

A Study of the Impact of the Global Financial Crisis on the Financial Performance of Banks in Mauritius

Authors : Narvada Ramdhany, Reena Bhattu Babajee

Abstract : The 2007-2008 Global Financial Crisis which initiated in the US had a global outreach, impacting the financial and banking sectors of several economies; such as European countries, developing and emerging countries in Asia, Latin America and Africa. European countries represent one of the main sources of export earnings for Mauritius and given that Europe has been quite profoundly affected by the crisis, the Mauritian economy also could have been negatively affected. This study is being undertaken to see if the crisis had a spill-over effect on the Mauritian banking system. It will also enable to determine if the measures put in place to counteract the crisis by regulatory authorities have been effective. The study will be carried out on 17 banks and data will be collected over a time frame of seven years; with a pre-crisis period from 2005 to 2007 and a post-crisis period from 2009 to 2011. The impact of the crisis as such will be measured through the financial performance of the banks, using financial ratios and regression analysis. The results show that during the period concerned Mauritian banks have remained solvent and relatively stable. One of the main explanations put forward to explain the resilience of the banking sector to the crisis is that foreign exposure was relatively low. Another explanation put forward is that Mauritian banks normally transact mainly with prime borrowers unlike most the banks which were affected by the financial crisis.

Keywords : global financial crisis, banking sector, financial performance, Mauritian banks

Conference Title : ICBEFM 2014 : International Conference on Business, Economics, Finance, and Management

Conference Location : Bangkok, Thailand

Conference Dates : December 18-19, 2014