

BANKING SUPERVISION AND FINANCIAL SOUNDNESS IN DEVELOPING COUNTRIES: INSIGHTS ON SOUTH SUDAN

Dr. Bak Barnaba Chol*

*Adjunct Assistant Professor,
School of Business and Management, University of Juba,
SOUTH SUDAN

Email id: hiramkirm@gmail.com

DOI: **10.5958/2249-7323.2021.00021.3**

ABSTRACT

The commercial banking industry in South Sudan has faced a myriad of challenges in playing its' central role of supporting economic development. Several critical medium-term and long-term difficulties have faced the banking sector in South Sudan as it seeks to come up with a productive regulatory environment. Due to the nascent development of regulatory mechanisms post attaining independence the banking industry has mainly focussed on traditional services. This has resulted in most commercial banks facing financial soundness and sustainability challenges due to limited product and service diversification. The aim of this paper was to identify the challenges facing banking supervision in developing economies and provide insights on what can be done to foster financial soundness in the commercial banks. The paper indicated that poor legislation, inadequate technical support, lack of structural reforms, political challenges and poor regulatory framework have limited the development and financial stability within the country. Critical to improving the financial soundness of the banks is introduction of regulatory activities that can foster the monitoring and supervision of commercial banks in the country. Further, incentivizing financial industry players will lead to long-term value creation through strengthening the financial system and improving integration. The study also advocates for strict introduction of enforcement mechanisms that will ensure commercial banks adhere to the stipulated regulations and guidelines in the operations. Finally, advocating for strategic changes in the services offering and improving cross-border trading will be key to enhancing the commercial banks soundness.

KEYWORDS: *Banking Regulations, Bank Supervision, Financial Soundness, Compliance Mechanisms, Financial System*

REFERENCES

- Akhtar, M., Ali, K., & Sadaqat, S. (2010). Performance efficiency of commercial banks of Pakistan: Non-parametric technique data envelopment analysis (DEA). *Asian Journal of Business and Management Sciences*, 12, 150-156.
- Akongdit, A. A. (2013). *Impact of political stability on economic development: case of South Sudan*. Author House.
- Albino-Ajack. (2015). *Financial System in South Sudan Key Developments and Challenges*. Research Paper.
- Anginer, D., Demirguc-Kunt, A., & Zhu, M. (2014). How does competition affect bank systemic risk?. *Journal of financial Intermediation*, 23(1), 1-26.

Ayadi, R., Naceur, S. B., Casu, B., & Quinn, B. (2015). *Does basel compliance matter to bank performance? International Monetary Fund (IMF) working paper WP/15/100*. . Washington, DC.: International Monetary Fund.

Baron, J. R. (2013). How regulating risk and eschewing competition can ameliorate a global financial crisis: Canada's perspectives and experiences. *The Antitrust Bulletin*, 58(4), 597-615.

Barth, J. R., Caprio, G., & Levine, R. (2008). *Rethinking bank regulation: Till angels govern*. . Cambridge University Press.

Barth, J. R., Lin, C., Ma, Y., Seade, J., & Song, F. M. (2013). Do bank regulation, supervision and monitoring enhance or impede bank efficiency?. . *Journal of Banking & Finance*, 37(8), 2879-2892.

Berger, A. N., Hasan, I., & Zhou, M. (2009). Bank ownership and efficiency in China: What will happen in the world's largest nation?. . *Journal of Banking & Finance*, 33(1), 113-130.

Bouheni, F. (2014). Banking regulation and supervision: can it enhance stability in Europe?. . *Journal of Financial Economic Policy*, 6(3), 244-269.

Central Bank of Kenya. (2013). *Bank Supervision Annual Report*. . Nairobi: Central Bank of Kenya.

Cihak, M., Demirgüç-Kunt, A., Peria, M. S., & Mohseni-Cheraghloo, A. (2013). Bank regulation and supervision in the context of the global crisis. . *Journal of Financial Stability*, 9(4), 733-746.

Demirgüç-Kunt, A., & Detragiache, M. E. (2010). *Basel core principles and bank risk: does compliance matter?* International Monetary Fund.

Eriki, P., & Osifo, O. (2015). Determinants of performance efficiency in Nigerian banking industry: A DEA Approach. . *International Journal of Economics, Commerce and Management*, 3(2), 1-13.

Ferullo, M. (2018). *Banking on War. Ending the Abuse of South Sudan Banking Sector by Political Elites*. The SENTRY.

Fortune of Africa. (2016). *Challenges in the Financial sector in South Sudan*. Retrieved from Fortune of Africa: <https://fortuneofafrica.com/southsudan/challenges-in-the-financial-sector-in-south-sudan/>

Gaganis, C., & Pasiouras, F. (2013). Financial supervision regimes and bank efficiency: International evidence. *Journal of Banking & Finance*, 37(12), 5463-5475.

Hartwell, C. (2015). Institutions, the global financial crisis, and bank profitability in transition. *Open Economies Review*, 26(3), 497-524.

Kamau, A., & Were, M. (2013). What drives banking sector performance in Kenya. *Global Business and Economics Research Journal*, 2(4): 45-59.

Mwega, F. M. (2016). Financial regulation in Kenya: Balancing inclusive growth with financial stability. . *In Achieving Financial Stability and Growth in Africa*, pp. 99-122.

Njeule, M. A. (2013). The effects of Central Bank of Kenya Prudential Regulations on financial performance of Commercial Banks in Kenya . *Doctoral dissertation, University of Nairobi*.

Obafemi, F., Ayodele, O., & Ebong, F. (2013). The sources of efficiency in the Nigerian banking industry: A two- stage approach. *International Journal of Finance & Banking Studies*, 2(4), 2147-4486.

Asian Journal of Research in Banking and Finance

ISSN: 2249-7323 Vol. 11, Issue 10-11, October- November 2021 SJIF 2021 = 8.174

A peer reviewed journal

Olweny, T., & Shipho, T. (2011). Effects of Banking Sectoral Factors on the Profitability of Commercial Banks in Kenya. *Economics and Finance Review*, 1(5), 1-30.

Pancheva, A. (2012). Determinants of the Bank's operating efficiency. *Journal of University of Economics- Varna, IZVESTIA* , G000, G210.

Said, J., Hasnan, S., & Alam, N. (2013). Impact of banking regulation on risk and efficiency in Islamic banking. *Journal of Financial Reporting and Accounting.*, Vol. 11 No. 1, pp. 29-50.

World Bank. (2011). *World development report 2012: building institutions for markets.*. World Bank.

Xinhua. (2017). *S. Sudan's central Bank mulls financial sector reforms.* Retrieved from Xinhua News Agency : http://www.xinhuanet.com/english/2017-05/06/c_136260671.htm

Yongo-Bure, B. (2014). *Southern Sudan: Monetary and Financial Monetary and Financial. National and Regional Questions.*