

## EFFECTS OF MONETARY POLICY ON THE PERFORMANCE OF BANKING INDUSTRY IN NIGERIA (1991-2023): A TIME SERIES ANALYSIS

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### Abstract

The objective of the paper is to study examines the effects of monetary policy on the performance of the banking industry in Nigeria from 1991 to 2023. Using a combination of descriptive statistics and econometric analysis, we investigate the impact of monetary policy variables on banking sector performance indicators. The analysis uses secondary data from the Central Bank of Nigeria (CBN) Statistical Bulletin and considers three independent variables: money supply, credit to private industry, and liquidity ratio. Methods like the Augmented Dickey-Fuller (ADF) test, Johansen cointegration test, Auto Regressive Distributed Lag (ARDL), and Vector Error Correction Model (VECM) were used to analyse the data. Our findings suggest that monetary policy has significant effects on banking sector performance, particularly in terms of lending and credit, deposit liabilities, profitability, and stability. The Granger causality test shows no causal relationship between bank performance and the independent variables. We recommend that policymakers strengthen the regulatory framework, improve monetary policy transmission, and promote effective risk management practices among banks.

**Keywords:** GDP; MRR; Monetary Policy; CBN; Banking Industry; Interest Rate; Exchange Rate; Liquidity Ratio; CPS.