The role of government policies in the reorganization of the banking financial system, to balance the destabilizing effects post Covid-19

Will taking financial risk in a favorable macroeconomic environment heal financial wounds?

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Abstract

The study included eight banks that operate their activity in Albania and the analysis included a period of time from 2016-2020. The specific banking factors that have been used in this study include variables such as capital adequacy, the number of employees, total assets as well as loans granted. Among the intermediation function, the financial performance of banks has critical impacts on the economic growth of countries. Since intermediation plays a vital role in the efficient allocation of resources of countries and in addition to allocating resources, good performance of banks rewards shareholders with sufficient return on their investment. It also encourages additional investment and brings economic growth.

Therefore, a poor bank financial performance can lead to bank failure and crises, which have negative consequences on economic growth. This is why governments regulate the banking sector through their central banks to promote a sound banking system and avoid banking crises and protect depositors and the economy as a whole. Governments increased their spending to stimulate demand and support employment throughout the economy; guaranteed deposits and bank bonds to shore up confidence in financial firms; and purchased ownership stakes in some banks and other financial firms to prevent bankruptcies that could have exacerbated the panic in financial markets.

Keywords: Exports, managerial and financial performance, financial markets, collapse on GDP, critical impacts, economic growth and investors.

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