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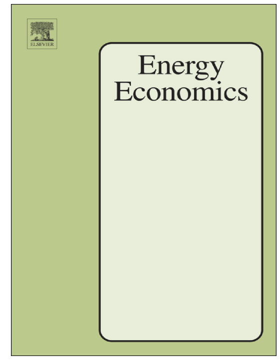

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Unveiling the energy saving role of banking performance in Sub-Sahara Africa

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Abstract
This article examines the effect of commercial bank performance on an indicator of energy efficiency (i.e. energy intensity) while controlling for the mediating effect of political institution. To achieve this goal, the study develops a theoretical model based on the neoclassical theory of the firm that links energy efficiency to bank sector development, and a unique bank-based data by Andrianova et al. (2015) for 43 Sub-Saharan African countries from 1998 to 2012. The principal component analysis is used to derive a composite bank-based development index from different bank balance sheet performance indicators- return on asset, asset quality, bank capitalization, managerial inefficiency and financial stability. The two-stage system generalized method of moment (Sys-GMM) technique was used. The results reveal that, both in the short- and long-run, improved banking performance foster energy efficiency improvements in sub-Saharan Africa, but this is compromised by democracy (institutional quality). Thus, to achieve energy efficiency improvements, specific initiatives should be implemented to boost the development of the banking sector while also ensuring that democratic governance in the sub-region weans itself off things that impede the progress of the real sector. More ambitiously,

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