

Macroeconomic Determinants of Non-Performing Loans: Case of Turkey and Saudi Arabia

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Abstract

Non Performing loans (NPLs) are important variables on a macro scale for the financial stability of the country as well as microscale for banks profitability itself. Since 2008 global crisis, NPLs are monitored worldwide and became systemically important. In this research, by using a data set between 2000-2016, the macroeconomic determinants of NPLs have been investigated for Turkey and Saudi Arabia. By using NPL ratio as the dependent variable and estimating through beta regression analysis, it is found that market capitalization and inflation variables are positively related with NPL for Turkey while GDP, inflation, debt, market capitalization and money supply have positively related with NPL for Saudi Arabia and unemployment and transparency variables are negatively related with NPL for Saudi Arabia . It has been found that the NPL ratios are well explained by some macroeconomic variables. Countries with different macroeconomic conditions have different determinants of NPLs

Keywords: Non Performing loans, bad loans, Saudi Arabia, Banking, Financial Crisis, macroeconomic determinants.