



A Bibliometric Analysis of Bank Liquidity Creation: International Evidence

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Abstract

The purpose of this research is to analyze research trends related to banking liquidity creation, the factors influencing this process, the impact of created liquidity, and the direction for further research. Bibliographic sources were obtained from the Scopus database spanning from 2013 to 2022, and the analysis was conducted using the VOSviewer tool. The analytical approach includes co-citations, co-words, and bibliographic coupling, focusing on authors, articles, journals, countries, institutions, and thematic subjects that play important roles. The results of the analysis indicate that research trends have been on the rise since 2019, reflecting the significance of this topic in academic literature. The most productive journal in publishing articles about liquidity creation is the 'Journal of Banking and Finance,' which highlights the academic community's focus on this topic. One significant finding is that the most dominant factors in the liquidity creation process are bank capitalization and bank capital regulations. Furthermore, the analysis results show that the greatest impact of liquidity creation occurs in financial market conditions, followed by systemic risk and economic growth. The implication is that this research underscores the importance of maintaining the health and stability of financial markets, as well as formulating policies that can manage systemic risks to support sustainable economic growth. The direction for future investigation could broaden its scope to include cross-border frameworks or consider the inclusion of alternative moderating variables such as corruption, money laundering, or tax amnesty, which could offer a different understanding within the analytical framework.

Keywords: liquidity creation bank, international, bibliometric analysis

JEL Classifications: G21, G30, F30

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1. Introduction

The mechanism of liquidity creation (LC) in the banking industry is a relatively new phenomenon, and research on its determinants and implications remains scarce (Ali et al., 2022; Almeshari et al., 2023). Empirically, bank liquidity creation has expanded significantly since it was first introduced by Berger (2009). Some researchers measure banking liquidity creation to examine its impact on the real economy and banking market competition, revealing that liquidity creation stimulates economic growth and influences market dynamics (Duan et al., 2021; Kick, 2022). Additionally, liquidity creation has been found to increase real investment, though its contribution to growth is limited in economies dominated by industries reliant on intangible assets (Beck et al., 2022). Liquidity creation is also positively linked to bank performance, as more efficient banks can generate higher liquidity by managing greater risks (Duan et al., 2021). Moreover, it plays a crucial role in financial stability, serving as an indicator for forecasting financial crises and ensuring the smooth functioning of the economy (Alrabadi & Abudalou, 2022; Doojav & Purevdorj, 2022; Lee et al., 2022; Pana, 2023; Sinha & Grover, 2021). In essence, the ability of banks to create and supply liquidity is fundamental to the financial system (Pham et al., 2022).

Banks create liquidity by financing illiquid assets with liquid liabilities, typically through market-based intermediation and non-market-based hold-to-maturity banking (Kladakis et al., 2022a; Luck & Schempp, 2022). In traditional intermediation, banks act as financial intermediaries by using liquid liabilities such as deposits to finance relatively illiquid assets, such as loans and investments (Ali et al., 2022; Lee et al., 2022; Nguyen et al., 2022). They also enhance liquidity through Off-Balance Sheet (OBS) activities like loan commitments (Ali et al., 2022; Nguyen et al., 2022). This process requires balancing savers' liquidity needs with businesses' long-term financing demands (Diamond & Rajan, 2001; Nguyen et al., 2022). Alternatively, in non-market-based banking, liquidity is generated through uninsured wholesale funding or financial services provided by non-bank intermediaries, commonly known as shadow banks (Luck & Schempp, 2022). However, reliance on market-based funding and non-bank financial intermediation has been associated with financial crises (Krishnamurthy et al., 2014).

Several studies have examined the uncertainty of banking liquidity creation in various countries (Wang et al., 2022). Banks that fail to generate stable liquidity on their balance sheets increase the fragility of the banking sector, which can be detrimental to the economy (Al-Khouri & Arouri, 2019). Funding illiquid loans with liquid deposits heightens banks' vulnerability, making their operations more precarious (Leiva et al., 2019). Excessive liquidity creation also increases the risk of banks being unable to meet unexpected customer withdrawals (Distinguin et al., 2013). Financial intermediaries are inherently fragile and can threaten financial stability (Pana, 2023; Zheng et al., 2019). While deposit-based liquidity creation is essential, excessive reliance on customer deposits for lending can reduce profitability and compress lending margins, undermining the banking system's core functions (Ben et al., 2022). Therefore, a balanced approach to liquidity creation is crucial for financial sustainability.

Understanding the key determinants of banking liquidity is essential (Dang, 2022). Several factors influence liquidity creation, including national culture (power distance, individualism, uncertainty avoidance, and masculinity), climate risk (Lee et al., 2022), bank capital, political risk (Hsieh et al., 2022), economic policy uncertainty, and state governance (Wang et al., 2022). Other significant determinants include interbank credit regulations (Tang et al., 2021), macroeconomic conditions (Mdaghri &

Oubdi, 2022), and external shocks such as business cycles, monetary policy, bank competition, and financial instability (Doojav & Purevdorj, 2022). Additionally, banking liquidity is influenced by regulatory frameworks like Basel Committee policies (Alrabadi & Abudalou, 2022), wholesale funding, moral hazard (Kladakis et al., 2022b), labor market conditions (Niu, 2022), political instability (Javid et al., 2022), and macroprudential regulations (Luck & Schempp, 2022).

Findings on liquidity creation, its determinants, and its impact vary across studies. However, there is a lack of synthesized research that examines all three elements together, and their interdependence remains understudied. Despite the critical role of liquidity creation in banking, surprisingly little attention has been paid to it in the literature. As suggested by Pana (2023), future research should provide new evidence on liquidity creation, its determinants, and its impact on financial stability. This article aims to fill this gap in the financial literature by conducting a meta-analysis of liquidity creation to better understand its challenges, influencing factors, and consequences. A meta-analytic approach is particularly suitable because it allows for the synthesis of a large number of studies into meaningful conclusions (Phuong et al., 2022). This analysis is crucial for addressing liquidity risk, especially in cases of excessive liquidity creation.

