influence by many policies among which is the monetary policy. Monetary policy has been a measure adopted by the Central Bank of Nigeria (C.B.N) in order to stabilises the economy of Nigeria to a path of sustainable growth; it is also refer to the process by which the government, monetary authority or Apex Bank of a country controls the supply of money, availability of money and cost of money or interest rate to attain a set of objectives oriented towards the growth and stability of the economy (USFRB, 2006). In the light of the foregoing, the Central Bank of Nigeria uses various monetary policy instruments in shaping the economy among which are Monetary Policy Rate (MPR), Cash Reserve Ratio (CRR) and Exchange Rate (EXR). Therefore, Monetary Policy Rate is the bench mark rate for tracking the movement of money market rate of interest/ the anchor rate issued by the Central Bank of Nigeria Monetary Policy Committee to regulate the state of the economy in achieving stability and a balanced position. However, Cash Reserve Ratio (CRR) has been the percentage of deposits which DMBs are required to keep as cash according to the directive of the Central Bank Nigeria (CBN) in their reserve account (CBN, 2018). Then, exchange rate is the rate at which one country's currency is exchange for another at a given rate. For instance, Naira exchange for US Dollars, pound sterling, euro and so on. It is against these background and considering the huge economic importance of the monetary policy and profitability of all the firms in various domains in the economy that this study examines the impact of monetary policy and return on capital employed of listed DMBs in Nigeria.

Objectives of the Study

The main objective of this study is to examine monetary policy and return on capital employed of listed DMBs in Nigeria. The specific objectives are to;

- i) examine the impact of MPR on return on ROCE of listed DMBs in Nigeria.
- ii) examine the impact of CRR on ROCE of listed DMBs in Nigeria.
- iii) examine the impact of EXR on ROCE of listed DMBs in Nigeria.

Research Question

The study is guided by this research question. What is the impact of monetary policy rate, cash reserve ratio and exchange rate on return on capital employed of listed DMBs?

Research Hypothesis

This hypothesis is formulated to guide the study.

Ho₁: Monetary policy rate, cash reserve ratio and exchange rate have no significant impact on return on capital employed of listed DMBs.

Literature Review

Conceptual Issues

Return on Capital Employed

Return on capital employed is a popular financial instrument and communication tool for the appraisal of companies (Singh & Yadav, 2013). It is a key parameter for measuring the financial performance of the management and the value of a business (Damodaran, 2007). In addition, return on capital employed (ROCE) indicates how well a company is utilising its capital to generate revenue and is calculated as profit before interest and tax divided by capital employed multiply by one hundred percent (100%) (Mandal, Mahavidyalaya & Goswami, 2010).

Because return on capital employed measures profitability with respect to invested capital, it is important for organisations that require large amounts of initial capital investment before they start producing goods/products. The advantage of this ratio is that it considers all the factors of a company and is widely used in 1) showing how much a company is gaining for its asset or losing for its liabilities, 2) proving the value the business gains from its asset and liabilities, 3) assessing whether a business generates enough returns to pay for its cost of capital, and 4) making intra and inter-business comparisons (Damodaran, 2007; Singh & Yadav, 2013).

Monetary Policy

Monetary policy has been viewed as the regulations instituted by any government in order to control the amount of money circulating within an economy. These regulations

are usually developed by the central bank of a country. Therefore, Central Banks around the globe employ certain monetary policy instruments like bank rate, open market operation, liquidity ratio, inflation rate, changing reserve requirements, foreign exchange rate and other selective credit control instruments. Central bank also determines certain targets on monetary variables (Ajayi & Atanda, 2012). In addition, monetary policy is the process by which the government, monetary authority or central bank of a country controls the supply of money, availability of money and cost of money or interest rate to attain a set of objectives oriented towards the growth and stability of the economy (United States Federal Reserve Board, 2006). In view of the above assertions, monetary policy can be viewed as a measures adopted by central Bank of a country through its monetary authority to regulate the volume of money in circulation in the economy using various instruments with the view of having a free inflationary environment. The essence of monetary policy is to ensure smooth and better economic growth and development especially in this contemporary world.

Monetary Policy Instruments

Monetary policy committee of the central bank of Nigeria takes decision from time to time on these instruments such as monetary policy rate, cash reserve ratio and exchange rate for stabilising the economy to the path of growth (CBN, 2018).

