
Determinants of Credit to the Private Sector in Countries of the Arab League: Is Economic Diversification Under Way?

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EXECUTIVE SUMMARY

This article aims to study the impact of credit to private sector growth in countries of the Arab League and its impact on the degree of economic diversification. The above stated objective is achieved through econometric modeling and testing of a credit demand model taking into consideration credit to the private sector as an explained variable and GDP, lending interest rate, and export concentration index as explanatory variables. Credit to the private sector was found to be positively correlated to economic activity and negatively linked to the level of economic concentration.

Keywords: Credit to the private sector, Credit demand model, Economic diversification, Arab countries