

Impacts of Financial Development and Operational Scale on Bank Efficiencies in Taiwan

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Abstract : This paper adopts a two-stage data envelopment analysis to explore the impacts of financial development and bank operational scale on bank efficiencies. The sample comprises of unbalanced panel data of 32 Taiwanese enlisted in domestic commercial banks over the period 1998 to 2013. Empirical results show that technical efficiency is positively related to financial development, whereas the effect of financial development on scale efficiency is insignificant. The effect of operational scale exerts a significantly positive effect on bank efficiencies, but the gain of efficiency is decreased gradually when operational scale increases. Furthermore, increase in capital adequacy ratio and market power of banks leads to a growth of bank efficiencies.

Keywords : financial development, operational scale, efficiency, DEA

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