Małgorzata Iwanicz-Drozdowska

Szkoła Główna Handlowa w Warszawie
Kolegium Zarządzania i Finansów

miwani@sgh.waw.pl

Bartosz Witkowski

Szkoła Główna Handlowa w Warszawie
Kolegium Analiz Ekonomicznych

bwitko@sgh.waw.pl

Determinants of the credit growth in CESEE countries.

Although the issue of determinants of the credit growth is not new in the literature, we re-examine this issue taking into account some novel variables, such as a crisis dummy, financial safety net (FSN) index and the ruling party dummies. In this study we analyse the credit growth in 20 countries from Central, Eastern and South-Eastern Europe (CESEE) with a special focus on the ownership structure of banks (state-owned, owned by international development banks, foreign-owned and domestic private-owned). We apply panel data regression to bank-level data combined with country-specific data for the period from 1995 to 2014 (more than 3,500 observations).

We find there are three variables with the strongest impact on the credit growth: GDP growth (positive), net interest margin (positive) and ratio of impairment charges to assets (negative). Statistically significant at 0.001 confidence level, however far less important, are: growth of equity capital (positive) and ratio of equity to assets, ROE, FSN index and change of the nominal central bank interest rate – all with a negative impact.

In the case of the ownership structure, the banks owned by development banks are the least expansive, while the state-owned banks are the most expansive in the growth of credit. Moreover, the credit growth was the highest when the ruling party is marked as ‘centrist’. The crisis does not have a negative impact on the credit growth, however, there have been not too many crisis events in CESEE countries.