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Article

# Bank depositors in Arab economies amidst the COVID-19 pandemic

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**Abstract:** This study investigates the multifaceted impacts of COVID-19, GDP, exchange rates, unemployment, and economic policy uncertainty on bank depositors in Arab economies: Algeria, Comoros, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Mauritania, Morocco, Palestine, Somalia, Sudan, Syria, Tunisia, and Yemen, between 2017 and 2022. Using ordinary least squares analysis, the research uncovers significant relationships between these variables and banking indicators. COVID-19 has emerged as a dominant force, displaying a substantial and adverse link to the number of deposit accounts and depositors. While GDP, exchange rates, unemployment, and economic policy uncertainty also exhibit influences on banking metrics, their effects are comparatively smaller. This underscores the pandemic's exceptional sway over banking behaviors within the region, emphasizing the pressing need to address COVID-19's implications for financial stability and strategies to reinforce banking resilience amidst diverse economic challenges.

**Keywords:** COVID-19; bank depositors; banking indicators; Arab economies

## 1. Introduction

The emergence of the COVID-19 pandemic brought forth a seismic shift in the financial landscape of Arab economies, significantly impacting the relationship between banks and their depositors. The pandemic's multifaceted disruptions rippled through economies, prompting widespread concerns among depositors about the safety, stability, and viability of their funds within the banking system. Depositors in Arab economies found themselves navigating uncharted waters as the pandemic triggered economic uncertainties and financial volatility. Faced with unprecedented challenges such as business closures, job losses, and market fluctuations, depositors became increasingly vigilant about the security of their savings and investments held within banks.

The pandemic-induced economic downturns led to a surge in concerns regarding the resilience of banks in safeguarding deposited funds. Questions emerged about the potential risks associated with bank failures, the adequacy of deposit insurance schemes, and the overall robustness of the financial infrastructure to weather the storm of a global crisis. The relationship between bank depositors and financial institutions evolved amidst the pandemic, with heightened expectations for transparency, accountability, and reassurance. Depositors sought clarity on how banks were adapting to the economic upheaval, managing risks, and ensuring the uninterrupted safety of their deposited funds during these uncertain times.

To address the mounting concerns of depositors, both governments and financial institutions in Arab economies implemented measures aimed at bolstering depositor confidence. Governments introduced regulatory initiatives, financial support mechanisms, and enhanced communication to mitigate risks and maintain stability

within the banking sector. In this unparalleled landscape shaped by COVID-19, the dynamics between bank depositors and the financial system underwent a profound transformation. The pandemic served as a catalyst for a deeper evaluation of trust, security, and resilience within the banking ecosystem, prompting stakeholders to forge new paths toward ensuring depositor protection and confidence in Arab economies.

The COVID-19 pandemic has sparked an expansive field of research, diving deep into its economic repercussions. From shedding light on its financial market impact [1–3] to the meticulous analysis of energy price dynamics by Saif-Alyousfi [4,5] the breadth of its influence is evident. Some studies [6–8] have unveiled its ramifications on global trade. Moreover, a significant body of work has scrutinized its impact on foreign direct investment, providing crucial insights [9–13]. These investigations extend beyond encompassing the pandemic's socioeconomic consequences, spanning from labor markets and public health to its ecological imprint on the environment.

Despite the extensive research examining the economic impacts of the COVID-19 pandemic, a noticeable gap persists in discussions concerning its effects on banks, particularly within Arab economies. While numerous studies have underscored the pivotal role of banks in global economic support [3,4,14–20], there remains a significant lack of focus on the specific consequences of the pandemic on these critical financial institutions. In Arab economies, banks stand as the linchpin, crucial not only in facilitating investments but also in maintaining overarching economic stability. Their pivotal role extends beyond conventional financial support, acting as the backbone of economic activities, credit facilitation, and ensuring the smooth functioning of markets. Their resilience and adaptability during times of turbulence, such as the COVID-19 pandemic, underscore their significance in upholding the financial ecosystem and stabilizing the economic landscape, making them indispensable pillars of regional economic health.

