

## **The Performance Measurement of Local Banks in the Era of the Financial Liberalization on Taiwan**

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### **Abstract**

This paper analyzes the operating performance of 49 local banks in Taiwan and their corresponding productivity growth over the period 2000-2002, using the data envelopment analysis (DEA) and DEA-based Malmquist productivity index. Results from the analysis show that mean technical efficiency is the lowest (0.894) in 2002, reflecting the ability of resource utilization would be critical for those inefficient banks facing the competitive operating environment in Taiwan. The study also shows that the overall average productivity is increasing over the 2000-2002 period. The growth is due to innovations rather than improvements in efficiency.

*Keywords:* Data Envelopment Analysis (DEA), Malmquist Productivity Index, Efficiency Measurement, Distance Function.