

The Impact of Globalization on Banking Performance: A Comparative Analysis

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Banking industry has faced different situations over time, for which they adapt to the changes produced by globalization. For this reason, the banking activities illustrate the benefits and potential perils of a strong integration of the banking sectors, contributing to the more efficient allocation of capital and eliminating frictions and exchange barriers between them. As such, banking activities are considered as one of the most important contributors to economic development.

Globalisation has led to the interconnection of banking systems by strengthening their collaboration and alternatively weakening them by diversifying the risks they are exposed to. Thus, the international banking activity through the capital turnover that is realized between them and the new technologies that are used contributes to the increase of the competitiveness of the banking systems.

During the financial crisis which started in 2007, globalization paved the way for the transmission of shocks among countries and left some consequences, causing banks to make certain decisions to support and correct their activity in order to improve their performance. In this regard, the question of the extent to which globalization affects banking performance comes to play.

Globalization creates new emerging trends that helps to increase the performance of banks in the system, but at the same time requires them to make certain decisions under stress and also at a regular pace. Global banking activities have passed through certain structural transformations over time, not fragmenting its components. At the same time, cross-border activities have experienced certain increases / decreases from one period to another which is influenced by different factors from the banking activity at the local level.

The banking activities of the two economic unions analyzed in this paper, EU and ASEAN, have undergone substantial changes due to the presence of globalization in its diverse forms and the penetration of the external influences that encompass them.

In this paper, we focus on empirical analyses of the impact of globalization and banking performance. First, we analyse the extent to which globalization affects banking performance both in EU countries and ASEAN countries. Secondly, a comparison is made between the effect of globalization on banking performance for EU countries and ASEAN countries. In addition, we analyse the extent to which globalization correlate with banking performance both in EU countries and ASEAN countries. Furthermore, a comparison is made between the correlation outcome of EU countries and ASEAN

countries. Throughout the analyses, we divide the data into three main subgroups; before the crises (2000-2006), during the crises (2007-2009) and after the crises (2010-2017). The data is a panel data and we use Generalized Method of Moments (GMM) model in the analyses.

Keywords: banking globalization, banking performance, financial crisis, European Union, ASEAN

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