

INCIDENCE OF LIQUIDITY RISK IN BANKING ACTIVITY

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Abstract:

Liquidity is necessary for banks to compensate for expected and unexpected balance sheet and fluctuations and to provide funds for growth. It represents a bank's ability to efficiently accommodate the redemptions of deposits and other liabilities and to cover funding increases in loan and investment portfolio. A bank has adequate liquidity potential when it can obtain needed funds promptly and at a reasonable cost.

Keywords: *liquidity, bank, deposit, liability*

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