 ISSN: 3107-6513

POLITICAL ENVIRONMENT AND PERFORMANCE OF DEPOSIT MONEY BANKS (DMBS) IN FCT, ABUJA

Assoc. Prof. Dare Daniel Joseph[1], Johnbull Shekarau[2]

[1.2] *Department of Business Administration, University of Abuja, Abuja, Nigeria.*

[1]corresponding. **dare.daniel@uniabuja.edu.ng**

Abstract:

The political environment plays a pivotal role in shaping the performance of Deposit Money Banks (DMBs) in FCT-Abuja, Nigeria. This study examines the relationship between the political environment which encompassing political stability and government regulations and the performance of DMBs, measured by financial stability and regulatory compliance. Using a sample of 299 employees from five major banks in FCT-Abuja, data were collected through structured questionnaires and analyzed using multiple regression analysis. The findings reveal a significant positive relationship between political stability and financial stability, as well as between government regulations and regulatory compliance. These results underscore the importance of a stable political environment and consistent enforcement of regulations in enhancing the operational efficiency and resilience of DMBs. The study contributes to the literature by providing region-specific insights into the dynamics shaping DMB performance in FCT-Abuja and highlights the applicability of Institutional Theory in understanding these relationships. Based on the findings, the study recommends that policymakers prioritize measures to enhance political stability, streamline regulatory frameworks, and promote transparency to support the growth and sustainability of the banking sector. These insights are critical for fostering economic development and ensuring the resilience of DMBs in politically influenced environments.

Keywords—Political environment, political stability, government regulations, financial stability, regulatory compliance, Deposit Money Banks (DMBs)

I. INTRODUCTION

The global political environment plays a pivotal role in shaping the operations and performance of organizations, including financial institutions such as Deposit Money Banks (DMBs). From a broad perspective, the political environment encompasses the external factors that influence governance structures, institutional frameworks, and economic policies within nations. These factors are often shaped by the interplay of domestic politics, international relations, and geopolitical dynamics. For instance, political instability in regions like the Middle East or Sub-Saharan Africa has historically disrupted banking systems, leading to liquidity crises and diminished investor confidence (Adegbite & Nakajima, 2019). Conversely, politically stable environments tend to foster economic growth and enhance the operational efficiency of financial institutions. The concept of the political environment is thus critical for understanding how external governance and regulatory conditions affect organizational performance. Scholars have identified two primary dimensions of the political environment: political stability and government regulations. Political stability refers to the absence of violent conflicts, frequent regime changes, or social unrest, all of which can create uncertainty for businesses. Government regulations, on the other hand, encompass laws, policies, and bureaucratic procedures that govern business operations. Both dimensions are crucial for DMBs, as they directly impact their ability to operate efficiently, manage risks, and comply with regulatory frameworks. For example, stringent anti-money laundering regulations may increase compliance costs but also enhance the credibility and trustworthiness of banks.

The performance of Deposit Money Banks (DMBs) is a multifaceted construct that has been extensively studied in academic literature. Broadly, DMBs play a central role in economic development by mobilizing savings, providing credit, and facilitating payment systems. However, their performance is contingent upon various internal and external factors. From a global perspective, the performance of DMBs is often evaluated based on financial stability and regulatory compliance. Financial stability reflects the bank's ability to withstand economic shocks, maintain adequate capital reserves, and ensure liquidity. Regulatory compliance, meanwhile, measures the extent to which banks adhere to legal and policy frameworks designed to protect stakeholders and promote ethical practices. In the context of FCT-Abuja, Nigeria's capital city, these dimensions take on added significance due to the region's unique position as a hub for government activities and policymaking. The concentration of government agencies and international organizations in Abuja creates both opportunities and challenges for DMBs operating in the area. While the presence of a robust customer base can enhance profitability, the complexities of navigating a highly regulated environment pose significant operational challenges.

The interplay between the political environment and the performance of DMBs is intricate and multifaceted. Political stability, for instance, can create a conducive atmosphere for banks to expand their operations, attract foreign investments, and innovate in service delivery. Conversely, political instability can lead to capital flight, reduced consumer confidence, and increased non-performing loans, thereby undermining bank performance. Similarly, government regulations, while necessary for ensuring transparency and accountability, can impose additional costs and administrative burdens on banks. For example, stringent capital adequacy requirements may enhance financial stability but could also limit lending capacity, especially for smaller banks. Moreover, the enforcement of regulations may vary depending on the political climate, creating inconsistencies that affect performance outcomes. While the exact nature of this interplay remains context-specific, it is evident that the political environment exerts a profound influence on the operational and strategic decisions of DMBs.

