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The Level of Commercial Bank's Compliance with CBN Monetary Policy Credit Guidelines

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KEYWORDS Monetary policy; commercial banks; compliance rate; credit guidelines; sectoral classification

ABSTRACT Monetary policy circular is a letter of directive issued to Banks in Nigeria by Central Bank in which they are directed on level of credit, and charges to be adopted in different sectors of the economy. It is this letter that formulates what is known as the country's monetary policy". The objective of this research is to use Monetary Policy Compliance Rate Models, to assess the level of commercial banks compliance to the specified monetary policy credit guidelines. The researcher used secondary data on the sectoral distribution of credits commercial banks submitted to the Central Bank of Nigeria. The economic sectors were classified as production which embraces Agriculture, Forestry Fishery, Manufacturing Mining and Quarrying, Real Estate and Construction. Statistically, the compliance rate models were used to assess the level of compliance of commercial banks to the stipulated monetary policy. The research tested two hypotheses which have revealed that in sectoral allocation era 1991-1993, commercials banks did not comply to the monetary policy credit guidelines, but during the high priority and others, 1994-1996, commercial banks complied to the monetary policy credit guidelines. The policy implication of the research has shown that public utilities, transportation, telecommunication and general welfare in Nigeria had performed below expectation, because commercial banks under-complied to the monetary policy credit guidelines, in these sectors.