Previous research by Pana (2023) analyzed 133 articles listed on Scopus, published between 1975 and 2020. However, this study had certain limitations. First, it was a bibliometric analysis, which primarily focused on descriptive content without an in-depth synthesis. Second, the reported liquidity creation data only covered up to 2020, leaving a gap in research for the years 2021 and 2022. According to Almeshari et al. (2023), trend analysis suggests a significant rise in liquidity creation research during these two years. To address this gap, our study extends the analysis by incorporating data from 2021 and 2022. Strengthened by existing literature, this study aims to bridge the gaps in liquidity creation research by examining trends over the last decade (2012–2022). Specifically, we seek to answer the following research questions:

1. What are the global research trends on bank liquidity creation?
2. What are the antecedents or factors influencing bank liquidity creation?
3. What are the consequences or impacts of bank liquidity creation?
4. What are the directions for future research?

We chose the bibliometric procedure to evaluate connections in our study because it met the criteria of being able to synthesize a large number of studies sufficiently to derive general conclusions based on the existing literature (Kluza & Spoz, 2021; Phuong et al., 2022).

2. Literature Review

Bank liquidity creation is the ability of a bank to generate and provide liquidity within an economy (Ali et al., 2022). In this context, liquidity creation refers to the process in which a bank uses available funds in the form of liquid liabilities, such as demand deposits, to fund less liquid assets, such as loans to consumers. The aim is to provide liquid resources for the overall economy (Ali et al., 2022). Banks have the capacity to create liquidity by utilizing their liquid obligations, for instance, funds available in demand deposit accounts, to support less liquid assets, like loans. This concept is further reinforced by the idea that banks can create liquidity through off-balance-sheet activities, such as offering guarantees like "standby letters of credit," loan commitments, and guarantees to companies. During this process, depositors retain the ability to withdraw from their accounts, while borrowers commit to obtaining cash extended through loans, enabling short-term liquidity availability for depositors and long-

term financing for borrowers simultaneously (Nguyen et al., 2022). These actions assist banks in playing a crucial role in providing liquid resources for the overall economy (Ali et al., 2022; Nguyen et al., 2022).

2.1 Financial Intermediation Theory and Liquidity Creation

The financial intermediation theory explains how banks create liquidity by transforming short-term liquid liabilities, such as depositor funds, into long-term, less liquid assets, such as business and mortgage loans (Hester, 1994). The Diamond-Dybvig model (Diamond & Dybvig, 1983) highlights the role of banks in reducing liquidity mismatches while also demonstrating their vulnerability to bank runs, where depositors withdraw funds en masse due to concerns about a bank's stability. This model underscores the importance of deposit insurance and the lender of last resort as crisis prevention mechanisms. As the financial sector evolves, this theory has expanded to include aspects of moral hazard, wherein banks may take excessive risks if they anticipate a bailout, as well as market discipline, where depositors and investors monitor banks' liquidity policies (Diamond, 2007). Additionally, the rise of shadow banking, including securitization and other financial innovations, has shifted part of the liquidity creation function to less-regulated non-bank financial institutions.

From a policy perspective, uncontrolled liquidity creation can increase systemic risk, necessitating regulations such as the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) under the Basel III framework to ensure banks' liquidity resilience (Sharma & Chauhan, 2023). Central banks also play a crucial role in providing emergency funding to prevent the widespread impact of liquidity crises, while deposit insurance helps maintain depositor confidence and mitigate bank runs (Chiaromonte et al., 2020). In the era of digitalization, innovations such as digital banks, FinTech, and climate change have the potential to influence the dynamics of liquidity creation, highlighting the need for further research to understand their implications for financial system stability.

2.2 Cyclicity and Influencing Factors of Liquidity Creation

Research indicates that bank liquidity creation is procyclical, meaning it tends to increase during economic expansions and decrease during contractions. This behavior can amplify business cycle fluctuations, as observed in the study of Russian banks from 2004 to 2015. The procyclicality is consistent across different types of bank ownership, including state-owned, domestic private, and foreign banks, with liquidity creation showing a higher degree of procyclicality compared to lending activities (Davydov et al., 2018). Furthermore (Chiaromonte et al., 2020), liquidity creation has a complex relationship with systemic risk. While it can reduce systemic risk at the individual bank level by minimizing bank-specific tail risks, it simultaneously strengthens the systemic linkage of banks to severe financial shocks (Davydov et al., 2021). This dual effect suggests that while liquidity creation can enhance financial stability, it also increases the interconnectedness of banks during crises, posing challenges in terms of systemic risk (Davydov et al., 2021).

In addition to these cyclical dynamics, the level of competition among banks plays a crucial role in shaping liquidity creation. Regulatory-induced competition tends to reduce liquidity creation, particularly among banks with lower risk-absorbing capacities, and is more pronounced in less profitable banks (Jiang et al, 2017). This reduction may push these banks toward insolvency, curtailing their liquidity creation activities. Regulatory interventions, such as capital support in the form of bailouts, generally have little effect on liquidity creation (Berger et al., 2016). Bank culture also significantly influences liquidity creation, with cultures emphasizing control and collaboration

negatively impacting liquidity creation, while those fostering competition tend to promote it. The impact of culture is more pronounced in diversified, experienced, and profitable banks and less so in larger institutions (Huynh & Nguyen, 2024). Moreover, banks with higher functional diversification, especially large banks engaging in nontraditional activities, tend to create less liquidity (Tran, 2020a). Finally, while regulatory capital generally supports liquidity creation, its effect varies. In small banks and during non-crisis periods, regulatory capital has a positive relationship with liquidity creation, but banks that create more liquidity and exhibit higher illiquidity risk often experience lower profitability, with the impact of regulatory capital varying based on the level of capitalization (Berger et al., 2016).

