

Cover letter

Technical Efficiency of Banks in Central and Eastern Europe

Eva Horvátová, University of Economics in Bratislava & Masaryk University Brno

Importance of the topic:

Stability of banking systems and the increasing capital requirements are associated with the need of additional incomes of banks, increasing efficiency and raising banks' profits, net interest margins or other indicators of banks performance growth. The aim of this article is to examine what affected the technical efficiency of the Central and Eastern European banks during the financial crisis. The paper contributes to the discussion whether the large banks have better efficiency, or whether being a part of a selected group of countries is related to technical efficiency. In the article the technical efficiency of the Central and Eastern European banks is explored in respect to banks belonging to the specific group of countries or their size. The results of panel regression models show that in the countries of Central and Eastern Europe the customer deposits had a positive impact on the technical efficiency of banks during the financial crisis.

The research is motivated by the importance of the banking sector in Central and Eastern Europe; however, the importance of this banking sector is much broader, not only regional. The paper is important context in two respects: 1) It investigates how the expectations of the Central and Eastern European countries that privatized banks after banks recovery with public funds were fulfilled; and 2) Considering that the largest banks of Central and Eastern Europe are part of the Western European banks (Raiffeisen, Erste Bank, Intesa Sanpaolo, UniCredit), the stability of Central and Eastern European banks may also affect the banks in Western Europe.

Why it fits the scope of the journal?

IJFS is a journal focused on financial market, instruments, policy, and management research. The efficiency measurement is the important method of performance and stability evaluation. This article analyses the technical efficiency of banks in the selected countries in Eastern Europe Using data for 51 banks in the selected countries in Eastern Europe during the period 2008-2013, this study is based on the Data Envelope Analysis (DEA) method and panel regression model. The output of DEA model is a net interest margin and inputs of DEA model are fixed assets, personnel expenses, customer deposits and credits. Such a view on the efficiency of banks has not yet been published.

Confirmation of paper originality

I would like to confirm that neither the manuscript nor any parts of this paper are currently under consideration or published in another journal. All data used from BankScope, commands in R Studio and MaxDea systems are available.