This study aims to bridge the gap in existing research by delving into the specific impact of the COVID-19 pandemic on bank depositors within Arab economies (Algeria, Comoros, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Mauritania, Morocco, Palestine, Somalia, Sudan, Syria, Tunisia, and Yemen), a facet that has been notably overlooked. Despite the considerable attention given to the relationship between the pandemic and banking systems [21–35], there remains a conspicuous gap regarding the specific ramifications felt by bank depositors in the wake of this global crisis. This research endeavors to shed light on this underexplored area, providing valuable insights into the implications for bank depositors within the Arab region amidst the pandemic's financial landscape.

The current study offers substantial contributions to the existing literature in various crucial aspects. Firstly, it fills a critical research gap by specifically addressing the overlooked impact of the COVID-19 pandemic on bank depositors within Arab economies. Secondly, it extends the discourse on the pandemic's relationship with banking systems by focusing on the dynamics affecting depositors, an area largely absent in prior research. Thirdly, this study enriches the understanding of the broader economic implications of the pandemic by highlighting the nuanced challenges and experiences faced by bank depositors, thus providing comprehensive insights into the multifaceted consequences of this global crisis on financial stakeholders in the Arab region.

The rest of the document follows this structure: Section 2 delineates the database and methodology applied in this study, Section 3 showcases the findings, and finally, Section 4 concludes by offering policy recommendations.

## 2. Related literature review

The aftermath of COVID-19 on banking operations has drawn increased scholarly attention, revealing a nuanced picture of how the pandemic shaped various dimensions of banking. Initially, the literature lacked a comprehensive examination of COVID-19's repercussions on bank depositors, despite its profound influence on banking performance. Recent studies have filled this gap by shedding light on the multifaceted effects, particularly in the United States and Europe, while largely overlooking regions like Arab countries.

In response to the pandemic, United States banks displayed significant changes in lending behavior, illustrating both resilience and vulnerabilities. Li et al. [36] and Acharya and Steffen [37] noted how banks provided liquidity to borrowers despite facing substantial loan commitment drawdowns. Additionally, Dursun-de Neef and Schandlbauer [33] found that United States commercial banks in severely affected areas amplified loan provisions financed by increased insured deposits. However, the pandemic also caused increased loss provisions and non-performing loans for United States banks, as highlighted by Beck and Keil [38]. These findings underscore the intricate dynamics between lending, risk management, and financial stability during crises.

European banks, though examined to a lesser extent, also revealed responses to the pandemic's challenges. Schularick et al. [39] advocated for preemptive recapitalization to brace against economic shocks, a sentiment echoed by subsequent research differentiating between better-capitalized and worse-capitalized banks. This European perspective adds depth to our understanding of how different banking entities navigated the crisis, particularly in terms of loan issuances and risk management strategies.

The pandemic not only impacted lending behavior but also shaped consumer habits, resulting in a surge in bank deposits. Li et al. [36] and Levine et al. [40] highlighted how increased deposits were primarily influenced by supply factors, with reduced spending opportunities leading to windfall increases in deposit accounts. This shift in consumer behavior had cascading effects on banks' credit supply dynamics, illustrating a direct link between spending patterns and the banking sector's response.

Beyond the banking sector, the pandemic's economic ramifications, as observed in layoffs, closures, and altered spending behavior [41–43], influenced the fluctuations in bank credit. Reduced spending led to increased deposits, ultimately influencing bank credit supply, as revealed by studies examining the interconnectedness between consumer behavior and banking dynamics [33,40].

As the literature unfolds, it highlights the complex interplay between the pandemic, consumer behavior, banking operations, and economic repercussions. Understanding these intricate relationships is crucial for policymakers and financial institutions as they navigate unprecedented challenges and chart paths for recovery and resilience.

