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Author Ling-Yu Huang
Author's Email Address No Public.
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Abstract
This paper investigates the evolution of Taiwan bank branch networks and uses OLS to assess the implications of these developments by examining a series of branch performance measures, and chooses Probit model to analyse the factors affecting a bank's branch activity. We choose commercial banks in Taiwan in 2005 as our empirical samples.
The key findings show that bank branch networks have transformed from small-sized networks (11 to 50 branches) into medium-sized networks (51 to 100 branches) and there are some banks even with the largest networks (more than 150 branches). However, there is no positive relationship between branch network size and bank branch performance. On the contrary, banks with small-sized networks have better performance, though they have higher average deposit interest costs. Banks with the largest networks have lower average deposit interest costs, but it is not statistically significant. If branch network density in Taipei and Kaohsiung metropolises raise, it would increase deposit-per-branch and loans-per-branch, but would increase deposit interest costs. Furthermore, to increase branch network density in non-metropolises, to raise loans-based market concentration and to operate in markets with higher income growth could improve the bank performance. It is not necessarily for banks to herd to set up or move branches in Taipei and Kaohsiung metropolises. We have no significant evidences to indicate that over-banking or over-crowded exists in Taiwan banking industry. Thus, our results suggest that the authority should allow banks to establish de novo branches.
In a bank's branch activity, as market concentration decreases, bank size increases, market size increases or market share decreases, a bank is more likely to enforce the branch activity. When a market has already branches, the bank has higher build, cut down and move and M&A activity rates. But the higher market share, the lower cut down and move and M&A activity rates. If market size, bank size or bank specialization increases, the bank would have higher transform activity rate. Comparing with the build, cut down and move and M&A activity rates, the transform activity rate depends on different factors. Moreover, whether large and small banks carry out the branch activity or not is to depend on different factors. As market concentration decreases or bank size increases, small banks are more likely to carry out the branch activity. But as market size increases, large banks are more likely to carry out the branch activity.
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