Determinants of Bank Interest Rate Margins

(Empirical study on the some commercial Bank in Syria)

Ahmad Al-Ali
Faculty of Economic
Damascus University

Abstract

This paper aimed to identify the determinants of bank net interest rate margins within the context of the Syrian banking industry. To achieve the objectives of the study the data has been collected from those commercial banks listed on the Damascus exchange stock (DES) during 2006-2010. The sample used in this study consists of a panel data set for sixe commercial banks. The empirical specification focuses on the reported net interest rate margin that is assumed to be a function of operation cost, owner's equity, loans-to-asset proxy, size factor, market share, growth rate, inflation factor, exchange rate. For testing purposes, panel data analysis is used by employing three alternative models to estimate the parameters of the model, the Pooled simple regression, the Fixed Effect Model and the Random Effect Model.

The data has been analyzed and the findings revealed a number of important points as follows:

- **There was a positive significant relationship between the commercial bank net interest rate margins and the following factors: operation cost, loans-to-asset proxy.**
- **There was no significant relationship between the commercial bank net interest rate margins and market share, growth rate, inflation factor.**
- **There was a negative significant relationship between the commercial bank net interest rate margins and owner's equity, exchange rate.**
- **There was a negative significant relationship between the commercial bank net interest rate margins and size factor.**

Based on the results of the study some important recommendations have been suggested which might lead enhance and develop the role of commercial banks in the process of developing the Syrian economy

For the Paper in Arabic Language See the Pages (387-411)