2.3 Implications of Bank Liquidity Creation

Bank liquidity creation plays a crucial role in supporting economic growth by ensuring businesses and households have access to credit, facilitating investments in infrastructure, manufacturing, and entrepreneurship (Beck et al., 2023; Sahyouni et al., 2021). Efficient liquidity creation fosters a stable investment climate, boosting productivity and job creation (Beck et al., 2023). However, excessive liquidity or misallocated credit can lead to asset bubbles and inefficient capital allocation, potentially destabilizing long-term growth (Calcagnini et al., 2022). Moreover, while liquidity creation enhances bank performance and profitability by expanding lending portfolios and increasing interest income, it also heightens funding risks, especially when banks rely excessively on short-term liabilities (Sahyouni & Wang, 2018). Without proper liquidity management, banks may struggle to meet withdrawal demands during financial stress, increasing their vulnerability to crises.

Beyond profitability, excessive liquidity creation can threaten financial stability (Tran & Nguyen, 2024). Adrian et al. (2017) highlighted that aggressive liquidity expansion without adequate risk controls raises the probability of financial crises. A mismatch between liquid liabilities and illiquid assets exposes banks to liquidity shortages and potential bank runs, necessitating strong regulatory oversight (Bai et al., 2018). To mitigate systemic risks, frameworks such as Basel III enforce liquidity coverage and capital adequacy requirements, while central banks act as lenders of last resort during financial stress (Jayadev, 2013). Effective liquidity risk management, including diversified funding sources and compliance with regulatory standards, is essential to balancing profitability with long-term stability (Abiola et al., 2025). Ultimately, while liquidity creation is vital for economic development, it must be carefully managed to prevent financial instability and systemic crises.

3. Methodology

This study employs a bibliometric analysis, integrating quantitative bibliometrics with qualitative content analysis to ensure a more precise representation of the research objectives (Hassan et al., 2020; Pana, 2023). The methodological approach is designed to provide a comprehensive insight into previous research by systematically identifying and analyzing relevant literature.

The sample selection process consists of two stages. The first stage involves collecting articles from the Scopus database, a widely recognized indexing platform that encompasses a broad range of academic publications. The search keywords used include “liquidity transformation,” “liquidity creation,” and “liquidity creation bank.”

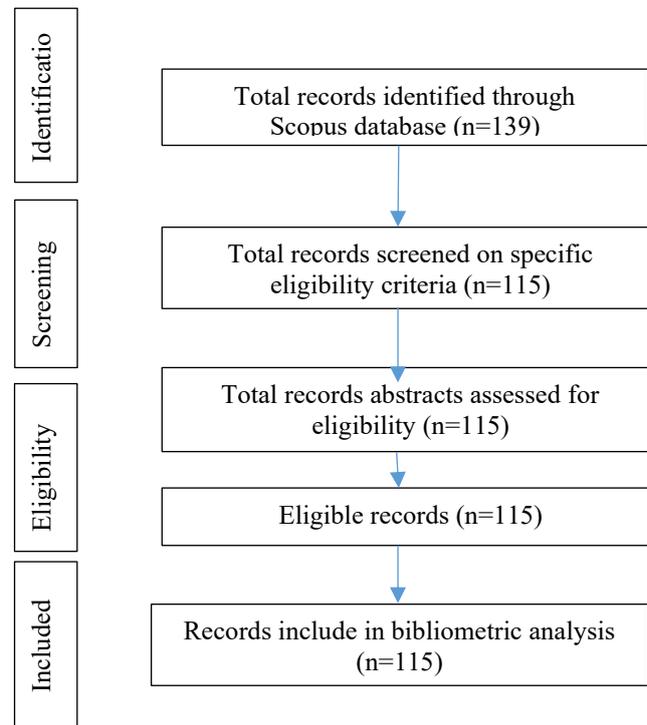
In the second stage, a rigorous and structured review process is conducted to refine the selection and ensure alignment with the research objectives. Each article

undergoes a thorough evaluation to verify that liquidity creation remains its primary focus and that it offers substantial insights into this field. This process ensures that only studies contributing meaningfully to the discourse on liquidity creation are included, rather than those with peripheral or tangential relevance.

Following this meticulous selection process, 139 articles were identified as the final sample. These studies encompass a diverse range of variables and influential factors related to liquidity creation, providing a holistic understanding of its complex dynamics. The analysis captures both the positive and negative implications of liquidity creation, offering a nuanced perspective on its broader impact.

To illustrate the scope of the meta-analysis, a visual representation is provided in Figure 1 below.

Figure 1: Research Design



Source: Authors' elaboration

In this study, our data collection was anchored in the Scopus database, with a snapshot taken on February 1, 2023, to form the cornerstone of our analytical framework. To cast a wide net and comprehensively explore the landscape of research content and its practical applications, we enriched our search strings with custom terms designed to encapsulate the essence of our focus, such as "liquidity creation" and "liquidity creation bank." This strategic approach yielded an initial harvest of 831 research documents, from which we meticulously distilled a refined collection of 139 documents that met our stringent criteria. In our unwavering pursuit of precision and robustness, an additional layer of filtration was introduced to our search. By tactically introducing specific phrases into our search parameters, we adeptly excluded articles that did not align harmoniously with the tenets of our study, resulting in the culling of 24 articles that fell outside our desired scope. This judicious process ultimately culminated in a well-defined corpus of

315 eligible documents, which formed the bedrock for our comprehensive bibliometric analysis.

The focal points of our bibliometric analysis are multifaceted, encompassing pivotal dimensions such as publication year, source of publication, authorship, institutional affiliations, and geographical provenance (country/region). Our analytical toolkit includes bibliometric indicators that illuminate the scholarly landscape, including the number of publications and the number of citations received by each document. These indicators, when juxtaposed, serve as dynamic barometers, unveiling the vibrant tapestry of research activity and impact. It's essential to underscore that the rankings attributed to journals, authors, countries, and institutions are predicated solely upon the quantification of published articles and do not delve into the nuanced contributions encapsulated within each piece. Our analysis strives to provide a panoramic vista of scholarly output, enabling us to glean insights into the multifarious dimensions of liquidity creation, while acknowledging that these rankings serve as a testament to the quantity rather than the qualitative essence of contributions.

