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THE EFFICIENCY OF EMERGING EUROPE'S BANKING SECTOR BEFORE THE 2008 CRISIS

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Abstract

This paper provides estimates for the relative efficiency of banks in emerging Europe before the recent crisis, using a data Envelopment Analysis. The preliminary results suggest that DEA scores are strongly linked to the host country's level of development. They also suggest that on average foreign owned banks are more efficient. However, belonging to a bank group with a presence in more than one country does not seem to lead to any advantage. Size and EU membership also don't seem to matter. Finally, less credit market regulations seem to be linked with more bank efficiency, but this result is not robust.

Keywords: emerging Europe, macro-financial links, financial sector efficiency

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