

# **An Efficiency Analysis of Merging Community Financial Institutions---Evidence of Taiwan's Banks**

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## **Abstract**

This study investigates an operating efficiency analysis of merging community financial institutions (including credit cooperatives and credit departments of farmers' and fishermen' associations) of Taiwan domestic banks. The sample includes seventeen cases from 2001 to 2006. By using Data Envelopment Analysis (DEA) with input variables of net income and deposits, and output variables of loans and earnings before tax, the results show that:

1. The overall technology efficiency (under constant return to scale, CRS), pure technology efficiency and scale efficiency (under variable return to scale, VRS) of those sample banks are all significant higher after acquisition.
2. By regression analysis, the factors which significantly improve the bidder's efficiency performance after merging are higher return on assets (ROA), higher total assets (take log), and the number of branches. Besides, private banks enhance higher performance than public competitors after its acquisition.

Key words: community financial institutions, merging, DEA, OLS, efficiency

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