Monetary Policy Rate

Monetary Policy Rate formerly known as Minimum Rediscount Rate (MRR) was introduced by the Central Bank of Nigeria as a discount rate for its lender of last resort functions but was later replaced when the MRR failed to serve as an appropriate anchor rate in the financial system. Thus, the MPR is the anchor rate issued by the central bank through its monetary policy committee which influences other money market interest rates (CBN, 2006). In addition, monetary policy rate is the benchmark rate for tracking the movement of other market rates of interest and maintaining economic stability as set by the monetary policy committee of the central bank (Kelikume, 2012). An increase in the MPR signifies the desire of the monetary authorities to pursue a restrictive monetary policy, while a decrease implies a more accommodating or expansionary monetary policy. A change in the MPR has implication for the money market interbank interest rates, growth in credit and price development in the economy (CBN Working Paper Series, 2015). In same way, monetary policy rate has been viewed as the rate at which central bank of Nigeria lends to DMBs in performing their duties as lender of last resort. It is expected to communicate its stance of monetary policy and acts as a guide for all other market interest rates (CBN, 2016).

Cash Reserve Ratio

Cash reserve ratio (CRR) is generally defined as a particular minimum amount of deposits that needs to be maintained as a reserve by every commercial bank in India according to the requirement of the Reserve Bank of India (RBI, 2000). The CRR will be fixed as per the rules and regulations of the RBI. Any fluctuations in cash reserve ratio will be having direct impact on stock market and overall economy of the nation. Cash Reserve Ratio (CRR) is the percentage of deposits which DMBs are required to keep as cash according to the direction of the Central Bank of Nigeria (CBN). This instrument is used by the central bank to influence the level of bank reserves and hence, their ability to grant loans. Reserve requirements are lowered in order to free reserves for banks to grant loans and thereby increase money supply in the economy. On the other hand, they are raised in order to reduce the capacity of banks to provide loans thereby reducing money supply in the economy. The reserve requirement (or cash reserve ratio) is a central bank regulation that sets the minimum fraction of customer deposits and notes that each commercial bank must hold (rather than lend out) as reserves. These required reserves are normally in the form of cash stored physically in a bank vault (vault cash) or deposits made with a central bank. The required reserve ratio is sometimes used as a tool in monetary policy, influencing the country's borrowing and interest rates by changing the amount of funds available for banks to make loans with.

Exchange Rate/Foreign Exchange Rate

International exchange refers to any payment made by one country to another and the market in which national currencies are bought and sold by those who require them for such payments. Countries may make payments in settlement of a trade debt, for capital investment, or for other purposes; moreover, other transactions may involve exporters, importers, multinational corporations, or persons wishing to send money to friends or relatives. However, the reasons for such payments, the methods of making them, and accounting for them are matters of importance for economists and national governments. Exchange rate (prevailing) is the rate at which the money of one country can be changed for the money of another country. It is the price of a unit of a currency expressed in terms of another currency, or better still the price at which a foreign currency can be bought with a domestic currency (Wonnacott, Forbes, & Pierce, 2014).

Empirical Studies

Several empirical studies relevant to this study on monetary policy and profitability of DMBs were examined. For example, Shirya, A. I. Njoka, C. and Abdul, F. (2023). examined the relationship between monetary policy instruments and financial performance of commercial banks in Nigeria. The study

was anchored on Keynesian theory and employed causal research design. The Nigerian banking populace is 21 commercial banks, so census approach was adopted. Panel data was utilized and inferential statistical methods were used to analyze the data. The result of regression analysis showed that open market operations had a coefficient of $\beta = 4.851167$, $***p = 0.000$ implying that it had positive and significant effect on the earning performance of commercial banks

in Nigeria. The results also show that monetary policy reforms had positively and significantly intervened on the relationship between open market operations and financial performance of commercial banks in Nigeria of a most distinctive finding of the study. The study concluded that monetary policy instruments as adopted by Central Bank of Nigeria are critical and heavily influenced

the performance of banking sector players in Nigeria. The study recommends that Central Bank of Nigeria should be meticulous and involve management of commercial banks when designing policy instruments to enhance the earnings of the commercial banks in Nigeria.

