



## **Firm-Specific and Macroeconomic Determinants of Banks Liquidity: Empirical Investigation from Ethiopian Private Commercial Banks**

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### **Jel Classification**

F65, G21, G32, M41.

### **Abstract**

This study aimed to examine the firm-specific and macroeconomic variables which can affect the liquidity position of private commercial banks in Ethiopia. For the current study, secondary data were extracted from audited annual financial reports of eight purposefully selected private commercial banks covering the period of 2011-2017. The panel data was analyzed by adopting the balanced panel fixed effect regression model. The study revealed that firm (bank) specific factors namely the size of banks, loan growth and deposit are found to be significant determinants of the banks' liquidity. Moreover, macroeconomic determinants consisting of interest rate margin, national bank bills purchase, GDP and annual inflation have a significant influence on the liquidity of private commercial banks of Ethiopia. This study recommends that private commercial banks in Ethiopia should be more concerned with the macroeconomic environment in addition to the internal environment in formulating strategies to enhance their liquidity position. Despite its limitations, this study contributes to the scarce knowledge of firm-specific and macro-economic determinants of banks liquidity by giving equal attention to the long aged banks and banks that were emerged on later periods.