 ISSN: 3107-6513

Despite the potential benefits of a favorable political environment, DMBs in FCT-Abuja face numerous challenges that impede their performance. One key issue is the frequent policy shifts and inconsistent enforcement of regulations, which create uncertainty and hinder long-term planning. Additionally, the prevalence of corruption and bureaucratic inefficiencies often exacerbates compliance costs and delays critical processes such as loan approvals and foreign exchange transactions. Furthermore, the high concentration of government-related activities in Abuja means that DMBs are disproportionately exposed to public sector risks, including delayed payments and budgetary constraints. These challenges underscore the need for a deeper understanding of how the political environment shapes the performance of DMBs in this specific context. Conducting this study is imperative not only to address existing gaps in the literature but also to provide actionable insights for policymakers, regulators, and banking executives. By examining the relationship between the political environment and DMB performance in FCT-Abuja, this research aims to contribute to the development of strategies that enhance resilience, foster innovation, and promote sustainable growth in the Nigerian banking sector.

Statement of the Problem

In developed contexts, the relationship between the political environment and the performance of financial institutions like Deposit Money Banks (DMBs) has been extensively studied and well-documented. Scholars in these regions emphasized that a stable political environment, coupled with transparent and consistent government regulations, fosters an enabling atmosphere for banks to thrive. For instance, studies conducted in Europe and North America revealed that political stability contributed significantly to reduced operational risks, enhanced investor confidence, and improved profitability among banks (Adegbite & Nakajima, 2019). Similarly, government regulations, when implemented effectively, ensured compliance, promoted ethical practices, and safeguarded the interests of stakeholders. However, in developing contexts such as Nigeria, the situation was markedly different. In FCT-Abuja, the political environment posed significant challenges to the performance of DMBs. Frequent policy shifts, bureaucratic inefficiencies, and inconsistent enforcement of regulations created an unpredictable operating climate that undermined the ability of banks to achieve optimal performance. These challenges were further compounded by corruption, delays in government-related transactions, and exposure to public sector risks, which disproportionately affected DMBs operating in Abuja. Despite these pressing issues, there remained a paucity of empirical research exploring the specific dynamics between the political environment and the performance of DMBs in FCT-Abuja. Existing studies primarily focused on broader economic factors or were limited to national-level analyses, leaving a critical gap in understanding how political stability and government regulations influenced bank performance within this unique context (Ogbeide & Egharevba, 2020). This study aimed to address these gaps by providing evidence-based insights into the interplay between the political environment and the performance of DMBs in FCT-Abuja. The objectives of this study are formulated to address the research questions and provide a clear direction for the investigation:

i. To examine the impact of political stability on the financial stability of Deposit Money Banks (DMBs) in FCT-Abuja.
ii. To assess the influence of government regulations on the regulatory compliance of Deposit Money Banks (DMBs) in FCT-Abuja.

Research Hypotheses

The following hypotheses were formulated to guide the study:

H_{01}: There is no significant positive relationship between political stability and the financial stability of Deposit Money Banks (DMBs) in FCT, Abuja.

H_{02}: Government regulations have no significant positive impact on the regulatory compliance performance of Deposit Money Banks (DMBs) in FCT, Abuja.

II LITERATURE REVIEW

Concept of Political Environment

The political environment refers to the external factors that influence governance, policy formulation, and regulatory frameworks within which organizations operate. It serves as a critical determinant of organizational performance, particularly in sectors like banking, where regulatory oversight and public trust are paramount. Scholars such as Adegbite and Nakajima (2019) emphasize that the political environment shapes the operational landscape for businesses by influencing government policies, institutional stability, and economic conditions. The political environment is often analyzed through two key dimensions: political stability and government regulations. These dimensions collectively determine the level of uncertainty or predictability within which organizations operate. A stable political environment fosters investor confidence, reduces operational risks, and enables organizations to focus on long-term strategic goals. Conversely, political instability can lead to capital flight, reduced consumer confidence, and increased non-performing loans, thereby undermining organizational performance.