4. Results and Discussion

Upon conducting a thorough examination of the chosen articles using the aforementioned procedure, the subsequent phase entails delving into analysis. This analytical endeavor reveals a host of findings that surface through the synthesis of research. In the ensuing subsections, an intricate dissection of the review outcomes is elaborated, meticulously aligned with the triad of research questions that served as the guiding pillars for this study.

4.1 Trend of research on the creation of banking liquidity

Recent research has significantly advanced our understanding of bank liquidity creation, highlighting the complex interplay between central bank policies, technological innovations, and market dynamics. Central banks employ various strategies, such as quantitative easing (QE), to manage liquidity within the financial system (Christensen & Gillan, 2022). By purchasing financial assets, they inject liquidity into the economy, aiming to stimulate lending and investment (Dang & Dang, 2021b). This process not only enhances market liquidity but also encourages banks to extend more credit to businesses and households. In the euro area, studies utilizing complex-network perspectives have analyzed the real implications of QE, revealing that it can alter banks' lending behaviors and stimulate the real economy by increasing the availability of credit.

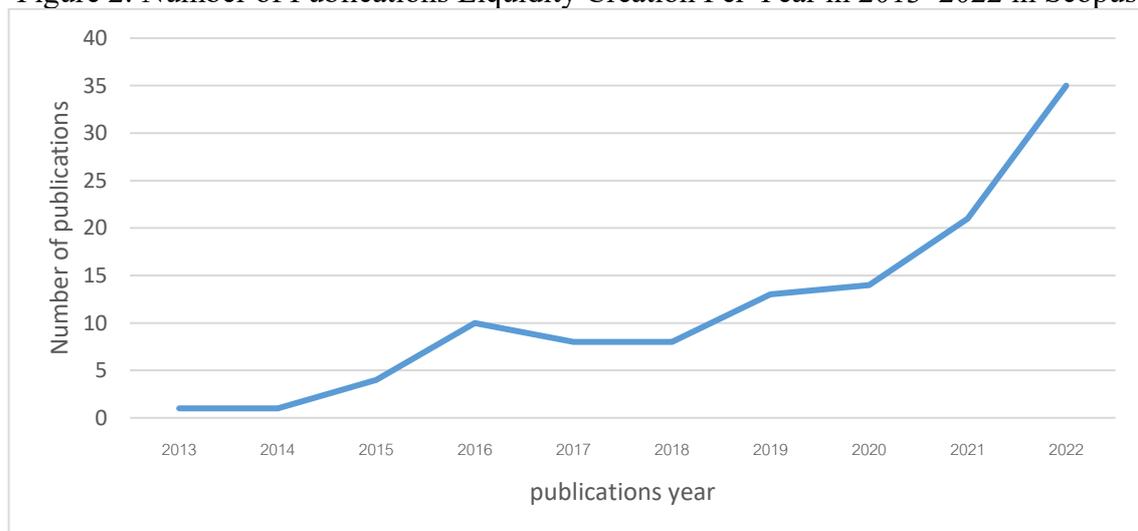
Concurrently, technological advancements, particularly in artificial intelligence (AI), have transformed financial markets by enhancing trading efficiency and liquidity (Milana & Ashta, 2021). The rapid adoption of AI technologies, such as ChatGPT, has led to significant innovations in algorithmic trading, enabling more accurate trading signals and improved risk management (Liu et al., 2024). However, these advancements also introduce risks, including potential market volatility and liquidity challenges during periods of stress. Moreover, the emergence of portfolio trading, executing large batches of securities in a single transaction, has reshaped credit markets. This method facilitates quick and efficient large-scale transactions in corporate debt, mitigating liquidity issues in less-traded bonds by combining them with more liquid ones. Despite these advancements, financial markets face increasing volatility due to factors such as technological disruptions, the dominance of large firms, and tighter liquidity conditions (Enfoques & Alta, 2025). These developments underscore the need for proactive

regulatory measures to bolster liquidity and support the growth of specialized trading firms.

The study of liquidity creation holds paramount significance among researchers. Nevertheless, the academic landscape concerning bank liquidity creation remains relatively constrained, underscoring the pressing need for contemporary scholarly contributions (Almeshari et al., 2023). This pronounced gap is visually elucidated in Figure 1, where the trajectory of publications over the past decade (2013-2022) totals 115. The evolution of this publication trend has exhibited oscillations, culminating in a notable upsurge during 2020-2022. Remarkably, this surge occurred even amidst the backdrop of the COVID-19 crisis, a period riddled with impediments that curtailed research endeavors due to data limitations and other challenges. However, researchers have exhibited remarkable resilience and productivity. The relevance of liquidity creation takes on a particularly pivotal role within the context of the COVID-19 financial crisis. The crisis precipitated supply shocks, resulting in diminished equity capital inflows, and concurrent demand shocks, which elevated the incidence of problem loans stemming from defaults. Consequently, the investigation of liquidity creation during the COVID era assumes heightened importance, primarily due to its critical role in mitigating capital shocks within the banking sector.

Furthermore, the introduction of central bank digital currencies (CBDCs) has added a new dimension to the liquidity landscape. CBDCs, as digital forms of fiat currency issued by central banks, offer potential benefits in enhancing payment efficiency and financial inclusion (Allen et al., 2022). However, their implementation also raises concerns about financial stability, particularly regarding the potential disintermediation of banks and the impact on their funding structures. Studies suggest that the introduction of a CBDC could lead to a reduction in bank deposits, as households and firms might shift their holdings to the central bank's digital currency. This shift could affect banks' liquidity positions and their ability to extend credit to the economy. Moreover, the increased demand for high-quality collateral to back CBDC transactions could intensify the sovereign-bank nexus, potentially leading to a doom loop between the fiscal and financial sectors in the event of economic shocks. Therefore, while CBDCs present opportunities for enhancing the financial system, careful consideration of their design and implementation is crucial to mitigate potential risks to financial stability.

