
Dang-Thanh, NGO

Abstract

This paper aims to measure the performance of the whole banking system in Vietnam as a single entity using Data Envelopment Analysis (DEA) applied to time series data of the 1990-2010 period, as well as defining the macro policies which contributed to performance. The research finds that performance of the Vietnamese banking system was best at the beginning of the 1990s and then decreased sharply afterward; the two years of 1991 and 1994 were times when the banking system reached its optimal level, regarding using deposits to create credit, GDP, and money supply. As the efficiency scores decreased through time, differences between objective and original value became bigger, meaning the waste in the system became greater. This leads to a suggestion consistent with the literature that the efficiency (and thus, performance) of the Vietnamese banking sector is decreasing through time as the size of the sector increases, financial market is more liberated, and when the World and regional economies are problematic. Results from Tobit regression suggests that under a regime of tighter monetary policy and/or looser fiscal policy, the Vietnamese banking system can work more efficiently than in other situations. The research also provides a new function for DEA approach in evaluating banking efficiency and performance in various ways. First, it suggests that we can use macro data for analyzing the whole banking system as a single entity. Second, it shows that we can use a modified DEA model to examine efficiency changes through time trend without using the Malmquist Index.

Keywords: data envelopment analysis, banking system, performance, window analysis, Vietnam