Interest Rate Deregulation and Bank Performance in Nigeria

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Abstract:
This study examines the effect of interest rate deregulation on bank performance in Nigeria spanning the period, 2012-2024. Secondary data collected from the financial statements of five major Nigerian banks, namely; Access Bank, First Bank of Nigeria, Guaranty Trust Bank, United Bank for Africa and Zenith Bank were used for the study. The study measures the effect of monetary policy rate, deposit interest rate, lending interest rate, and inflation rate on banks' performance which is measured by return on assets. Econometric approach was applied for the study Autoregressive Distributed Lag (ARDL) model was employed to analyze effects of the independent variables on bank performance. Results from the study show that monetary policy rate and lending interest rate negatively affect bank performance while deposit interest rate and inflation positively influence return on assets. The study opines that while intercest rate deregulation improves efficiency and financial deepening, banks must implement strategic lending, deposit mobilization, and risk management policies to optimize their performance.

Keywords:
Interest Rate Deregulation, Bank Performance, Monetary Policy Rate, Lending interest rate, Deposit interest rate, ARDL.