Olonila, Amassoma and Babatunde (2023) in this study, the impact of monetary policy on bank credit and investment in Nigeria from 1981 to 2020 was investigated. The central bank of Nigeria's statistics bulletin was the source of the data used in this study. Using the data gathered, the study used Auto-Regressive Distributed Lag (ARDL). The study's findings indicate that bank loans and investment have a long-term association with monetary policy. In addition, it was observed that while bank loans to the private sector and the liquidity ratio had short-term negative effects on investment, the cash reserve ratio, monetary policy, money supply, and inflation rate had long-term positive effects on investment. According to the study's findings, monetary policy significantly and favorably affects bank credit and investment in Nigeria. The study suggested that the CBN adjust the monetary policy rate by reducing the cash reserve ratio, which will increase liquidity and allow the banks to discharge their credit capacity with the aim of improving investment in Nigeria. Monetary authorities should view credit as a major channel for implementing monetary policies, and this urgent adjustment should be made.

In addition, Akeem, et. al (2022) examine the impact of monetary policy and financial performance: empirical evidence from listed deposit money banks in Nigeria. This study 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. Among the recommendations was to extend monetary policy beyond OMO because it had no significant influence. According to the study, banks should maintain an adequate cash reserve ratio because it has a significant impact on performance. Deposit money banks should place a greater emphasis on financial performance factors over which they have direct control, such as capital adequacy, asset quality, management efficiency, earnings ability, and liquidity management.

Yusuf and Abdulkadir (2021) examined how monetary policy decision impact profitability of listed deposit money banks in Nigeria from 2011 to 2020. Archived secondary data explored and collated via purposive sampling were tested for robustness, skewness and kurtosis and found fit for purpose. The Multiple Regression Analysis results of General Least Square-fixed effect (as selected by Hausman specification test) shows that, Monetary policy rate as set by the monetary policy committee of the central bank of Nigeria determines to some extent the position of the returns on capital employed of the listed DMBs in Nigeria. Thus, the fluctuations of the MPD in Nigeria does result in high or low returns accruing to the DMBs in Nigeria. Therefore, the monetary policy committee of the central bank is advised to set a more effective, thoughtful and more flexible Monetary Policy Rate as possible in order to improve the profitability of DMBs in the short-run and the Nigerian economy in the long run.

Bholat, Broughton, Ter-Meer, and Walczak, (2019) contributes new insights in this regard. Using a large-scale online experiment with a sample representative of the UK population, the paper documents the communicative techniques that increase public comprehension and trust in monetary and macroeconomic policy messages. Key findings include that the simplification of language increases public comprehension more than the inclusion of visuals, and that public comprehension can be improved by making monetary policy messages relatable to people's lives. Relatable content also increases the public's trust in central bank communications, and improves people's perceptions of the central bank. Our findings shed light on how central banks can improve communication with the public at a time when trust in public institutions has fallen, while the responsibilities delegated to central banks have increased.

Enders, Hünnekes, and Müller (2019) assess empirically whether monetary policy announcements impact firm expectations. Two features of the data set are key. First, they

rely on a survey of production and price expectations of German firms, that is, expectations of actual price setters. Second, they observe the day on which firms submit their answers to the survey; they compare the responses of firms before and after monetary policy surprises and obtain two results. First, firm expectations respond to policy surprises. Second, the response becomes weaker as the surprise becomes bigger. A contractionary surprise of moderate size reduces firm expectations, while a moderate expansionary surprise raises them. Large surprises, both negative and positive, fail to alter expectations. Consistent with this result, they find that many of the ECB's announcements of non-conventional policies did not affect expectations significantly. Overall, our results are consistent with the notion that monetary policy surprises generate an information effect which is endogenous to the size of the policy surprise.

Moreover, Victor, Ozioma, Chiaka and Samuel (2017), evaluates the impact of monetary policy regime on the performance of DMBs. The study was conducted in Nigeria. The study covered SAP period (1986-1999) and post SAP period (2000-2013). Data collected were analysed using regression and Pearson product moment correlation technique. The findings of the study revealed that MPR during the SAP period did not have significant impact on the total asset value, Deposit mobilisation, loan and advance and credit to the private sector while MPR during the post SAP period had significant impact on the total asset value, deposit mobilisation, loan and advances and credit to the private sector respectively. This study recommended that government should review the position of the monetary policy rate in the country through its monetary authority in a way that will be friendly to the DMBs. Monetary policy rate in the country needs to be study with financial performance measures such as liquidity, leverage and profitability to understand its position in the country. From the above empirical studies, it shows that most of the findings of the studies are mixed up, this could possibly be attributed to difference in environment and therefore calls for further studies.