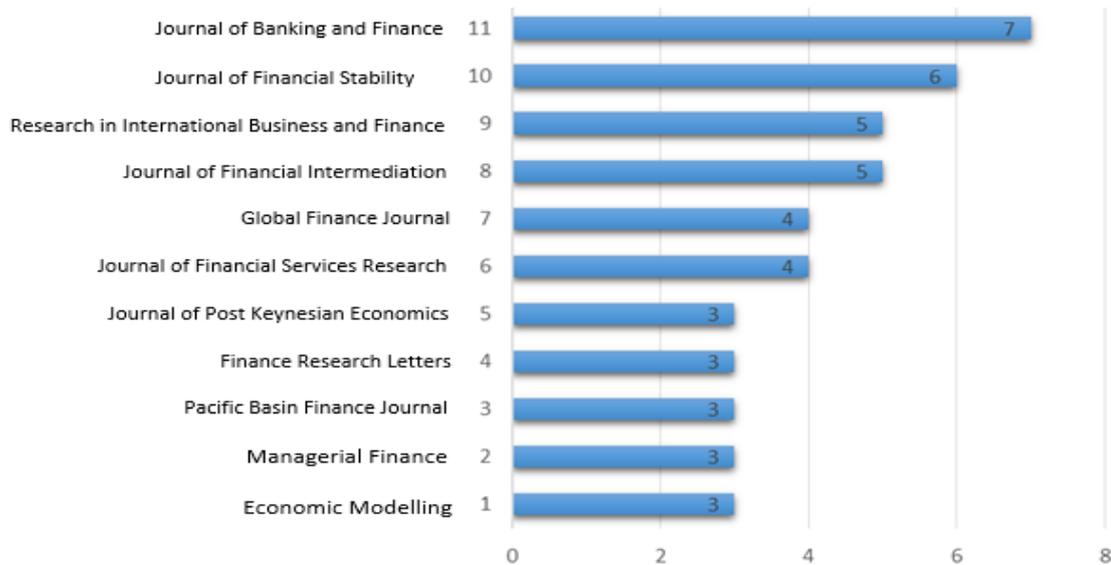
Figure 2: Number of Publications Liquidity Creation Per Year in 2013–2022 in Scopus



Source: Authors' elaboration

Figure 2 presents a significant trend in liquidity creation research: the increasing number of publications on this topic is disseminated across a wide range of academic platforms. A bibliometric analysis of 115 selected studies reveals that these publications are distributed across 71 distinct journals, conference proceedings, and books, all of which are indexed in Scopus. This broad and diverse distribution highlights the growing academic interest in liquidity creation and underscores its expanding influence across various research domains.

Figure 3: The 11 Most Published Journals Liquidity Creation in 2013–2022 in Scopus

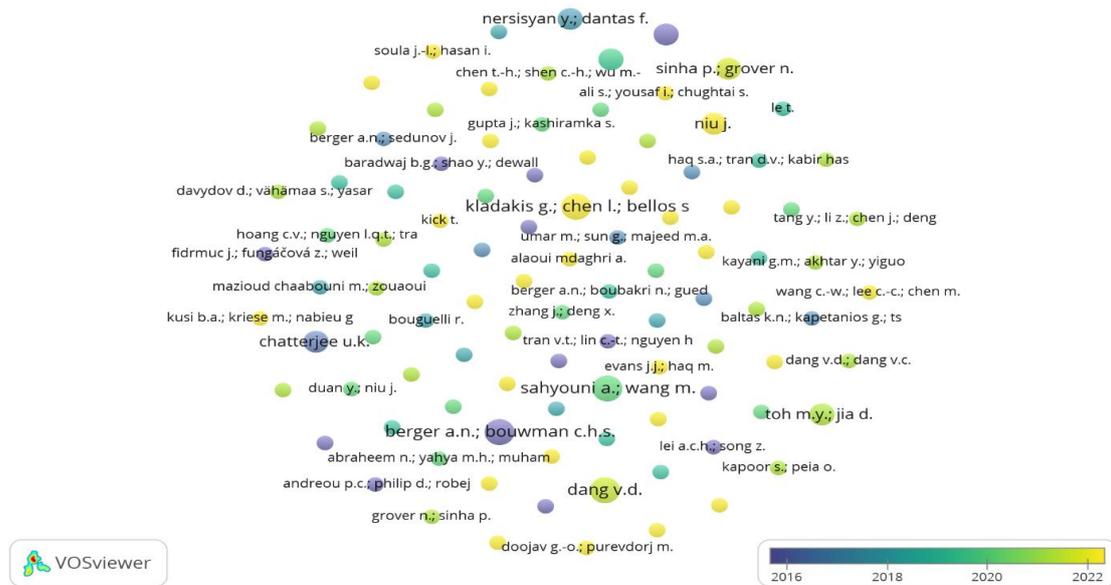


Source: Authors' elaboration

Figure 3 further illuminates this phenomenon, offering a visual depiction of the widespread dissemination of liquidity creation research across a spectrum of esteemed journals. This dynamic portrayal reinforces the notion that the exploration of liquidity creation has transcended the confines of a singular publication avenue, permeating numerous reputable ones.

Figure 3 provides an in-depth overview of scholarly productivity by highlighting the top 11 journals that have significantly contributed to the dissemination of research on liquidity creation. Among them, the Journal of Banking and Finance emerges as the leading platform, followed closely by the Journal of Financial Stability. Research in International Business and Finance also plays a crucial role in advancing the understanding of liquidity creation dynamics, while Economic Modelling has become an influential outlet for exploring trends in this field. While these journals are at the forefront of liquidity creation research, numerous other journals contribute to the broader academic discourse, reflecting the diverse and evolving nature of this research area.