Political Stability

Political stability is a cornerstone of a conducive business environment. It reflects the absence of violent conflicts, frequent regime changes, or social unrest, all of which can create uncertainty for businesses. For instance, studies have shown that countries with high levels of political stability tend to attract more foreign direct investment (FDI) and experience higher economic growth rates (Ogbeide & Egharevba, 2020). In the context of Deposit Money Banks (DMBs), political stability ensures that banks can operate without the fear of sudden policy reversals or disruptions caused by civil unrest. This stability allows DMBs to plan strategically, invest in long-term projects, and innovate in service delivery. However, in politically unstable environments, banks face challenges such as liquidity crises, reduced lending capacity, and diminished investor confidence. These challenges highlight the importance of political stability as a critical factor in shaping the performance of DMBs.

Government Regulations

Government regulations, the second dimension of the political environment, refer to the legal and bureaucratic frameworks that govern business activities. These regulations are designed to ensure transparency, accountability, and ethical practices within organizations. However, their impact on performance can vary depending on the consistency and enforcement of these regulations. For instance, stringent anti-money laundering regulations may enhance financial stability but could also impose additional compliance costs, particularly for smaller banks (Adegbite & Nakajima, 2019). Furthermore, inconsistent enforcement of regulations due to political interference or corruption exacerbates compliance challenges, particularly in developing contexts like Nigeria (Ogbeide & Egharevba, 2020). In FCT-Abuja, where DMBs operate in close proximity to government agencies and international organizations, the complexity of navigating a highly regulated environment poses significant operational challenges. Understanding the interplay between political stability and government regulations is essential for evaluating the performance of DMBs, as these factors directly influence their operational efficiency and strategic decision-making (Ogunnaike et al., 2021).

Concept Performance of Deposit Money Banks (DMBs)

The performance of Deposit Money Banks (DMBs) is a multifaceted construct that has been extensively studied in academic literature. Broadly, DMBs play a central role in economic development by mobilizing savings, providing credit, and facilitating payment systems. However, their performance is contingent upon various internal and external factors, including the political environment (Adegbite & Nakajima, 2019). Scholars have identified two primary dimensions of DMB performance: financial stability and regulatory compliance. Financial stability reflects the bank's ability to withstand economic shocks, maintain adequate capital reserves, and ensure liquidity. It is often measured using indicators such as capital adequacy ratios, non-performing loan ratios, and profitability metrics (Ogunnaike et al., 2021). Financial stability is critical for ensuring the resilience of banks in the face of economic uncertainties and maintaining public trust in the financial system (Akinsulire et al., 2018).

Financial Stability

Financial stability is particularly important for DMBs operating in FCT-Abuja, where the concentration of government agencies and international organizations creates both opportunities and challenges. For instance, while the presence of a robust customer base can enhance profitability, exposure to public sector risks, such as delayed payments and budgetary constraints, undermines financial stability. Additionally, frequent policy shifts and inconsistent enforcement of regulations exacerbate operational risks, further complicating the ability of DMBs to maintain financial stability. Studies have shown that banks with strong financial stability are better positioned to navigate economic downturns and capitalize on growth opportunities (Adegbite & Nakajima, 2019). This underscores the importance of financial stability as a critical dimension of DMB performance.

Regulatory Compliance

Regulatory compliance, the second dimension of performance, measures the extent to which banks adhere to legal and policy frameworks designed to protect stakeholders and promote ethical practices. Compliance is evaluated based on adherence to anti-money laundering laws, consumer protection regulations, and reporting requirements (Ogunnaike et al., 2021). In the context of FCT-Abuja, regulatory compliance becomes even more critical due to the region's position as a hub for government activities and policymaking. The high level of scrutiny from regulators in Abuja places additional pressure on banks to maintain transparency and accountability (Ogbeide & Egharevba, 2020). For example, delays in government-related transactions, exposure to public sector risks, and frequent policy shifts often undermine regulatory compliance. Understanding these dimensions is essential for evaluating the performance of DMBs, as they provide insights into the factors that enable or constrain their ability to achieve sustainable growth and contribute to economic development (Adegbite & Nakajima, 2019).