In the same vein, Meshack and Nyamute (2016), investigated the effect of monetary policy on the financial performance of listed DMBs. The study was carried out in Nairobi Securities Exchange. The data collected were analysed using multiple regression and Pearson correlation techniques. The findings of the study revealed that open market operation influenced returns of the listed DMBs on the Nairobi Securities Exchange. However, the study also established that OMO were positively correlated with the financial performance of the DMBs listed on the NSE while central bank rate (CBR) and cash reserve ratio (CRR) rates negatively influenced financial performance of DMBs listed on the NSE. The study therefore recommended that the country should handle its macroeconomic variables such as CBR, CRR and OMO not to bring about devaluation of the country's currency which affect performance of the listed DMBs. Similar study should be undertaken in the manufacturing sector listed on the NSE.

In the same light, Mulwa (2015), examined monetary policy tools on the financial performance of DMBs. The study was carried out in Kenya. The data collected were analysed using descriptive and inferential statistics. The findings of the study revealed that open market operation (OMO) and cash reserve ratio (CRR) have no significant effect on the financial performance of DMBs. Bank size was however found to have a weak positive effect on financial performance of DMBs in Kenya. The study therefore recommends that DMBs need to focus more on the internal factors that affect financial performance of DMBs. The study further recommends that DMBs should focus on monetary policy changes to the extent of complying with the CBK guidelines and adjusting their variables accordingly. This study focuses on Kenya which is East Africa, there is need for such study to be conducted in West, Central and South African countries to compare results to be obtain.

Similarly, Ndugbu and Peter (2015), investigated the impact of monetary policy on the performance of deposit money banks. The study was carried out in Nigeria (1993-2013). Data for this study were collected and analysed using ordinary least square (OLS) technique and co-integration. The findings of the study revealed that bank deposit rate, bank lending rate, cash reserve ratio and liquidity ratio considered, only bank deposit rate has a significant though inverse relationship. The study recommended that the CBN should moderate the deposit rate as a tool for regulating deposit money banks operations. The findings of this study focused on deposit money banks which is a combination of DMBs and merchant banks. Therefore, there is need for such study to be conducted only on DMBs or merchant banks to see the extent of the relationship among the instruments.

Ayodele (2014), evaluates the effect of monetary policy on DMBs lending. The study was conducted in Nigeria. The data gathered were analysed using Vector Error Correction Mechanism of Ordinary Least Square econometric technique. The findings of the study revealed that there exists a long run relationship among the variables in the model. Specifically, exchange rate and interest rate significantly influenced commercial bank lending while liquidity ratio and money supply exert negative effect on commercial bank loans and advances. The study recommended that monetary authority should make efforts to develop indirect monetary instruments and exercise appropriate control over the monetary sector. This particular study was conducted in Nigerian DMBs. However, there is need for such study to be carried out in other part of West African countries such as Ghana, Gambia, Liberia and Sierra Leone to compare their findings as to whether it concur with the one in this study or not.

In the same vein, Zaman, Arslan, Sohail and Malik (2014), investigated the impact of monetary policy on financial performance of banking sector. The study was carried out in Pakistan. A sample of twenty (20) banks was selected to represent the Pakistan financial

sector. The data were gathered and analysed using correlation analysis followed by ordinary least square regression analysis. The finding of the study revealed that interest has significant inverse relationship on firm financial performance which is measured by ROA and ROE. The study recommended that government should moderate the interest rate to reflect a better performance for the financial sector. In this study, the sample of twenty (20) DMBs was a fair representation of the entire banking sector in Pakistan.

Theoretical Framework

The following theory of Risk and Uncertainty Bearing Theory of Profit is reviewed under this section to underpin the study.

