AXE 2 : La valeur sociale des coopératives financières – Projet 2

SOCIAL EFFICIENCY OF COOPERATIVE BANKS IN EUROPE

Leire San-Jose and Jose Luis Retolaza and Eric Lamarque

A substantial body of literature has emerged on bank efficiency (Belke et al., 2016; Fiordelisi, 2007; Luo et al., 2016; among others), but most of them focus on the economical efficiency, using the cost-benefit analysis. In general, the economical efficiency has based on cost reduction (Berger and Humphrey, 1997; Chortareas et al., 2013), but a more social efficiency could be developed (San-Jose et al., 2014) in which market based social aspects could be used; at least, to show the social efficiency based on social values that go through the market. These social values fail to expose the total social value generated by organizations, but at least they represent a part of it (Gutierrez et al., 2017).

With the aim of contributing to social efficiency we have based our analysis in two aspects, namely, the social-cost paradox and Jensen`s governance problem. And, for doing so we have used the *Bankscope* database. To obtain the variables to analyze the social efficiency and economic efficiency (profitability) of banking.

After the empirical analysis this research makes two contributions. First, while previous studies focus on bank efficiency to analyze economic efficiency (e.g., Berger & Humphrey, 1997), this paper uses another important efficiency in the form of social efficiency. Second, the European case provides unique information for analyzing the banking sector as a whole; as we have used the population of financial institutions, the results have no sample bias, and it reveals the true banking situation in which there is a country effect within a theoretically harmonized Europe in this highly regulated sector.

Hence, the results obtained have potentially important implications in order to encourage, on the one hand, governance based on multiple stakeholder participation in financial institutions. The type and country effect should be analyzed for modelling a unique European banking efficiency model; European banking is not yet harmonized. This might contribute to the development of the European banking system in order to establish typologies, values or regulations depending on the type of each financial institution. Moreover, social efficiency, a very relevant issue in the new narrative of business, should also be taken into account in the banking sector. In this regard, there are not enough measures in banking that permit a comprehensive analysis of those social values generated by financial institutions; this is an open challenge for academics and practitioners with expertise in banking.

REFERENCES

Belke, A., Haskamp, U., & Setzer, R. (2016). Regional bank efficiency and its effect on regional growth in “normal” and “bad” times. Economic Modelling, 58, 413-426.

Berger, A. N., & Humphrey, D. B. (1997). Efficiency of financial institutions: International survey and directions for future research. European Journal Operational Research, 98, 175–212.

Chortareas, G. E., Girardone, C., & Ventouri, A. (2013). Financial freedom and bank efficiency: Evidence from the European Union. Journal of Banking & Finance, 37(4), 1223-1231.

Fiordelisi. F., Marques-Ibanez. D., & Molyneux. P. (2011). Efficiency and risk in European banking. Journal of Banking & Finance, 35, 1315–1326.

Gutierrez-Goiria. J., San-Jose. L., & Retolaza. J. L. (2017). Social Efficiency in Microfinance Institutions: Identifying How to Improve It. Journal of International Development, 29(2): 259-280.

Luo, Y., Tanna, S., & De Vita, G. (2016). Financial openness, risk and bank efficiency: Cross-country evidence. Journal of Financial Stability, 24, 132-148.

San-Jose. L., Retolaza. J.L., & Torres-Pruñonosa. J. (2014). Efficiency in Spanish banking: A multistakeholder approach analysis. Journal of International Financial Markets, Institutions & Money, 32, 240–255.

*a Full Paper is under review in a high quality journal.