

Estimation of Net Interest Margin Determinants of The Deposit Banks in Turkey Through Static and Dynamic Panel Data Modelling / Türkiye'deki Mevduat Bankaları'nın Net Faiz Marjı Belirleyicilerinin Statik ve Dinamik Panel Data Modeli ile Tahmini

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ABSTRACT

The significance and efficiency of the banking sector in terms of economic developments have been discussed in many studies. Financial intermediation activities of a strong and profitable banking sector would contribute to economic development. The extent to which banks can be efficient when fulfilling their functions of intermediating the flow of funds in the financial system is related to how close the positive difference between the income they obtain from the funds they provide to the ones in need and the amount they pay for the funds they provide from the savers. Efficient working of the banks depends on their intermediation costs. Opening net interest margin may lead savers to tend for different investment alternatives rather than banks. This is an undesirable outcome which is negative for the financial system. Intermediation costs are high in developing countries such as Turkey. It shall be aimed to adopt policies that intend to decrease these costs. The basic criterion used for the efficiency or evaluation of the intermediation costs is the net interest margin. This is the only way to evaluate how the banks can be more efficient in delivering the deposits they have collected to the ones who need by means of providing loans. The banking sector can only continue its activities if it can ensure the best margin between the incomes it gains from the loans it provides and its funding costs. This also shows the profitability of the banking sector. That is; the margin between the income gained from the interest of loan and the deposit interest collected is the basic criterion for profitability. Estimation of the net interest margin determinants is crucial for the proper explanation of this relation. Within this parallel, discussion of the new methods concerning the determinants and application of different policies could reduce the financial intermediation costs of banks and could contribute to the development of a more efficient and competitive financial system. This study aims to estimate the net interest margin determinants of the Turkish banks accepting deposits, by making use of three different panel data models. Within the framework of this objective, bank-based monetary policies and macro-economic variables for the period between 2005 and 2015 were defined for 29 commercial banks and a database was established. Fixed effect and random effect static panel models and GMM (generalized moments method) were used together with the dynamic panel data model. The Turkish banking sector and net interest margin were explained in the first section and literature studies were evaluated in the second section. The data set and variables were defined in the third section. Results of the model and comments were covered in the fourth section.

KEYWORDS NIM; Banking sector; Panel Data; Determinants

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D21, G15, G21