Abstract

This thesis examines the bank efficiency and the impact of the regulatory and supervisory instruments on the efficiency of banks actively performing on the financial markets in the countries of European Union. Our analysis concerns 8-year time period, covering also the period of global financial crisis with the aim to determine possible changes in the relationship regulation versus efficiency. We apply SFA Fourier-flexible model for estimation of profit and cost efficiency scores. Consequently we use GLS panel data estimation in order to test for the regulatory determinants of efficiency, we have specified 6 various models with the focus on different regulatory instruments. Results firstly suggest that high cost efficiency does not necessarily imply high bank profit efficiency. Secondly, we uncovered the negative relation between market concentration, the level of development of financial market and the cost efficiency of foreign banks. Thirdly, we also found evidence supporting the assumption of positive impact of private monitoring and the independence of supervisory authority implying the increasing of transparency in the market. Additionally, we uncovered support for negative effect of activity and diversification restrictions. However, the results concerning the financial crisis period are intensified and some variables are providing support for different effects.

Keywords bank, profit efficiency, cost efficiency, SFA, regulation, supervision, EU, global financial crisis, financial market

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