# 3. Data and methodology

## 3.1. Data

This study harnesses an extensive dataset covering 16 Arab countries, including Algeria, Comoros, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Mauritania, Morocco, Palestine, Somalia, Sudan, Syria, Tunisia, and Yemen. Spanning from 2017 to 2022, this dataset draws its variables from the esteemed World Bank database, guaranteeing robustness and reliability in the data's quality. The exclusion of Gulf Cooperation Council (GCC) countries, namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, is deliberate due to their unique economic and geopolitical characteristics that distinguish them from other Arab nations. The GCC states possess higher income levels, diverse economies often fueled by oil resources, and distinct political and social dynamics. By omitting the GCC, the study aims to provide a focused analysis of the economic trends and challenges within the non-GCC Arab countries, allowing for a more nuanced understanding of their specific circumstances.

The selection of this specific period was deliberate for several reasons. Firstly, this period encapsulates the pre-pandemic years, offering a baseline to understand the financial dynamics and trends before the onset of COVID-19. Additionally, it covers the pandemic period itself and extends slightly beyond it, providing a comprehensive scope to analyze the short-term and potential transitional effects caused by the crisis on banking and depositor behavior in the Arab economies. This timeframe also facilitates the examination of any potential recovery or adaptation trends post-pandemic, offering insights into the medium-term impact of the crisis on banking dynamics within these countries.

## 3.2. Descriptive analysis

**Table 1** outlines the descriptive statistics of key variables observed across 108 data points. The mean number of deposit accounts per adult is approximately 532.126, with a standard deviation of 478.132, while the mean count of depositors per adult is around 490.353, with a slightly lower standard deviation of 433.379. The variable representing the impact of COVID-19 shows an average value of 0.167, signifying its presence across the dataset, with variability reflected in its standard deviation of 0.374. GDP growth averages at 1.311%, showcasing fluctuations ranging from −21.400% to 8.744%. The mean exchange rate is approximately 130.971, with a wide-ranging standard deviation of 333.304, varying from 0.316 to 2397.987. The observed unemployment rate averages at 9.597%, ranging between 0.100% and 28.480%. These statistics offer insights into the central tendencies and ranges of these crucial economic and pandemic-related indicators within the dataset, demonstrating their diverse and varied nature across observations.

**Table 1.** Descriptive statistics.

| Variable | Observation | Mean | SD | Min | Max |
|---|---|---|---|---|---|
| Deposit accounts | 96 | 532.126 | 478.132 | 15.853 | 1682.330 |
| Depositors | 96 | 490.353 | 433.379 | 17.467 | 1474.771 |

**Table 1.** (*Continued*).

| Variable | Observation | Mean | SD | Min | Max |
|---|---|---|---|---|---|
| COVID-19 | 96 | 0.167 | 0.374 | 0.000 | 1.000 |
| GDP growth | 96 | 1.311 | 4.583 | −21.400 | 8.744 |
| Exchange rate | 96 | 130.971 | 333.304 | 0.316 | 2397.987 |
| Unemployment rate | 96 | 9.597 | 7.709 | 0.100 | 28.480 |

## 3.3. Correlation analysis

**Table 2** showcases the correlation analysis between the variables under consideration. The correlation coefficients reveal notable relationships among the variables. The presence of COVID-19 exhibits a negative correlation with both deposit accounts (−0.346) and depositors (−0.164), indicating a potential adverse effect of the pandemic on these banking indicators. Moreover, GDP growth displays a negative correlation with COVID-19 (−0.462), suggesting an inverse relationship between economic growth and the pandemic's impact. The exchange rate demonstrates negative correlations with deposit accounts (−0.368) and depositors (−0.205), implying an association between exchange rates and these banking metrics. Additionally, the unemployment rate exhibits negative correlations with deposit accounts (−0.314) and depositors (−0.255) but shows a positive correlation with COVID-19 (0.141), hinting at potential associations between unemployment, pandemic impact, and banking indicators. Overall, these correlation coefficients offer insights into the interconnectedness and potential dependencies among these variables within the dataset, highlighting crucial relationships for further exploration and analysis.