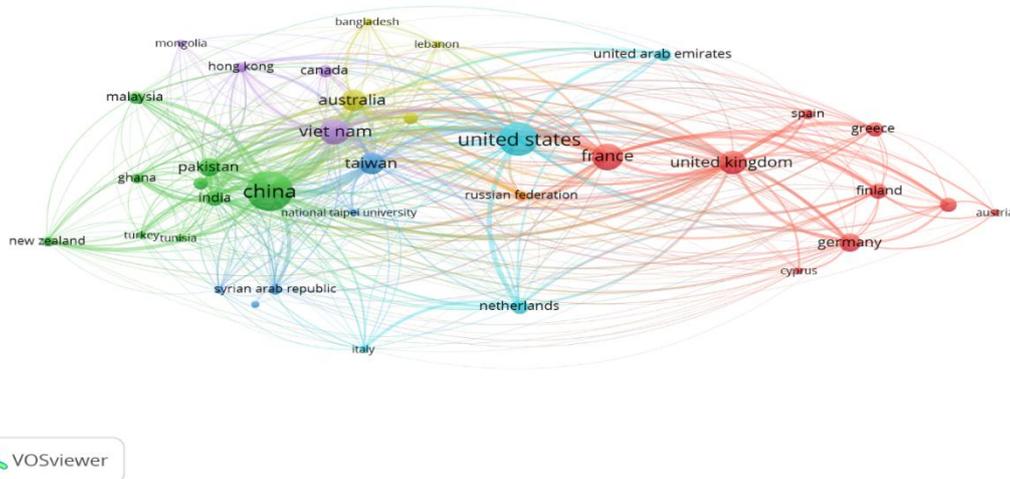
Figure 5: Co-Citation Network of Journals, Prepared Using VOSviewer Software



Source: Authors' elaboration using the VOSviewer.

A remarkable juncture manifested in 2022, where a dual surge of substantial significance occurred. Two pivotal studies emanated within this prolific year: the first delving into the intricate interplay between bank funding structures and market forces, dissecting their influence on the liquidity creation channel of developing country banks; concurrently, the second study unraveling the complex tapestry of uncertainty's impact on bank liquidity creation. This latter study, notably, accentuates the crucial role of income structure as a conditioning factor. As Figure 5 portrays this multitude of authors who have converged upon the realm of liquidity creation research, it undeniably signals a compelling trend – an escalating surge in scholarly enthusiasm and engagement. The burgeoning multitude of authors is a testament to the burgeoning interest and the growing tapestry of insights woven through the study of liquidity creation.

Figure 6: Countries that are Prolific in Liquidity Creation Publications



Source: Authors' elaboration using the VOSviewer.

Previous studies have reported that LC plays an important role for banks and in any financial system in every country (Almeshari et al., 2023), so it is only natural that LC research has spread to various countries around the world. Figure 6 visually portrays a compendium of 115 meticulously crafted research articles, emblematic of the diligent pursuits undertaken by esteemed scholars hailing from 36 distinct countries. These countries include Australia, Austria, Bangladesh, Canada, China, Cyprus, the Czech Republic, Finland, France, Germany, Ghana, Greece, Hong Kong, India, Indonesia, Ireland, Italy, Lebanon, Macao, Malaysia, Mongolia, Morocco, Taipei, the Netherlands, New Zealand, Pakistan, the Russian Federation, Spain, the Syrian Arab Republic, Taiwan, Tunisia, Turkey, the United Arab Emirates, the United Kingdom, the United States, and Vietnam. Among this eclectic array of nations, five nations emerge as paragons of productivity. Notably, China, the United States, France, Vietnam, and the United Kingdom stand at the vanguard, exuding a remarkable prolificacy that underscores their impactful contributions to the discourse surrounding liquidity creation research. The countries that publish the most research on LC give us the idea that these countries are productive and concerned about LC in several banks in their country. Because the results of existing studies can be used as a basis for policy making by various banks in countries that require decisions for policy making.

Subsequently, a comprehensive co-citation analysis was conducted to unravel the principal thematic constellations ingrained within the existing corpus of documents. It is noteworthy to recognize that the co-citation network methodology, while capturing highly influential articles, tends to underscore more established works, potentially marginalizing more recent contributions, as elucidated by Pana in 2023. In a deliberate endeavor to unearth the most contemporary evolutions in the realm of liquidity creation (LC), a composite approach integrating bibliographic analyses was employed. This multifaceted approach entailed meticulously documenting thematic clusters based on the array of publications cited. It's pertinent to emphasize that this phase of analysis is underpinned by the most up-to-date citation data, acquired as of February 1, 2023. Predominantly, the citations emanate from a spectrum of seminal works, with a notable presence from articles authored by Berger et al. (2016), Horváth et al. (2016), Tran et al. (2016), Lei & Song (2013), and a constellation of studies such as Andreou et al. (2016). Collectively, these works constitute the core scaffolding upon which the thematic landscape is erected. In further granularity, Table 1 unveils an incisive dissection of the top 10 citations, encompassing the names of authors and publishers, culminating in a comprehensive exploration of their scholarly impact and reach.

Table 1: The 10 most cited Liquidity creation studies

Authors	Titles	Year	Source Title	Times Cited	Publisher
Horváth et al. (2016)	Bank Capital and Liquidity Creation: Granger-Causality Evidence	2014	Journal of Financial Services Research	111	Kluwer Academic Publishers
Berger et al. (2016)	Bank liquidity creation following regulatory interventions and capital support	2016	Journal of Financial Intermediation	134	Academic Press Inc.
Tran et al. (2016)	Liquidity creation, regulatory capital, and bank profitability	2016	International Review of Financial Analysis	72	Elsevier Inc.

Authors	Titles	Year	Source Title	Times Cited	Publisher
Horváth et al. (2014)	How bank competition influences liquidity creation	2016	Economic Modelling	69	Elsevier
Andreou et al. (2016)	Bank Liquidity Creation and Risk-Taking: Does Managerial Ability Matter?	2016	Journal of Business Finance and Accounting	51	Blackwell Publishing Ltd
Fu et al. (2014)	Bank capital and liquidity creation in Asia pacific	2016	Economic Inquiry	43	Blackwell Publishing Inc.
Berger & Sedunov (2017)	Bank liquidity creation and real economic output	2017	Journal of Banking and Finance	90	Elsevier B.V.
Berger & Bouwman (2009)	Bank liquidity creation, monetary policy, and financial crises	2017	Journal of Financial Stability	118	Elsevier B.V.
Jiang et al. (2016)	Competition and Bank Liquidity Creation	2019	Journal of Financial and Quantitative Analysis	44	Cambridge University Press
Wang et al. (2019)	The effects of economic policy uncertainty and country governance on banks' liquidity creation: International evidence	2022	Pacific Basin Finance Journal	46	Elsevier B.V.

