

How efficient is the Bolivian banking system?: An approach through stochastic frontiers

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ABSTRACT

Since the second half of the decade of the eighties, Bolivia went through a liberalization process of the banking sector with the purpose of achieving increased efficiency, productivity, and profitability, which had more intensity in the past decade when banking system experienced deep changes as a result of regulatory changes, and episodes of contraction of financial activity. These facts had significant impact both in productive structure of banking industry, in general, as well as in each of individual institutions, in particular. In order to quantify these changes, it were estimated inefficiency levels in terms of banking system costs, which on average was 36% during the analyzed period. Further, there were identified the variables that contribute to explain efficiency gap between the examined entities.

JEL Classification: C23, G14, G21

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