

Explanatory Factors of Non-Performing Loans in Tunisian Banks: Evidence from panel ARDL/PMG Approach

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ABSTRACT

NPLs in Tunisia are increasing at an alarming rate every year. Therefore, the main objective of the present study is to investigate the specific factors explaining the increase of NPL levels in the banks. The current study used 10- years panel data (2010-2020) using a PMG-ARDL approach for a global panel consisting of 18 Tunisian banks to test the validity of banks specific hypotheses. The long-run PMG-ARDL estimation suggested that, in Tunisian banks, the cost inefficiency, the ROE and the size affected positively the non-performing loans. However, ROA and Credit growth had a negative effect on NPL. The short run dynamics show that the managerial inefficiency and credit growth are designed to increase the NPL but the ROA, the ROE and the size are considered to decrease the NPL. As a result, it's recommended that Tunisian banks should amend their policies regarding credit advancement to align them with the specific factors taken in this study. Besides, banks should improve credit monitoring to ensure the loaned-out funds are intended for the intended purpose. This would ensure economic sustainability.

Keywords: Non-performing loans, Bank specific determinants, Tunisian banks, Panel ARDL.

JEL Classification: C23, R41 (up to 5 codes)

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