

Productive Efficiency in Asean Banking

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Abstract : Issue of cost efficiency is then becoming pivotal point because public expect cost of banking operation reducing and benefited of consumers. This study examines the determinants of cost efficiency of banks operating in 8 member countries of the Association of Southeast Asian Nations (ASEAN). This study uses economics theory approach to examine the existence of economies of scale in the ASEAN Banking market especially on its impact on cost efficiency. We apply concept of average cost (AC) as a proxy for the cost efficiency. We find that economies of scale is existing in the banking market indicating scale and scope economies should be considered in the industrial policy. The stronger capital position is also positive to efficiency means stronger capitalized banks are more efficient. Bank that remunerates better tend to be more efficient as result economic capital effect.

Keywords : cost efficiency, ASEAN, economies of scale, issue of cost

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