Theoretical Framework

Institutional Theory

The study adopts Institutional Theory as its theoretical framework. Institutional Theory was first introduced by Meyer and Rowan (1977) and later expanded by DiMaggio and Powell (1983). The theory posits that organizations operate within a broader institutional environment shaped by norms, rules, and structures that influence their behavior and performance. A key assumption of Institutional Theory is that organizations strive to achieve legitimacy by conforming to the expectations of their institutional environment, even if such conformity does not necessarily enhance efficiency or profitability. This theory emphasizes the role of external pressures, such as political stability and government regulations, in shaping organizational practices and outcomes.

One of the strengths of Institutional Theory lies in its ability to explain how external factors, such as the political environment, influence organizational behavior. It provides a comprehensive framework for understanding how political stability and government regulations affect the performance of DMBs by creating conditions that either facilitate or hinder their operations. For example, political stability fosters an enabling environment for banks to innovate and expand their services, while consistent government regulations ensure transparency and accountability. However, a limitation of the theory is its focus on conformity and legitimacy, which may overlook the role of innovation and competitive advantage in driving organizational performance. Despite this limitation, Institutional Theory is highly applicable to this study. By applying the theory, the study examines how DMBs in FCT-Abuja navigate the pressures imposed by the political environment to achieve financial stability and regulatory compliance. The theory highlights the importance of aligning organizational practices with institutional expectations, particularly in contexts where political stability and government regulations play a critical role in shaping performance outcomes. This alignment is essential for ensuring the sustainability and resilience of DMBs in a dynamic and challenging environment.

 ISSN: 3107-6513

Institutional Theory is particularly relevant to this study because it provides a lens through which the relationship between the political environment and DMB performance can be examined. The theory suggests that DMBs must adapt to the institutional pressures imposed by political stability and government regulations to achieve legitimacy and improve performance. For instance, in FCT-Abuja, where regulatory scrutiny is high, DMBs must demonstrate compliance with anti-money laundering laws and other regulatory frameworks to maintain public trust and avoid penalties. Similarly, political stability creates a predictable environment that enables banks to focus on long-term strategic goals, such as expanding their customer base and enhancing service delivery. By applying Institutional Theory, this study seeks to uncover how DMBs balance the demands of the political environment with their need to achieve financial stability and regulatory compliance. This application of the theory provides valuable insights into the strategies that DMBs can adopt to enhance their performance in a politically influenced context.

Empirical Review

Political Stability and Financial Stability

Adegbite and Nakajima (2019) explored the relationship between political stability and financial stability in the banking sector across several African countries, including Nigeria. The researchers employed panel data analysis to examine how political instability, such as civil unrest and frequent regime changes, affected the financial performance of banks. Their findings revealed that political instability significantly undermined financial stability, as evidenced by higher non-performing loan ratios and reduced profitability among banks operating in politically unstable environments. The study further highlighted that banks in politically stable regions were better able to maintain adequate capital reserves and liquidity, which enhanced their resilience during economic downturns. This aligns with the argument that political stability fosters an enabling environment for banks to focus on long-term strategic goals, thereby improving their financial stability. However, the study also noted that the impact of political stability varied depending on the institutional context, suggesting the need for further research in specific regions like FCT-Abuja.

Government Regulations and Regulatory Compliance

In a study examining the impact of government regulations on regulatory compliance among Deposit Money Banks (DMBs) in Nigeria, Ogbeide and Egharevba (2020) found that stringent regulatory frameworks significantly influenced banks' adherence to anti-money laundering laws and consumer protection policies. Using a survey of 500 employees from various banks, the researchers identified that consistent enforcement of regulations enhanced compliance but also imposed additional costs on banks, particularly smaller institutions with limited resources. The study emphasized that while regulatory compliance improved transparency and accountability, inconsistent enforcement due to bureaucratic inefficiencies often created operational challenges for banks. Furthermore, the researchers noted that banks in highly regulated environments, such as FCT-Abuja, faced greater scrutiny, which placed additional pressure on them to maintain compliance. This study underscores the dual role of government regulations in promoting ethical practices while potentially increasing operational burdens for DMBs.

Political Environment and Bank Performance

Akinsulire et al. (2018) investigated the influence of the political environment on the overall performance of banks in Sub-Saharan Africa. Using a sample of 50 banks over a ten-year period, the researchers analyzed the effects of political stability and government regulations on financial performance metrics such as return on assets (ROA), return on equity (ROE), and net interest margins. The results indicated that political stability had a positive and significant impact on bank performance, as stable environments enabled banks to attract investments and expand their operations. Conversely, excessive or inconsistently enforced government regulations negatively affected performance by increasing compliance costs and reducing operational flexibility. The study concluded that a balanced approach to regulation one that ensures transparency without stifling innovation is critical for enhancing bank performance. While this study provides valuable insights, its broad focus on Sub-Saharan Africa highlights the need for region-specific analyses, such as those focused on FCT-Abuja.

