

The Efficiency of Cypriot Commercial Banks: A Comparison with Greece and the UK

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Abstract

This study suggests that during the period 1995-2005, the average cost of Cypriot commercial banks is close to that of Greek banks, but higher than the average cost of UK commercial banks, albeit the latter difference declines over time. In addition, Cypriot (and UK) commercial banks operate in positive economies of scale, so that they can improve their competitiveness by further expansion. As far as the technological progress is concerned, Cypriot banks appear to be at the same level as the UK banks, while the Greek banks appear to have a higher rate of technological progress. The improvement in the competitiveness of the Greek banks is probably due to their lower efficiency point at the beginning of the period, thus allowing them more room to benefit from modernization.

Keywords: Cost efficiency, average cost, economies of scale, elasticities.