

The Ever-Changing Connection Among Banks and Insurers: An Examination of the Financial Standing of the Financial System

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Abstract : This study uses panel Vector Auto Regression (VAR) to analyse the dynamic link between banking and insurance activities based on the asset size of the insurance industry for 73 countries between 1980 and 2014. Assets in the insurance industry and banking activities usually have a Granger causal link, according to panel Granger-causality tests. Impulse response analyses for the entire sample show that the size of insurance assets responds favorably to a shock to the liquid liabilities and deposits of the financial system but negatively to a shock to deposit money bank assets and private credit offered by commercial banks, other financial institutions, and deposit banks. While the findings for middle- and low-income nations varied significantly, the observations for high-income countries are essentially the same. Furthermore, we find that there is a substantial interplay between banking and insurance activity in civil law nations as opposed to common law ones.

Keywords : vector autoregression, banking, insurance, Granger-causality

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