Financial Stability and Regulatory Compliance in Developing Economies

Ogunnaike et al. (2021) examined the interplay between financial stability and regulatory compliance among banks in developing economies, with a specific focus on Nigeria. The researchers used structural equation modeling to analyze data collected from 300 senior managers in Nigerian banks. Their findings revealed a strong positive correlation between financial stability and regulatory compliance, suggesting that banks with robust financial health were better equipped to meet regulatory requirements. The study also identified that regulatory compliance acted as a mediating factor, enhancing financial stability by reducing operational risks and fostering public trust. However, the researchers noted that frequent policy shifts and inconsistent enforcement of regulations in Nigeria undermined the ability of banks to maintain both financial stability and regulatory compliance. This study highlights the importance of a stable and predictable regulatory environment in supporting the dual objectives of financial stability and regulatory compliance, particularly in regions like FCT-Abuja where government agencies play a significant role in shaping the banking landscape.

III METHODOLOGY

The study adopted a descriptive research design to examine the relationship between the political environment and the performance of Deposit Money Banks (DMBs) in FCT-Abuja. This design was chosen because it allowed for a systematic exploration and description of the variables under investigation. Descriptive research is particularly suited for studies aiming to uncover patterns, trends, and relationships without manipulating variables, making it ideal for achieving the objectives of this study (Saunders et al., 2019).

The population of the study consisted of 2,184 employees from five major banks operating in FCT-Abuja: Zenith Bank,

 ISSN: 3107-6513

Access Bank, Fidelity Bank, Union Bank, and First Bank. The data were obtained from three levels of management: top-level, middle-level, and low-level employees. These employees served as the primary source of information regarding the impact of the political environment on the performance of their respective banks.
To determine the sample size, the Taro Yamane formula was used. The formula is expressed as:
$n = 1 + N(e2)N$
Where:

n = Sample size
N = Population size (2,184 employees)
e = Margin of error (5% or 0.05)

Substituting the values:
n = 1 + 2,184(0.052)2,184 = 1 + 2,184(0.0025)2,184 =1 + 5.462,184 = 6.462,184 ≈ 338
Thus, the sample size was calculated to be 338 respondents. This approach was justified because the Taro Yamane formula ensures a representative sample while maintaining statistical precision, even with large populations (Yamane, 1967).
A simple random sampling technique was employed to select the respondents. This method was chosen because it ensures equal probability of selection for all members of the population, thereby reducing bias and enhancing the generalizability of the findings (Bryman, 2016). The primary data source for this study was a structured questionnaire designed to capture information on the political environment and bank performance. The questionnaire was administered to the sampled employees across the three levels of management in the selected banks.
Reliability was assessed using Cronbach's alpha, with coefficients calculated for each variable. The results indicated strong internal consistency, with Cronbach's alpha values of 0.85 for political stability, 0.82 for government regulations, and 0.87 for bank performance. These coefficients exceeded the threshold of 0.7, confirming the reliability of the instrument (Tavakol & Dennick, 2011). Content validity was determined through expert reviews, ensuring that the questionnaire items accurately reflected the constructs under investigation.
The data collected were analyzed using simple regression analysis with the aid of SPSS version 23. Simple regression was chosen because it allowed for the examination of the strength and direction of the relationship between the independent variable (political environment) and the dependent variable (bank performance). This technique provided clear insights into the extent to which the political environment influenced the performance of DMBs in FCT-Abuja.
The study employed a multiple regression model to examine the relationship between the political environment and the performance of Deposit Money Banks (DMBs) in FCT-Abuja. The model was specified to test the impact of the two dimensions of the political environment political stability and government regulations on the two dimensions of DMB performance: financial stability and regulatory compliance. To analyze the two dimensions of DMB performance (financial stability and regulatory compliance), two separate regression models were specified:

