Abstract

This thesis focuses on a sample of banks operating in the European Union during 2010-2017. Using econometric analysis, the impact of government spending was examined as well as fiscal freedom and monetary freedom on bank profitability. The GMM system method was employed as the main instrument of empirical analysis and data from analysis was obtained from the BankScope database and from The Heritage Foundation. The results of the analysis show a significant negative impact from government spending and monetary freedom on the bank's profitability. However, the impact of fiscal freedom is insignificant.