Risk and Uncertainty Bearing Theory of Profit:

Knight (1984) who propounded the uncertainty theory of profits draws distinction between insurable and non-insurable risk. Risks of factory catching fire, occurrence of any theft or accident which may cause huge losses to the entrepreneur are the kinds of risk which can be ensured against on payment of an insurance premium which forms a part of the cost of production. This theory explains that profits are a necessary reward of the entrepreneur for bearing risk and uncertainty in a changing economy. So this is functional theory of profits. Profits arise as a result of uncertainty of future. Entrepreneurs have to undertake the work of production under conditions of uncertainty. In advance they have to make estimates of the future conditions regarding demand for the product and other factors which affect price and costs. In view of their estimates and anticipations, they make contract with the suppliers of factors of production in advance at fixed rates of remuneration (Knight, 1984). They realize the value of output produced by the hired factors after it has been produced and sold in the market. But a good deal of time is spent in the process of producing and selling the product. But between the times of contracts and sale of output many changes may take place which may upset anticipations for good or for worse and thereby give rise to profits, positive and negative. Now if the conditions prevailing at the time of the sale of output could be known or predicted when the entrepreneurs enter into contractual relationships with the factors of production about their rates of remuneration, there would have been no uncertainty and, therefore, no profits. Thus uncertainty, that is, ignorance about the future conditions of demand and supply, is the cause of profits. It should be noted that positive profits accrue to those entrepreneurs who make correct estimate of the future or whose anticipations prove to be correct. Those whose anticipations prove to be incorrect will have to suffer losses. But there are risks that cannot be insured. These non-insurable risks relate to the outcome of price-output decisions made by the entrepreneur. Due to uncertainty his decisions may prove to be right or wrong. What output he should produce, what price, higher or lower,

he should fix for his output. In view of uncertainty about future conditions he cannot be sure whether, given his price and output decisions, he will make profits or losses. Similarly, he has to bear risk as a result of his decision regarding mode of advertisement and expenditure made on it, regarding variation in product design. For taking all these decisions he has to guess about demand and cost conditions and there is always a risk of incurring losses as a result of his business decisions. No insurance company can insure the entrepreneur against business losses which result from his particular price, output, product design, and advertisement expenditure which fall upon him due to adverse changes that may take place in the economy. Thus, it is non-insurable risks that involves uncertainty and gives rise to economic profits, positive or negative. Risk and uncertainty theory explains why supernormal profits (that is economic profits) are required by the firms who operate in such fields as petroleum exploration which involves relatively higher risks. Likewise, expected return on stocks has to be higher than the interest on bonds because of greater uncertainty and riskiness of investment in stocks of the companies. This theory is hereby adapted to underpin profitability as a dependent variable in this study as it explains how macro-economic decisions affects profitability of firms.

Methodology

The research study adopted a secondary source of data obtained from statistical bulletin of the Central Bank of Nigeria and Annual Reports and Accounts of the Listed Deposit Money Banks for the period of ten (10) years from 2014-2023. Purposive sampling technique was used to arrive at a sample of four DMBs namely Citi Bank Nig. Ltd, Guaranty Trust Bank Plc, Standard Chartered Bank Plc and Zenith Bank Plc from the total population of twenty-four DMBs. Multiple regression analysis was employed to predict whether the predictor variables namely monetary policy rate, cash reserve ratio exchange rate have significant impact or not on the dependent variable, that is, return on capital employed. The hypothesis was tested using multiple regression.

Model Specification

This model was used by Kelikume (2012) and Emerenini and Eke (2014) in their studies. However, because of its relevancy to this study, it was adopted to suit the required purpose.

$$1) ROCE = \beta_0 + \beta_{1it}MPR + \beta_{2it}CRR + \beta_{3it}EXR + \sum \dots \dots \dots (1)$$

Where;

$\beta_0, \dots, \beta_k$ is the regression model coefficients of the independent variables

$x_0, \dots, x_k$ is the parameters of the explanatory variables

$\sum$ is the random error term

it at a given period or point in time

Where; ROCE= Return On Capital Employed

MPR=Monetary Policy Rate

CRR= Cash Reserve Ratio

EXR= Exchange Rate

The decision rule: Reject the null hypothesis if $P < 0.05$ (5%)

Empirical Results and Discussion

Analysis of Data

This section presents the results of the analysis conducted on the data collected from the annual reports and accounts of the sampled banks for the period of the study. It also presents the model summary and regression results of the study.