$FS = \beta 0 + \beta 1\ PS + \beta 2\ GR + \epsilon$…………………………………3.0
$RC = \beta 0 + \beta 1\ PS + \beta 2\ GR + \epsilon$……………………………………..3.1
Where:
FS = Financial stability
PS = Political stability
GR = Government regulations
RC = Regulatory compliance
PS = Political stability
GR = Government regulations

IV. RESULTS AND DISCUSSION

The study distributed 338 questionnaires to employees of Zenith Bank, Access Bank, Fidelity Bank, Union Bank, and First Bank in FCT-Abuja. This sample size was determined using the Taro Yamane formula, which ensures a representative sample while maintaining statistical precision, even with large populations (Yamane, 1967). Out of the 338 questionnaires distributed, 299 were retrieved, representing a response rate of approximately 88.5%. Preliminary analysis of the 299 retrieved questionnaires confirmed that they were complete and suitable for further analysis. This high response rate underscores the commitment of respondents to providing accurate and reliable data, which enhances the credibility of the study's findings (Saunders et al., 2019).

Demographic Characteristics of Respondents

The demographic characteristics of the respondents were analyzed to provide insights into the composition of the sample. The breakdown of the 299 respondents based on age, gender, and educational level is presented in Table 1 below:

Demographic Variable	Category	Frequency	Percentage (%)
Age	Below 30 years	85	28.4
	30–40 years	130	43.5
	Above 40 years	84	28.1
Gender	Male	158	52.8
	Female	141	47.2
Educational Level	Secondary Education	25	8.4
	Bachelor's Degree	165	55.2
	Postgraduate Degree	109	36.5

Source: SPSS Output, Version 28.0

The results indicate that the majority of respondents (43.5%) fell within the 30–40 years age bracket, suggesting a relatively experienced workforce. In terms of gender, males constituted 52.8% of the sample, while females accounted for 47.2%, reflecting a fairly balanced representation. Regarding educational qualifications, the majority of respondents (55.2%) held a bachelor's degree, followed by postgraduate degree holders (36.5%), indicating a highly educated sample. These demographic characteristics suggest that the respondents possess the necessary experience and qualifications to provide informed perspectives on the study's objectives.

Test of Hypotheses

The hypotheses were tested using multiple regression analysis, and the results are presented below. The analysis aimed to determine the relationship between political stability and financial stability (H_{01}) and the impact of government regulations on regulatory compliance (H_{02}). The regression results for each hypothesis are summarized in Tables 1 and 2.

Hypotheses One:

(H_{01}): There is no significant positive relationship between political stability and the financial stability of Deposit Money Banks (DMBs) in FCT, Abuja.

$FS=\beta 0+\beta 1PS+\beta 2GR+\epsilon$……………………………………3.0

Table 1

Variable	Coefficient (β)	Standard Error	t-Statistic	p-Value	Significance
Constant ($\beta 0$)	0.354	0.087	4.07	0.000	Significant
Political Stability (PS)	0.421	0.095	4.43	0.000	Significant
Government Regulations (GR)	0.283	0.089	3.18	0.002	Significant

- R^2 (Coefficient of Determination): 0.657
- Adjusted R^2: 0.649
- F-Statistic: 112.45 ($p < 0.001$)

Source: SPSS Output, Version 28.0

The regression results indicate a significant positive relationship between political stability and financial stability ($\beta 1=0.421, p<0.001$). This suggests that an increase in political stability is associated with improved financial stability among DMBs in FCT-Abuja. Additionally, government regulations also had a significant positive impact on financial stability ($\beta 2=0.283, p=0.002$), though the effect was slightly weaker compared to political stability. The overall model explained 65.7% of the variance in financial stability ($R2=0.657$), indicating a strong explanatory power.

Based on these findings, the null hypothesis (H_{01}) is rejected, as there is sufficient evidence to conclude that political stability has a significant positive relationship with financial stability.

Hypotheses Two:

(H_{02}): Government regulations have no significant positive impact on the regulatory compliance performance of Deposit Money Banks (DMBs) in FCT, Abuja.

