



The impact of macroeconomic factors on the level of deposits in the banking sector, an empirical analysis in the Western Balkan countries

Fisnik Morina^a

Rufi Osmani^b

^a University "Haxhi Zeka" – Peja, Kosovo, fisnik.morina@unhz.eu

^b South East European University, Tetovo, North Macedonia, rufi.osmani@seeu.edu.mk

Keywords

Risk, interest rates, deposits, bank performance.

Jel Classification

G2, G21, G32.

Received

15.05.2019

Reviewed

10.06.2019

Accepted

18.06.2019

Abstract

Purpose: The principal objective of this study is to analyse the impact of macroeconomic factors on the level of deposits in the banking sector in Western Balkan countries.

Design/methodology/approach: The impact of macroeconomic factors on the levels of deposits in the countries mentioned will be analyzed through econometric models. With reference to the applied models, the dependent variable will be the level of deposits, whilst the independent variables will be the interest rate on deposits, marginal rates, GDP, inflation and broad money. In order to achieve the research target set, the research will be based on secondary data which will be analyzed through the STATA program.

Findings: The interest rate plays a key role in banking systems because it determines the benefits of the difference between the interest rate on loans and the interest rate on deposits. However, exposure to risk is often present because banks provide long-term loans financed by short-term deposits, and this involves the so-called interest rate risk.

Practical Implications: One of the most important channels of monetary policy transmission in an economy is interest rates. Macroeconomic factors and the financial sector structure in the economy of a country have a significant impact on determining the interest rate elevation.

Originality/Value: The analyzed period (2005-2017) is a compelling period for competent conclusions.