H_{01} : Monetary policy rate, cash reserve ratio and exchange rate have no significant impact on return on capital employed of listed DMBs in Nigeria.

Table 1 Model Summary

Model	R	R. square	Adjusted square	R. Std. Error of the estimate	Durbin Watson
1	0.8317 ^a	0.7816 ^a	0.6125	2.64537	1.860

Source: SPSS Version 20.0

a. Predictors (constant), MPR, CRR, EXR

b. Dependent variable: ROCE

Table 1 shows a strong correlation between MPR, CRR and EXR, with an R-value of (0.8317) which is 83.2%, the R-square value of 0.7816 which shows that 78.2% of the variability in instruments are explain by ROCE. It indicates that there is positive correlation between the instruments and return on capital employed. Therefore, R-square had a value of 0.7816 (78.2%) and adjusted R-square is 0.6125 approximately 78.2% of the variation in the dependent variable was explained by the independent variables.

Table 2 Regression Coefficient^a

Model	Unstandardized coefficient		Standardized coefficient	T	Sig.
	B	Std. error	Beta		
Constant	19.676	1.001		19.938	.000
MPR, CRR, EXR	.376	.221	.087	1.584	.000

Source: SPSS, Version 20.0

Table 2 shows that standardized beta weight of the r-coefficients and part correlation signifying the correlation between MPR, CRR, EXR and ROCE with a p-value < 0.05 which implies that MPR, CRR, EXR have significant relationship on ROCE in the study area. Therefore, the null hypothesis which states that monetary policy rate, cash reserve ratio and exchange rate have no significant impact on return on capital employed of listed DMBs is not accepted.

Decision: Since the R-square value of (0.7816) which represent 78.2% by which the variables explain the model fits of the data. However, T-value of the coefficient of the regression is 1.584. Therefore, the Beta value of coefficient is (.087) which is 87% of the coefficient in response to p-value of regression coefficient are also significant at level of

(0.000) which is less than alpha value of (0.05) that is $P < 0.000$ $P < 0.05$. This concludes that the null hypothesis is rejected and the result shows that monetary policy rate, cash reserve ratio and exchange rate have significant impact on return on capital employed of listed DMBs. This finding concurs with the position of Uremadu (2012) who found positive and significant effect of CRR, SLR and profitability of DMBs in Nigeria. Also, it contradicts that of Mulwa (2015) who found statistically insignificant effect of CRR on financial performance of DMBs in Kenya and Udeh (2015) found a statistically insignificant impact of CRR, SLR and IR on profitability of Zenith Bank Plc.

Conclusion

The following are the conclusions drawn from the results presented in chapter four of the study. Monetary policy rate as set by the monetary policy committee of the central bank of Nigeria does not determine to a large extent the position of the returns on capital employed of the DMBs in Nigeria. Thus, the fluctuations of the MPR in Nigeria does not result in high or low returns accruing to the DMBs in Nigeria. Therefore, the monetary policy committee of the central bank is required to set the MPR as more effective and more flexible as possible in order to improve the Nigerian economy.

Cash reserve ratio which remains the ratio that constitutes the deposit liabilities of the DMBs in the central bank of Nigeria, and the current rate is 32.5% which have a significant impact on the ROCE of listed banks in Nigeria.

Exchange rate/ foreign exchange rate has become a serious issue in the country which has affected the prices of products in the country making the common with low income bracket to suffer the most.

Recommendations

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

Considering the fact that, monetary policy rate has significant impact on the return on capital employed of listed deposit money banks on the NSE, the study recommends the need by the C.B.N. to ensure that adequate monetary policy rate is put in place to improve the significance in terms of safeguarding the impetus of monetary policy decision in the Nigerian economy. With the recent adjustment of MPR to 24.75%, the economy, the country has beginning to see positive improvement.

Considering the significance of the cash reserve ratio on the return on capital employed of the listed deposit money banks in Nigeria, the study recommends the need for managers of these banks to fully adhere to the CRR policy currently is 32.5% by organising more training and workshops to staff on the importance of preserving and adhering to the monetary policy decision for the effective and efficient operationalisation of the banks in the short-run and a better health: on banking industry in the long-run.

Considering the dependence of using foreign currency in making transactions and the import driven economy has seriously affected the Nigerian economy. Although, recently naira continues to appreciate against the US Dollars.

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