$RC=\beta 0+\beta 1PS+\beta 2GR+\epsilon$………………………………3.1

Table 2:

Variable	Coefficient (β)	Standard Error	t-Statistic	p-Value	Significance
Constant ($\beta 0$)	0.289	0.074	3.91	0.000	Significant
Political Stability (PS)	0.187	0.083	2.25	0.025	Significant
Government Regulations (GR)	0.512	0.091	5.63	0.000	Significant

- R^2 (Coefficient of Determination): 0.712
- Adjusted R^2: 0.705

F-Statistic: 156.83 ($p < 0.001$)

Source: SPSS Output, Version 28.0

The regression results reveal a significant positive relationship between government regulations and regulatory compliance ($\beta 2=0.512, p<0.001$). This indicates that stringent and consistently enforced government regulations enhance the ability of DMBs to comply with legal and policy frameworks. Political stability also had a significant but weaker impact on regulatory compliance ($\beta 1=0.187, p=0.025$), suggesting that a stable political environment supports compliance indirectly by reducing operational risks. The overall model explained 71.2% of the variance in regulatory compliance ($R2=0.712$), indicating a robust explanatory power.

Based on these findings, the null hypothesis (H_{02}) is rejected, as there is sufficient evidence to conclude that government regulations have a significant positive impact on regulatory compliance.

Discussion of Findings

The findings of this study reveal significant relationships between the political environment and the performance of Deposit Money Banks (DMBs) in FCT-Abuja. Specifically, the results indicate that political stability has a significant positive relationship with financial stability, while government regulations significantly impact regulatory compliance. These findings align with prior empirical studies and provide valuable insights into the dynamics shaping DMB performance in politically influenced environments.

Political Stability and Financial Stability

The regression analysis confirms a significant positive relationship between political stability and financial stability ($\beta 1=0.421, p<0.001$). This finding is consistent with the study by Adegbite and Nakajima (2019), which demonstrated that political stability fosters an enabling environment for banks to maintain adequate capital reserves, ensure liquidity, and withstand economic shocks. The absence of violent conflicts, frequent regime changes, or social unrest creates a predictable operational landscape that allows banks to focus on long-term strategic goals. For instance, in politically stable environments, banks are better positioned to attract investments, expand their customer base, and innovate in service delivery. Conversely, political instability often leads to capital flight, reduced consumer confidence, and increased non-performing loans, all of which undermine financial stability. In the context of FCT-Abuja, where the banking sector serves as a critical hub for government-related transactions, political stability plays an even more pronounced role in ensuring the resilience and sustainability of DMBs.

Furthermore, the findings resonate with the work of Akinsulire et al. (2018), who examined the influence of political risk on bank performance across Sub-Saharan Africa. Their study highlighted that banks operating in politically unstable regions experienced higher levels of operational risks and diminished profitability. By contrast, politically stable environments enabled banks to achieve better financial performance metrics, such as return on assets (ROA) and capital adequacy ratios (CAR). The current study's results reinforce these insights, emphasizing the importance of political stability as a cornerstone of financial stability for DMBs in FCT-Abuja.

Government Regulations and Regulatory Compliance

The study also reveals a significant positive impact of government regulations on regulatory compliance ($\beta 2 = 0.512, p < 0.001$).

This finding aligns with the empirical review by Ogbeide and Egharevba (2020), who found that stringent regulatory frameworks significantly influenced banks' adherence to anti-money laundering laws and consumer protection policies. Consistent enforcement of regulations enhances transparency and accountability, thereby fostering public trust in the banking system. However, the study also notes that excessive or inconsistently enforced regulations can impose additional compliance costs, particularly for smaller institutions with limited resources. In FCT-Abuja, where regulatory scrutiny is high due to the concentration of government agencies and international organizations, banks face greater pressure to maintain compliance. The findings suggest that a balanced approach to regulation one that ensures transparency without stifling innovation is critical for enhancing regulatory compliance.

The results further corroborate the study by Ogunnaike et al. (2021), which examined the interplay between financial stability and regulatory compliance among Nigerian banks. Their research identified a strong positive correlation between regulatory compliance and financial stability, suggesting that banks with robust compliance frameworks are better equipped to manage operational risks and maintain public trust. The current study extends these insights by highlighting the pivotal role of government regulations in driving regulatory compliance, particularly in highly regulated environments like FCT-Abuja. The findings underscore the dual role of government regulations in promoting ethical practices while potentially increasing operational burdens for DMBs.

Conclusion

The study examined the relationship between the political environment and the performance of Deposit Money Banks (DMBs) in FCT-Abuja, with a specific focus on two dimensions of the political environment: political stability and government regulations and their impact on two dimensions of DMB performance: financial stability and regulatory compliance. Using multiple regression analysis, the study found significant positive relationships between political stability and financial stability, as well as between government regulations and regulatory compliance. These findings underscore the critical role of the political environment in shaping the operational efficiency, strategic decision-making, and overall resilience of DMBs in FCT-Abuja.

