

Banking Performance and Political Economy: Using ARDL Model

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Abstract : Banking performance is the pillar and goal of all banking activity and its impact on economic policy. First, researchers defined the principles for assessing and modeling bank performance, and then theories and models explaining bank performance were developed. The importance of credit as a means of financing businesses in most developing countries has led to questions about the effects of financial liberalisation on increased banking competition. In Tunisia, as in many other countries, the liberalization of financial services in general and of banks' activities has not ceased to evolve. The objective of this paper is to examine the determinants of banking performance for 8 Tunisian banks and their impact on economic policy during the Arab Spring. We used cointegration analysis and the ARDL Panel model, explaining using total assets, bank credits, guarantees, and bank size as performance drivers. The correlation analysis shows that there is a positive correlation relationship between total assets, bank credits, guarantees, and bank size and bank performance. Long-term empirical results show that bank loans, guarantees, bank size, and total assets have a positive and significant impact on bank performance. This means that bank credits, guarantees, bank size, and total assets are very important determinants of bank performance in Tunisia.

Keywords : bank performance, economic policy, finance, economic

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