

Abstract

In this article, we analyze the key factors that determine the net interest margin (NIM) of EU commercial banks in the current economic environment. We examine a large number of annual data samples of 252 commercial banks in EU member states from 2015 to 2020. During this period, most countries experienced extremely low or even negative interest rates. In this article we test three hypotheses. First, commercial banks committed to providing financial products and services show the highest net interest margin (NIM). Second, the net interest margin of small commercial banks has dropped significantly under conditions of negative interest rate. Third, the net interest margin of Western European countries has dropped significantly under conditions of negative interest rate. Similar to other studies, we have obtained the positive-concave relationship between interest rates and NIM, and the regression coefficients of other bank-related variables and macroeconomic variables have also achieved similar results. Compared with other studies, we innovatively consider the impact of countries with different economic levels on the net present value of commercial banks. Finally, we comprehensively regress the results and conclude what development strategies commercial banks should use in the current economic situation.

JEL Classification

C33,E43,E52,G21

Keywords

Commercial banks; interest rate; profitability; system GMM

Title

Development strategy of commercial banks