



The Key Performance of Commercial Banks: Evidence from Republic of Kosovo

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Abstract

Purpose: The purpose of this study is to analyze the factors that influence the main performance of commercial banks in the Republic of Kosovo. In order to assess the main performance of commercial banks, the authors used side data processed from financial reports of commercial banks as the main segment of Kosovo financial sector over a decade (2008-2018).

Design/methodology/approach: Data processing for financial reports included in the econometric analysis is done using the STATA software program, specifically using linear regression, fixed effect, random effect, Hausman Taylor Regression and GMM Model. Assuming that the profitability of a commercial bank is a key factor in measuring its financial performance, then internal factors that have an impact on financial performance are taken as econometric variables. The return on assets (ROA) has been taken as a subordinated variable, while the independent variables are: bank capital adequacy, bank liquidity rate, and operational efficiency of the bank.

Findings: The results show that the profitability of commercial banks in Kosovo has a positive impact on capital adequacy and liquidity of commercial banks, while the commercial banks' operational efficiency has a negative impact.

Practical implications: The article offers insights to commercial banks who should intensify their efforts to increase efficiency in rational management with operational and administrative costs, as well as, adapt the business model to market needs.

Originality/value: The article presents significant pragmatic evidence in terms of its meticulous approach towards checking the robustness of results.