**Table 2.** Correlation analysis.

| Variables | Deposit accounts | Depositors | COVID-19 | GDP growth | Exchange rate | Unemployment rate |
|---|---|---|---|---|---|---|
| Deposit accounts | 1 | | | | | |
| Depositors | 0.324 | 1 | | | | |
| COVID-19 | −0.346 | −0.164 | 1 | | | |
| GDP growth | −0.054 | −0.144 | −0.462 | 1 | | |
| Exchange rate | −0.368 | −0.205 | −0.136 | −0.096 | 1 | |
| Unemployment rate | −0.314 | −0.255 | 0.141 | −0.014 | 0.336 | 1 |

Notably, all correlation coefficients among the independent variables fall below the threshold of 0.50, indicating the absence of substantial multicollinearity concerns. This suggests that the examined independent variables do not exhibit strong interdependencies or high levels of correlation amongst themselves. Consequently, this lack of significant multicollinearity supports the suitability of these variables for inclusion in subsequent analyses or models without posing substantial issues related to inter-variable relationships.

## 3.4. Model specification

To examine the impact of COVID-19 on bank depositors in Arab economies, the

following model is estimated:

$$Depositors_{j,t} = \alpha_i + \beta_1 COVID-19_t + \beta_2 GDP_{j,t} + \beta_3 ExchangeRates_{j,t} + \beta_4 UnemploymentRate_{j,t} + \varepsilon_{i,j,t} \quad (1)$$

where "*j*" represents the country at a specific year "*t*". The variables "Depositors" denote the count of deposit accounts with commercial banks per 1 adult and the count of depositors with commercial banks per 1 adult, serving as dependent variables. "COVID-19" signifies the pandemic itself. Additionally, "GDP", "exchange rates", and "unemployment rate" stand for gross domestic product, exchange rates, and unemployment rate, respectively, acting as control variables within the study. The unique error term is denoted by $\varepsilon i,j,t$, capturing any idiosyncratic variability within the analysis.

Building on previous research conducted by Saif-Alyousfi [3–5,14–20], the model (1) is estimated utilizing the pooled ordinary least squares (OLS) method. **Table 3** provides an overview of the variable measurements employed within this study.

**Table 3.** Definition of variables.

| Variables | Description | Source |
|---|---|---|
| Dependent variables: Depositors | | |
| Deposit accounts | Number of deposit accounts with commercial banks per 1, adults | WDI |
| Depositors | Number of depositors with commercial banks per 1, adults | WDI |
| Independent variables | | |
| COVID-19 | COVID-19 is a dummy variable that takes 1 if the year 2020 and 0 otherwise | |
| GDP growth | Real GDP growth rate | WDI |
| Exchange rate | The twelve-month average exchange rate | WDI |
| Unemployment rate | The percentage of the labor force that is unemployed is known as the unemployment rate | WDI |

## 4. Empirical results

### 4.1. Bassline results

**Table 4** illustrates the impact of COVID-19, alongside other independent variables, on bank depositors within Arab economies, employing the pooled Ordinary Least Squares (OLS) method. The coefficients provide insights into the relationship between each independent variable and the number of deposit accounts as well as the count of depositors, delineated in columns (1) and (2), respectively.

The coefficients for COVID-19 in both models (1) and (2) are highly significant at the 1% level, indicating a strong and negative relationship between the pandemic and bank depositors within Arab economies. The magnitude of these coefficients is substantial, with a unit increase in the severity or prevalence of COVID-19 associated with a significant decrease in both the number of deposit accounts and the count of depositors. In model (1), the coefficient of −585.6 suggests that for every unit increase in COVID-19 severity, there's a decrease of approximately 586 in the number of deposit accounts. Similarly, in model (2), the coefficient of −254.7 indicates a reduction of approximately 255 in the count of depositors for every unit increase in

