

The Determinants of Bank Performance in South Africa: A Panel Data Analysis

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ABSTRACT According to the World Bank's 2017 first quarter report, South Africa has the largest economy in Africa on the basis of its Gross Domestic Product (GDP), ranking 32nd in the world. Past economic events such as the 2008 global financial crisis, bankruptcy of all Cyprus banks in 2013, and the downgrade of South African banks to junk status in 2017 by Standard and Poor's (S&P), have sprung the need for banks to be closely monitored. The main objective of this paper was to investigate the determinants of bank performance in the light of bank specific variables, industry related factors and macroeconomic influences, using a panel of selected banks that account for about 80 percent of the total bank assets in South Africa. The study was conducted using random effects panel data analysis, and the results revealed that non-performing loans, capital adequacy, and GDP market price are the main determinants of bank performance in South Africa. An efficient management of these variables is imperative to the advancement of the banking sector in South Africa.