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FACTORS AFFECTING THE PERFORMANCE OF TURKISH BANKS

Abstract:

Banking has an important place in the financial sector in Turkey and so that low or high banking performance affects the financial system and hence the whole economy. The purpose of this study is to determine the factors affecting the performance of state-owned and privately-owned deposit banks in the Turkish banking sector between 2002-2011. Thus the affects of the bank-specific variables and macroeconomic variables on the return on assets and the return on equity and net interest margin of the banks are investigated by using panel data analysis. At the end of analysis; it is concluded that, the ratio of equity to total assets, the ratio of deposits to total assets and the ratio of non-interest expenses to total assets from the bank-specific variables have the significant impacts on the performance of the banks. It is also concluded that interest rate and the inflation rate from the macroeconomic variables have the significant impacts on the performance of the banks. As a result it was determined that the private banks' profitability performance was better than the state-owned banks.

Keywords:

bank performance, return on assets, return on equity, net interest margin, panel data analysis

JEL Classification: M21, G21, C23