COVID-19. These findings emphasize the direct and adverse impact of the pandemic on banking indicators, underscoring the severity of its influence on the banking system within Arab economies. Furthermore, the low standard errors associated with these coefficients substantiate the reliability and strength of these results, bolstering the assertion of COVID-19's substantial and detrimental effects on bank depositors in the region. These results are in line with Saif-Alyousfi et al.'s precious results [20–35], who find that COVID-19 has a negative impact on banks. However, this finding contradicts those of other authors who have concluded in their studies that the COVID-19 pandemic positively impacted deposit accounts, leading to an increase in deposit volumes between 2020 and 2021. For instance, Dursun-de Neef and Schandlbauer [33] noted a significant surge in core deposits for banks more exposed to the pandemic. Additionally, Levin et al. [40] mentioned the phenomenon of "flight-to-safety", where adverse financial shocks prompt individuals to move from risky investments toward the security of bank deposits.

**Table 4.** The effect of COVID-19 on bank depositors.

| | **(1)** | **(2)** |
|---|---|---|
| **Variables** | **Number of deposit accounts** | **Number of depositors** |
| COVID-19 | −585.6*** | −254.7*** |
| | (178.7) | (26.7) |
| GDP | −32.52* | −24.03* |
| | (15.70) | (12.84) |
| Exchange rate | −1.061*** | −0.839*** |
| | (0.295) | (0.244) |
| Unemployment rate | −10.64** | −18.15*** |
| | (4.066) | (5.205) |
| Constant | 868.5*** | 768.4*** |
| | (117.4) | (86.62) |
| Observations | 96 | 96 |
| R-squared | 0.259 | 0.292 |

Note: This table shows the impact of COVID-19 on bank depositors in Arab economies using the pooled OLS. The values in parentheses are robust standard errors. *, ** and *** denote significance at 10%, 5% and 1% levels, respectively.

The adverse effect of COVID-19 on bank depositors in Arab economies may be attributed to several factors. Firstly, the economic fallout from the pandemic led to heightened uncertainties, both in terms of employment stability and income certainty. Job losses, reduced working hours, or businesses facing financial strain could have directly impacted the disposable income available for savings and deposits. This reduction in available funds for individuals and firms might have resulted in a decreased capacity to contribute to bank deposits. Secondly, the imposed lockdowns and restrictions, essential for controlling the spread of the virus, disrupted various economic activities across sectors. Industries such as tourism, hospitality, and retail—prevalent in many Arab economies—experienced significant setbacks due to restricted movement and reduced consumer spending. This economic slowdown likely

influenced businesses and individuals to tighten their financial belts, possibly limiting their contributions to savings accounts or fixed-term deposits. Moreover, the uncertainty in the financial markets induced by the pandemic might have prompted some depositors to explore alternative investment options. With fluctuations in stock markets and other investment instruments, individuals seeking higher returns or diversification might have diverted funds away from traditional bank deposits to riskier yet potentially more lucrative investment avenues. Additionally, government interventions and financial policies aimed at supporting businesses and individuals during the pandemic could have altered saving behaviors. Stimulus packages or financial aid might have been utilized for immediate expenses rather than being saved in banks, impacting the overall volume of deposits. Lastly, changes in consumer behavior and preferences, such as an increased inclination towards digital payments or online financial services during the pandemic, could have diverted funds away from traditional banking deposits to these emerging financial technologies or platforms. These multiple factors, encompassing economic uncertainties, altered consumer behaviors, and financial market volatility, likely contributed to the adverse impact of COVID-19 on bank depositors in Arab economies.

Looking at the other independent variables, GDP exhibits a statistically significant negative impact at the 10% level on both the number of deposit accounts and the count of depositors within Arab economies. For each unit increase in GDP, there's a moderate reduction observed in both the number of deposit accounts (−32.52 in model (1)) and the count of depositors (−24.03 in model (2)). The negative impact of GDP on deposit accounts and depositors at the 10% significance level suggests that higher economic growth, as reflected by GDP, is associated with lower numbers of accounts and depositors within the banking system. This inverse relationship can be attributed to various factors. During periods of robust economic growth, individuals and businesses might seek alternative investment opportunities beyond traditional banking, leading to a decrease in the number of accounts or depositors. Moreover, a higher GDP could signal increased financial sophistication, potentially encouraging individuals or entities to explore diverse investment avenues or financial instruments, consequently affecting their reliance on conventional banking services. However, it's crucial to note that while statistically significant, the effect of GDP appears relatively smaller compared to the dominant impact of COVID-19 on banking indicators, emphasizing the pandemic's exceptional influence on bank depositors within Arab economies.

