

**BANK EFFICIENCY IN SELECTED DEVELOPING  
COUNTRIES**

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**BANK EFFICIENCY IN SELECTED DEVELOPING  
COUNTRIES**

**by**

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**RESEARCH & POST GRADUATE  
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## Asbtrak

Kecekapan sistem perbankan adalah penting di negara-negara membangun kerana ia merupakan nadi utama kepada keseluruhan pembangunan kewangan dari segi pertumbuhan ekonomi makro (Andersen and Trap, 2003; Khan and Senhadji, 2000; Levine, 2002). Ini adalah kerana kecekapan dalam sistem perbankan membantu dalam meningkatkan pendapatan dan kekayaan di sesebuah negara. Apabila bank beroperasi dengan cekap, ia akan dapat menarik lebih banyak simpanan dengan insentif yang menarik dan seterusnya menyumbang kepada peningkatan kewangan negara.

Tesis ini bertujuan untuk mengkaji kecekapan kos dan keuntungan sektor perbankan di negara-negara membangun di benua Asia, Timur Tengah, and Afrika dari tahun 2000 hingga 2005. Perbandingan dari segi kecekapan kos dan keuntungan akan dibuat di antara bank-bank perdagangan di ketiga-tiga benua yang terpilih ini. Di samping itu, kajian ini juga melihat faktor-faktor dari segi mikro dan makro yang mempengaruhi kecekapan bank dalam negara-negara membangun. Bagi mencapai objektif ini, teknik parametrik dan bukan-parametrik telah digunakan untuk menganggar kecekapan kos dan keuntungan. Setelah itu, nilai kecekapan kos dan keuntungan ini akan diregreskan keatas faktor-faktor mikro dan makro yang dijangka mempengaruhi kecekapan bank dengan menggunakan model Tobit.

Keputusan kajian daripada teknik parametrik mendapati bahawa bank perdagangan di negara-negara membangun cekap dari segi kos dan keuntungan. Keputusan kajian ini konsisten dengan keputusan kajian lepas yang telah dijalankan. Seterusnya, keputusan kajian dari segi kecekapan kos dan keuntungan menunjukkan bahawa bank perdagangan di benua Timur Tengah dan Afrika Utara adalah paling cekap dari segi kos dan ini diikuti dengan bank perdagangan di benua Asia. Keputusan daripada 'Data Envelopment Analysis' (DEA) menunjukkan purata kecekapan kos yang lebih rendah berbanding dengan teknik 'stochastic frontier analysis'. Keputusan DEA mencadangkan bahawa kadar ketidakcekanan dari segi kos adalah berpunca dari ketidakcekanan dari segi teknikal.

Keputusan penganggaran model Tobit menunjukkan bahawa faktor-faktor tertentu bank menyumbang kepada kadar kecekapan bank di ketiga-tiga benua dalam kajian ini. Kadar kecekapan bank dari segi kos dan keuntungan didapati berhubung secara negatif dengan nisbah ekuiti kepada jumlah harta. Seterusnya, pulangan keatas harta didapati menyumbang secara positif kepada kadar kecekapan keuntungan di bank perdagangan di ketiga-tiga benua. Nisbah pinjaman kepada jumlah harta juga didapati berhubung secara positif dengan kadar kecekapan keuntungan dan ini menunjukkan fokus bank dalam pemberian hutang membolehkan bank beroperasi dengan lebih cekap.

Kecekapan kos di bank perdagangan di benua Asia didapati berhubung secara positif dengan KDNK per kapita benar, pinjaman bank kepada sektor swasta, dan kepekatan pasaran. Walaubagaimanapun, ia berhubung secara negatif dengan keterbukaan perdagangan. Di samping itu, nisbah 'broad money' kepada KDNK didapati berhubung secara positif dengan kecekapan keuntungan di bank-bank di benua Asia. Selain itu, pinjaman yang disalurkan kepada sektor swasta didapati berhubung secara negatif dengan kecekapan keuntungan di bank perdagangan benua

Asia. Ini mungkin disebabkan oleh kebanyakan pinjaman yang diberikan kepada sektor swasta adalah terdiri daripada pinjaman kepada sektor keutamaan dan industri kecil dan sederhana dengan kadar faedah yang rendah. Kecekapan bank di benua Timur Tengah dan Afrika Utara adalah lebih sensitif kepada faktor-faktor keterbukaan ekonomi seperti keterbukaan perdagangan dan pembangunan kewangan. Walaubagaimanapun, faktor-faktor ekonomi pula merupakan penyumbang utama kepada kecekapan bank di benua Afrika.

## Abstract

The efficiency of the banking system is essential especially in the developing countries because the banking system serves as the nerve for overall financial development in terms of economic growth at the macro level (Andersen and Trap, 2003; Khan and Senhadji, 2000; Levine, 2002). This is because an efficient banking system will help to boost national income and wealth. Consequently, it would be able to encourage depositors to make more deposits and as a result encourages monetary advancement.

This study aimed to investigate the existence of cost efficiency and profit efficiency among the banking sector in selected developing countries in the Asia, Middle East, and the African region from 2000 to 2005. A comparison between the cost and profit efficiency from the selected developing countries in the three regions was done in this study. In addition, this study also aims to identify the determinant of the bank efficiency level from both micro-level and macro-level perspectives. The parametric approach and non-parametric approach were employed in this study.

From the estimation results from parametric approach, commercial banks in the selected developing countries are cost efficient. This result is consistent with most of the literatures. Next, the estimation results of the cost and profit efficiency indicate that commercial banks in the Middle Eastern and North African region are the most cost efficient followed by commercial banks in the Asian region. The DEA results reported a relatively low cost efficiency scores as compared to the stochastic frontier models. A further decomposition of cost efficiency into technical and allocative efficiency indicates that the commercial banks' cost inefficiency are actually due to technical inefficiency.

It is also found that the bank-specific factors did influence the efficiency level of the commercial banks in the three regions under analysis. The efficiency scores of the commercial banks in terms of cost and profit efficiency across regions are found to have negative relationship with the equity to total assets ratio. On the other hand, the return on assets is found to be positively related to profit efficiency of the commercial banks over the regions. The positive relationship between loans to total assets ratios and profit efficiency indicates specialization in lending activities enable commercial banks to be more efficient.

Cost efficiency of the commercial banks in the Asian region is found to positively related to real GDP per capita, banking institutions' credit to the private sector, and market concentration and negatively related to trade openness. On the other hand, broad money to GDP ratio is positively related to profit efficiency of the commercial banks in the Asian region. However, credit extended to the private sector seems to be negatively related with profit efficiency level of the commercial banks in the region. This might be due to the reasons that most of the credit extended to the private sectors were channelled to the priority sectors and Small and Medium Industries with a lower rate of interest charged. Bank efficiency in the Middle Eastern and North African regions seems to be more prone towards the factors of openness such as trade openness and financial development. Whereas the main macroeconomics variables are found to exert strong influences over the bank efficiency in commercial banks in the African region.

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