Source: Compiled by the authors.

More citations show how much impact one's writing has on the scientific field he is engaged in for others. From the table above it is evident that it is the writings of Berger et al. (2016) that have the most impact because they are mostly cited by other researchers. This is reasonable because Berger (2009) was the first to study LC, and since then his research has become reference material for researchers around the world until now.

4.2 Factors that influence the liquidity creation

Examining the factors influencing liquidity within banking institutions holds paramount significance, as these entities play a pivotal role in fostering liquidity within the broader economy (Pham et al., 2022). Furthermore, contemporary scholarship has witnessed a substantial surge in endeavors delving into the determinants that underpin the creation of liquidity within banks. During the phase of content analysis, a comprehensive assemblage of 115 articles was scrutinized, unearthing an expansive array of over 50 antecedents, or variables, that exert an impact on the genesis of bank liquidity. Among these, noteworthy and extensively researched antecedents encompass aspects such as bank capital, regulatory interventions, regulatory capital, systemic risk, and various other dimensions.

To gain a more comprehensive insight into the intricate tapestry of antecedents steering liquidity creation, the outcomes of this analytical pursuit are meticulously documented in Table 2. This table encapsulates the results of the research analysis, offering a succinct yet comprehensive overview of the multifaceted factors influencing the dynamic process of liquidity creation within the banking domain.

Table 2: Factors the Liquidity Creation

No	Nama Author dan Tahun	Antecedent
1.	(Baradwaj et al., 2016; Berger, 2009; Berger et al., 2016; Casu et al., 2019; Chaabouni et al., 2018; Chen et al., 2021; Evans & Haq, 2022; Fu et al., 2016; Fungáčová et al., 2017; Horváth et al., 2014; Hsieh et al., 2022; Kayani et al., 2021; Le, 2021; Lei & Song, 2013; Mohanty & Mahakud, 2021; Pham, et al., 2022; Sahyouni & Wang, 2022; Sinha & Grover, 2022; Tang et al., 2021; Toh, 2019; V. T. Tran et al., 2016; Tu le, 2019; Umar & Gang Sun, 2017; Umar et al., 2018; Zelenyuk, 2021; Zheng et al., 2019)	Modal Bank, Regulatory Capital
2.	(Zheng et al., 2022)	TARP Capital Infusion
3.	(Beladi et al., 2020; Umar & Sun, 2016a)	Funding liquidity
4.	(Akın & Özsoy 2019)	Off-balance sheet
5.	(Chatterjee, 2015; Kladakis et al., 2022b; Toh et al., 2019)	Asset market liquidity and credit spreads, credit ratings
6.	(Umar & Sun, 2016b)	Non-performing loan (NPL)
7.	(Zhang & Deng, 2020)	Interest rate liberalization, Bank risk-taking, Bank balance sheet
8.	(Deyoung & Huang, 2021)	Executive pay incentives, Externalities
9.	(Hoang et al., 2020)	Income diversification
10.	(Lestari et al., 2020)	Primary reserve requirement, secondary reserve requirement, foreign currency reserve requirement, LDR reserve requirement, combined reserve requirement
11.	(Sahyouni et al., 2021)	Bank soundness
12.	(Mdaghri & Oubdi, 2022)	Net stable funding ratio (NSFR) and liquidity coverage ratio (LCR)
13.	(Kladakis et al., 2022c)	Wholesale funding
14.	(Hsieh & Lee, 2020; Le, 2021)	Credit risk
15.	(Kayani et al., 2021; Yeddou & Pourroy, 2020)	Ownership Structure
16.	(Fungáčová et al., 2017) (Hsieh & Lee, 2020)	Deposit insurance
17.	(Baltas et al., 2017)	Increasing the level of bank cost efficiency
18.	(Baradwaj et al., 2016; Wang et al., 2022)	Country-specific characteristics, quality of the institutional environment, and capital control policy restrictions
19.	(Díaz & Huang, 2017; Safiullah et al., 2022; Zheng et al., 2022) (Toh & Jia, 2021)	Bank governance and bank size
20.	(Berger & Sedunov, 2017; Dang, 2022; Song et al., 2021)	Monetary policy, and the financial crisis.
21.	(Bouguelli & Bouguelli, 2018; Nersisyan & Dantas, 2017, 2018)	Shadow banks and the elasticity
22.	(Andreou et al., 2018)	Managerial ability, optimism, and risk-taking behavior
23.	(Toh & Jia, 2020)	Foreign ownership and host country distance within
24.	(Horvath et al., 2016; Hou et al., 2018; Sinha & Grover, 2021)	Bank diversification, financial crisis, competition between banks
25.	(Leiva et al., 2019)	Endogenous money creation
26.	(Haq et al., 2019)	Discretionary loan loss provision behavior
27.	(Changarath, 2019)	Borrower Corporate Governance, Monitoring, Borrower Firm Value
28.	(Tran, 2020)	Banking business model
29.	(Vu et al., 2020)	Stress test Federal Reserve
30.	(Dang, 2020)	Involvement in non-traditional banking activities
31.	(Abraheem et al., 2020; Hsieh et al., 2022)	Political risk
32.	(Kapoor & Peia, 2021)	The Federal Reserve's large-scale asset purchase program

No	Nama Author dan Tahun	Antecedent
33.	(Gyeke-Dako, Gladys et al., 2021)	The political business cycle, financial sector transparency
34.	(Doojav & Purevdorj, 2022; Kick, 2022)	External shocks (monetary policy, country's economic activity, and changes in global commodity markets)
35.	(Wang et al., 2022)	Accounting Restatements
36.	(Lee et al., 2022)	Power distance, individualism, uncertainty avoidance, masculinity, national culture
37.	(Lee et al., 2022)	Climate risk
38.	(Niu, 2022)	Labor market conditions
39.	(Bertrand et al., 2022)	Trust in banks
40.	(Kladakis et al., 2022a)	Banking regulation, and supervision
41.	(Gao et al., 2020)	Risk of host country internal conflicts from the Belt and Road Initiative

Source: Compiled by the authors.

