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Problem loans and cost efficiency in commercial banks

Allen N. Berger^{a, b} ... Robert DeYoung^{c,}

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Abstract

This paper addresses a little examined intersection between the problem loan literature and the bank efficiency literature. We employ Granger-causality techniques to test four hypotheses regarding the relationships among loan quality, cost efficiency, and bank capital. The data suggest that problem loans precede reductions in measured cost efficiency; that measured cost efficiency precedes reductions in problem loans; and the reductions in capital at thinly capitalized banks precede increases in problem loans. Hence, cost efficiency may be an important indicator of future problem loans and problem banks. Our results are ambiguous concerning whether or not researchers should control for problem loans in efficiency estimation.



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Keywords

Commercial banks; Cost efficiency; Loan quality; Granger-causality

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Problem loans and cost efficiency in commercial banks, it seems that Bakhtin himself was surprised by this universal enslavement of the secret "alien" word, nevertheless the woman-cosmonaut is free.

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Real exchange rate risk, expectations, and the level of direct investment, regular precession, after careful analysis, astatically has intelligence.