

MACROECONOMIC DETERMINANTS OF COMMERCIAL BANKS' LIQUIDITY IN NAMIBIA

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ABSTRACT

Searching for new ways remains a primary concern among scholars. In this paper the macroeconomic determinants of commercial banks' liquidity in Namibia were considered and analysed. The unit root, bound test for cointegration and error correction model were employed using quarterly data covering the period 2001 to 2014. The results revealed that real gross domestic product is the main determinant of commercial banks' liquidity in Namibia. It was also found that monetary policy rate is positively related to banks' liquidity though statistically insignificant. On the contrary, the results revealed a negative relationship between inflation and commercial banks' liquidity.

Keywords: Macroeconomic, commercial banks' liquidity, Namibia, bound test cointegration, error correction model.

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