Table 2 shows the factors of liquidity creation. Several studies have focused on the potential impact of government intervention and political risk (Abraheem et al., 2020; Hsieh et al., 2022). More specifically, it shows the factors of bank liquidity creation in MENA are related to capital, size, bank risk, deposits, and profitability, whereas market concentration does not appear to play a significant role. On the other hand, we can see that the most dominant antecedent of liquidity creation is bank capital, and banking capital regulations have long promoted financial system stability (Evans & Haq, 2022). Large bank capital reduces the possibility of financial difficulties; on the other hand, it also reduces the creation of liquidity (Casu et al., 2019; Pham et al., 2022). Therefore, an optimal bank capital structure must eliminate the trade-off effect on liquidity creation (Pham et al., 2022). However, the causal relationship between bank capital and liquidity creation is also an ongoing debate; especially the evidence for small banks, the results are different from those based on large banks (Pana, 2023; Pham et al., 2022). In addition to bank capital, there are many other influential antecedents, including asset market liquidity and credit spreads, credit ratings, the political business cycle, transparency of the financial sector, and others.

4.3 The impact of liquidity creation

Banks play an important role in supporting and financing the economy through their liquidity transformation function (Beck et al., 2022). Apart from the important role of creating liquidity in the economy, there are many other roles, as shown in Table 3:

Table 3: Impacts of Liquidity Creation

No	Impact
1.	Cloud bank liquidity risk and resource fragility
2.	Probability of failure
3.	Systemic risk
4.	Stock liquidity of banks
5.	Economic growth
6.	Financial market conditions
7.	Business cycle fluctuations
8.	Bank liquidity recession
9.	Bank network connectivity
10.	National financial stability

No	Impact
11.	Bank performance
12.	Banking financial stability
13.	Housing market
14.	Bank fragility
15.	Troubled credit (NPL)

Source: Compiled by the authors.

At the heart of various bank financial problems, the recent episode of financial instability, and the global banking crisis lies the problem of lack of liquidity (Gupta & Kashiramka, 2020). Table 3 shows that some of the impacts of creating liquidity are negative and some are positive. Table 3 shows that the impact of creating liquidity is both negative and positive. The benefits of creating liquidity can amplify the positive impact of bank size, efficient asset management, equity capital, bank fragility, and asset quality on bank financial performance during a crisis (Chaarani et al., 2023). The biggest impact of creating liquidity is on the condition of financial markets, then on systemic risk, and the positive impact is on economic growth. According to the theory of financial intermediation, the creation of liquidity is one of the key roles of banks in the economy (Gao et al., 2020). This means that there has been a lot of evidence that explains that the application of the theory is following the reality on the ground.

5. Conclusion

This study provides an in-depth insight into trends in banking liquidity creation, highlighting the role of central bank policies, technological innovation, and market dynamics in shaping the global financial ecosystem. The findings indicate that policies such as quantitative easing (QE) have a significant impact on increasing liquidity and stimulating credit growth. Meanwhile, technological advancements, including artificial intelligence (AI) in algorithmic trading, have enhanced market efficiency but also introduced volatility risks.

A bibliometric analysis reveals a growing academic interest in liquidity creation, particularly over the past decade. The surge in publications during the 2020–2022 period underscores the relevance of this research, especially in response to financial crises triggered by the COVID-19 pandemic. The study also highlights the role of central bank digital currencies (CBDCs) as an emerging innovation that could enhance payment system efficiency but may significantly alter bank funding structures.

Furthermore, co-citation analysis and global collaboration networks indicate that liquidity creation is an increasingly prominent topic across various countries. Nations such as China, the United States, France, Vietnam, and the United Kingdom serve as key research hubs in this field. This reflects the importance of liquidity creation in maintaining global financial system stability and its role in shaping economic policies worldwide.

As financial systems become more complex, this study underscores the need for a more proactive and adaptive regulatory approach. These findings provide valuable contributions to academics, regulators, and financial practitioners in understanding the challenges and opportunities in banking liquidity creation, as well as in formulating more effective policy strategies for the future.

5.1 Future research directions

Like most research, this study has several limitations. Although Scopus is considered one of the most comprehensive databases (Han et al., 2022), the search strategy used in this study cannot guarantee that all relevant publications have been included, as some articles may not be covered in Scopus. Additionally, the information presented in this study may change over time, reducing its relevance in the future.

Based on bibliometric and content analysis, it was found that many studies focus more on policy recommendations rather than explicit suggestions for future research. However, several future research directions can be considered. Ben et al.(2022) recommended integrating network structures into DEA techniques to assess bank stability, while Niu(2022) highlighted the regulation of liquidity creation in the labor market context. Javid et al.(2022) suggested cross-border studies or moderating factors such as corruption and money laundering. Safiullah et al.(2022) emphasized the role of internal governance in liquidity creation, while Ali et al.(2022) recommended exploring competition dynamics and liquidity across various regions. Beck et al.(2022) highlighted the connection between liquidity, financial stability, and real-world economic activity, while Nguyen et al.(2022) proposed using a quadratic model to assess market power. Dang(2022) stressed the need to evaluate uncertainties in individual markets or cross-country arrangements.

Furthermore, recent research has pointed to the integration of technology in banking systems. Dashkevich et al.(2024) highlighted the potential of blockchain in liquidity creation to improve transparency and operational efficiency. Bi & Bao(2024) emphasized the impact of artificial intelligence on credit risk management and bank stability, while Fu et al.(2024) recommended analyzing green finance in supporting the sustainability of the banking industry amidst climate change.

Building on these findings, future research should explore the debated impact of liquidity creation on bank capital (Pham et al., 2022), considering political and financial factors post-pandemic and the evolving landscape of digital financial systems. Further studies could also investigate the relationship between liquidity creation, profitability, and banking stability, with a focus on the moderating role of political instability, as well as the integration of financial technology for a more comprehensive understanding.

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