The highly significant negative impact of the exchange rate at the 1% significance level indicates that changes or fluctuations in the exchange rate exert a substantial influence on the number of deposit accounts and the count of depositors within Arab economies. A unit increase in the exchange rate is associated with a noteworthy decrease in both the number of deposit accounts (−1.061 in model (1)) and the count of depositors (−0.839 in model (2)). This suggests that variations in the exchange rate significantly impact banking metrics, implying that when the exchange rate increases, the number of accounts and depositors within the banking system tends to decrease. This sensitivity of banking indicators to fluctuations in the exchange rate could be attributed to several factors. For instance, changes in exchange rates may affect international trade, business investments, or individuals' confidence in their local

currency, influencing their decisions regarding deposit accounts or financial transactions. Moreover, fluctuations in exchange rates might impact the attractiveness of saving or investing in local banking systems compared to other foreign or global financial markets. Consequently, these findings underscore the critical role of exchange rate stability in maintaining or influencing the number of accounts and depositors within the banking sector of Arab economies.

Similar to the other variables, the unemployment rate also exhibits a negative impact on bank depositors. The negative impact of the unemployment rate on both the number of deposit accounts and the count of depositors, as indicated in both models, signifies that an increase in the unemployment rate is associated with a decrease in banking metrics within Arab economies. Specifically, a one-unit increase in the unemployment rate leads to a reduction of 10.64 in the number of deposit accounts (model (1)) and a decrease of 18.15 in the count of depositors (model (2)). This negative relationship between unemployment and bank depositors suggests several potential reasons. Elevated unemployment rates might lead to reduced consumer spending and investment, impacting individuals' capacity or willingness to maintain deposit accounts or engage in banking activities. Moreover, higher unemployment levels might signify economic instability, leading to decreased confidence among individuals or businesses, thereby influencing their decisions regarding banking services. Additionally, during periods of increased unemployment, individuals might withdraw or limit their deposits due to financial uncertainties or reduced income, impacting the overall number of accounts and depositors within the banking system. In sum, these findings underscore the sensitivity of bank depositors to changes in the unemployment rate within Arab economies, highlighting the significance of labor market conditions in influencing banking metrics and the financial behavior of individuals or entities within the region.

### 4.2. Robustness results

For a robustness check, this study re-runs the model after controlling the economic policy uncertainty (EPU). Incorporating EPU as a control variable is pivotal in enhancing the methodology, allowing for a more detailed analysis of COVID-19's distinct impact on bank depositors. This meticulous approach aimed to disentangle whether observed effects on depositor behavior were solely attributed to the pandemic or influenced by broader economic policy uncertainties.

The inclusion of EPU as a controlled variable, as reported in **Table 5**, refined the study's analysis, yielding a more nuanced understanding of the interaction between the pandemic and depositor actions within the broader economic landscape. This methodological refinement not only affirmed the study's initial findings but also elucidated how economic policy uncertainties intersected with COVID-19's impact on bank depositors. In short, by re-running the model with the EPU control, this study endeavored to provide a more comprehensive depiction of the pandemic's specific repercussions on banking dynamics, elucidating its unique effects across varied economic policy contexts. This approach significantly bolstered the study's reliability, offering a clearer perspective on the pandemic's direct influence on depositor behavior, distinct from economic policy uncertainties.

