

Nexus between Institutional Quality and the performance of Deposit Money Banks in Nigeria

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Abstract

The performance of banks is not only driven by internal factors such as bank-specific variables, but other external factors such as macroeconomic policies and institutional regulations. Therefore, this study investigated the impact of institutional quality on the performance of deposit money banks in Nigeria between 2000 and 2023. Data on institutional qualities were gathered from World Governance Indicators while performance was represented with ROA and sourced from World Bank Development Indicators. The ordinary least square analysis method was employed to determine the relationship and influence of institutional quality on the performance of deposit money banks in Nigeria. The results revealed that control of corruption, regulatory quality, political stability, and non -non-performing loans have a negative relationship with Return on Assets while government effectiveness has a positive relationship with the return on assets of deposit money banks in Nigeria. Also, it was discovered that only non-performing loans have a significant impact on the performance of deposit money banks in Nigeria. The study, therefore, recommended that regulatory authorities should address the issue of non-performing loans and provide strong regulatory quality to further boost investors' confidence and enhance the performance of deposit money banks in Nigeria.

Keywords: Institutional Quality, Return on Asset, Non -Performing loans, and Deposit money banks