

# **THE IMPACT OF HOUSEHOLD SECTOR RISKS TO THE SOUNDNESS OF THE ROMANIAN BANKING SYSTEM**

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*ABSTRACT: The paper focuses, primarily, on assessing if risks associated to household sector have a significant impact on Romanian banking system's soundness and stability, by establishing which household specific variables are the most important and have to be monitored. We have considered several representative prudential and performance banking system's indicators and we have performed a regression for each one, against a set of 12 explanatory variables, concerning households' balance sheet, their net earnings, the dynamics of unemployment rate, the degree of indebtedness, banking system's exposure to currency risk associated to households. Our empirical findings suggest that banking system profitability, expressed as return on equity, and liquidity indicator are the most influenced by households' financial behavior and the evolutions on the labor market.*

*Key words: banking system vulnerability, prudential indicators, households' financial position, logistic regression*

*JEL codes: G21, H31*