**Table 5.** The effect of COVID-19 on bank depositors: Controlling the EPU index (robustness check).

| | (1) | (2) |
|---|---|---|
| **Variables** | **Number of deposit accounts** | **Number of depositors** |
| COVID-19 | −844.7*** | −633.5*** |
| | (226.4) | (202.3) |
| GDP | −32.12* | −26.26** |
| | (16.15) | (10.10) |
| Exchange rate | −1.012*** | −0.811*** |
| | (0.317) | (0.261) |
| Unemployment rate | −11.09* | −17.55*** |
| | (6.082) | (5.173) |
| EPU | 2.649* | 3.548* |
| | (1.567) | (1.781) |
| Constant | 288.6 | 0.648 |
| | (369.1) | (386.6) |
| Observations | 96 | 96 |
| R-squared | 0.296 | 0.366 |

Note: This table shows the impact of COVID-19 on bank depositors in Arab economies using the pooled OLS after controlling the EPU index. The values in parentheses are robust standard errors. *, ** and *** denote significance at 10%, 5% and 1% levels, respectively.

Regarding the effect of EPU on bank depositors, **Table 5** indicates a positive and statistically significant effect of EPU on bank depositors at the 10% level. This could potentially be attributed to several reasons: Firstly, the positive relationship between EPU and bank depositors might be due to heightened cautious behavior among depositors during uncertain economic periods. It's plausible that when economic policies become more uncertain, individuals tend to exhibit risk-averse tendencies, opting to deposit their funds in banks as a safety measure against potential economic fluctuations or disruptions. Additionally, the positive effect could also stem from regulatory changes or policy responses during uncertain times. Economic policy uncertainty often prompts regulatory adjustments or interventions from financial institutions, influencing depositors' decisions to safeguard their funds within banks as a protective measure. Moreover, heightened economic policy uncertainty might lead to reduced investment opportunities or increased perceived risks in other financial instruments, potentially prompting individuals to favor bank deposits as a more secure and stable option during uncertain economic periods. Ultimately, while the specific reasons behind this positive effect warrant further investigation, the observed relationship between economic policy uncertainty and bank depositors signifies the intricacies of depositor behavior amid uncertain economic landscapes.

## 5. Conclusion

The main objective of this study is to assess the impact of COVID-19 on bank depositors in Arab economies from 2017 to 2022. Analyzing a comprehensive panel

dataset spanning six years across 16 Arab nations, we've employed the pooled OLS estimator to delve into this relationship. This research breaks new ground in examining the correlation between COVID-19 and bank depositors within the Arab region, significantly enriching the existing knowledge base. Essentially, this study marks the initial exploration into the connection between COVID-19 and bank depositors in Arab economies, setting a pioneering milestone in this research domain.

The findings underline significant impacts on bank depositors within Arab economies: COVID-19 demonstrates a robust and negative link, with each uptick in its severity corresponding to a substantial decrease in deposit accounts and depositors. GDP also exhibits a noteworthy but relatively smaller effect—higher growth coincides with fewer accounts and depositors. Exchange rate fluctuations notably influence banking metrics, with an increase correlating with reduced accounts and depositors. Similarly, higher unemployment rates are tied to fewer deposit accounts and depositors, reflecting economic instability's impact on banking behavior. While GDP, exchange rates, and unemployment contribute, their effects pale compared to COVID-19's predominant influence, emphasizing the pandemic's exceptional sway on bank depositors in Arab economies.

The analysis reveals critical policy implications for managing banking systems within Arab economies. The substantial negative impact of COVID-19 on bank depositors necessitates a focus on enhancing banking resilience during pandemics, emphasizing digital infrastructure and crisis management. Economic stability measures, including targeted investments and fiscal policies, are vital, despite the comparatively smaller impact of GDP on banking indicators. Stability in exchange rates is crucial to maintaining confidence in local banking, warranting policies to manage fluctuations. Addressing unemployment's adverse effect on bank depositors requires focused labor market interventions such as job creation and skill development. Flexible regulatory frameworks balancing stability and innovation, data-driven decision-making, and robust consumer education programs collectively constitute the comprehensive approach needed to fortify banking systems amidst economic uncertainties and crises in Arab economies.

**Conflict of interest:** The author declares no conflict of interest.

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