Political stability was identified as a key driver of financial stability, enabling banks to attract investments, maintain liquidity, and withstand economic shocks. Similarly, government regulations were found to play a pivotal role in enhancing regulatory compliance by ensuring transparency, accountability, and adherence to legal frameworks. Together, these factors contribute to the sustainability and growth of DMBs in a highly regulated and politically influenced environment like FCT-Abuja. The findings align with Institutional Theory, which emphasizes the importance of adapting to institutional pressures to achieve legitimacy and improve performance.

This study fills a critical gap in the literature by providing region specific insights into the dynamics shaping DMB performance in FCT-Abuja. While prior studies have explored these relationships in broader contexts, such as Sub-Saharan Africa, this research highlights the unique challenges and opportunities faced by DMBs in Abuja, particularly in navigating frequent policy shifts, bureaucratic inefficiencies, and public sector risks. The results provide valuable evidence for policymakers, regulators, and banking executives seeking to enhance the performance of DMBs in politically influenced environments.

Recommendations

i. Adapt to Institutional Pressures: Banking executives should align organizational practices with institutional expectations by prioritizing transparency, accountability, and ethical practices. This alignment is essential for achieving legitimacy and improving performance in politically influenced environments.
ii. Invest in Technology and Innovation: To mitigate the challenges posed by frequent policy shifts and bureaucratic inefficiencies, banks should invest in digital banking platforms and innovative technologies. These investments can enhance operational efficiency, reduce compliance costs, and improve customer satisfaction.

REFERENCES

[1] E. Adegbite and C. Nakajima, "Corporate Governance and Firm Performance in Africa: A Systematic Review," *Journal of Business Ethics*, Vol. 157, Issue 4, 2019, pp. 893–915. https://doi.org/10.1007/s10551-017-3653-5

[2] O. Akinsulire, K. Adesina and T. Ogunleye, "Political Risk and Financial Performance of Banks in Sub-Saharan Africa," *African Journal of Economic Review*, Vol. 6, Issue 2, 2018, pp. 1–18.

[3] A. Bryman, *Social Research Methods*, 5th ed. Oxford University Press, 2016.

[4] P. J. DiMaggio and W. W. Powell, "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields," *American Sociological Review*, Vol. 48, Issue 2, 1983, pp. 147–160. https://doi.org/10.2307/2095101

[5] S. Djankov, R. La Porta, F. Lopez-de-Silanes and A. Shleifer, "The Regulation of Entry," *The Quarterly Journal of Economics*, Vol. 117, Issue 1, 2002, pp. 1–37. https://doi.org/10.1162/003355302753399436

[6] J. W. Meyer and B. Rowan, "Institutionalized Organizations: Formal Structure as Myth and Ceremony," *American Journal of Sociology*, Vol. 83, Issue 2, 1977, pp. 340–363. https://doi.org/10.1086/226550

[7] G. A. Ogbeide and S. O. Egharevba, "Political Instability and Banking Sector Performance in Nigeria," *Journal of Economics and Sustainable Development*, Vol. 11, Issue 3, 2020, pp. 45–58.

[8] O. Ogunnaike, S. Adeyemi and P. Oladele, "Financial Stability and Regulatory Compliance in Nigerian Banks: An Empirical Investigation," *International Journal of Banking and Finance*, Vol. 15, Issue 3, 2021, pp. 112–130.

[9] D. Rodrik, "Where Did All the Growth Go? External Shocks, Social Conflict, and Growth Collapses," *The World Bank Economic Review*, Vol. 13, Issue 3, 1999, pp. 385–412. https://doi.org/10.1093/wber/13.3.385

[10] M. Saunders, P. Lewis and A. Thornhill, *Research Methods for Business Students*, 8th ed. Pearson Education, 2019.

[11] M. Tavakol and R. Dennick, "Making Sense of Cronbach's Alpha," *International Journal of Medical Education*, Vol. 2, 2011, pp. 53–55. https://doi.org/10.5116/ijme.4dfb.8dfd

[12] T. Yamane, *Statistics: An Introductory Analysis*, 2nd ed. Harper & Row, 1967.