

## CASH RESERVE RATIO, MONEY SUPPLY AND THE PROFITABILITY OF DEPOSIT MONEY BANKS IN NIGERIA

*Bawa, A. B<sup>1</sup>, Akinniyi, K.O<sup>2</sup> & Njarendy P. I.<sup>3</sup>*

<sup>1</sup>*Department of Accountancy, Modibbo Adama University of Technology, Yola, Adamawa, Nigeria*

<sup>2</sup>*Department of Accountancy, University of Maiduguri, Borno, Nigeria*

<sup>3</sup>*Department of Banking and Finance, Modibbo Adama University of Technology, Yola, Adamawa, Nigeria*

### **ABSTRACT**

*This study examines the effect of cash reserve ratio and money supply on the profitability of DMBs in Nigeria. Data for the study were extracted from the annual reports and accounts of the DMBs for the study period (2002-2012). Descriptive statistics and regression analysis technique were used to analyse the data. The results reveals that cash reserve ratio has negative and insignificant impact on the earnings of DMBs in Nigeria. Money supply has a positive significant effect deposit money banks volume of loans and advances, interest rate and interest income. The study recommends that the CBN should redefine monetary policy instruments; Cash Reserve Ratio (CRR) by setting CRR at an equilibrium level in order to make more funds available to DMBs for advancing loan and investing in the economy for growth and development. In addition, the government through the CBN should set lending rate an optimum level as these would help to boost credit expansion, money supply and invariably returns and profitability of deposit money banks in Nigeria.*

**KEYWORDS:** *Cash Reserve Ratio, Earnings Per Share, Deposit Money Banks, Money Supply, Profitability*

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### **Article History**

**Received: 24 Jun 2018 / Revised: 05 Jul 2018 / Accepted: 11 Jul 2018**

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