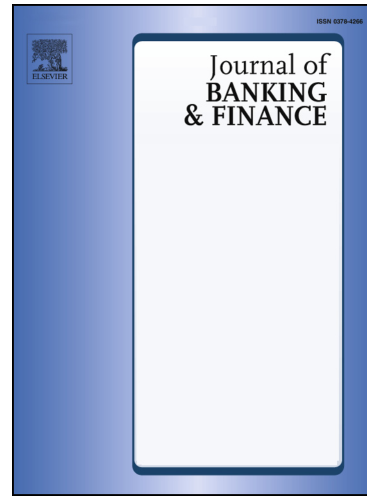
Accepted Manuscript



Are European banks too big? evidence on economies of scale

Elena Beccalli, Mario Anolli, Giuliana Borello

PII: S0378-4266(15)00113-2
DOI: http://dx.doi.org/10.1016/j.jbankfin.2015.04.014
Reference: JBF 4712

To appear in: *Journal of Banking & Finance*

Received Date: 13 June 2014
Accepted Date: 23 April 2015

Please cite this article as: Beccalli, E., Anolli, M., Borello, G., Are European banks too big? evidence on economies of scale, *Journal of Banking & Finance* (2015), doi: http://dx.doi.org/10.1016/j.jbankfin.2015.04.014

ARE EUROPEAN BANKS TOO BIG? EVIDENCE ON ECONOMIES OF SCALE

Elena Beccalli[1]*

Mario Anolli[2]

Giuliana Borello[3]

Abstract

In light of the policy debate on too-big-to-fail we investigate evidence of economies of scale for 103 European listed banks over 2000 to 2011. Using the Stochastic Frontier Approach, the results show that economies of scale are widespread across different size classes of banks and are especially large for the biggest banks. At the country level, banks operating in the smallest financial systems and the countries most affected by the financial crises realize the lowest scale economies (including diseconomies) due to the reduction in production capacity. As for the determinants of scale economies, these mainly emanate from banks oriented towards investment banking, with higher liquidity, lower Tier 1 capital, those that contributed less to systemic risk during the crises, and those with too-big-to-fail status.

JEL codes: G21

Keywords: Bank, Economies of scale, Regulation, Too-Big-To-Fail, EU.

[1] Elena Beccalli, Department of Accounting, London School of Economics and Political Science, Houghton St, WC2A 2AE London, U.K. tel. 0044 20 71073786, email e.beccalli@lse.ac.uk; School of Banking and Finance, Università Cattolica del Sacro Cuore, Largo Gemelli 1, 20123 Milan, Italy tel. 0039 02 72342990, email: elena.beccalli@unicatt.it
*Corresponding Author
[2] Mario Anolli, School of Banking and Finance, Università Cattolica del Sacro Cuore, Largo Gemelli 1, 20123 Milan, Italy tel. 0039 02 72342465, email: mario.anolli@unicatt.it
[3] Giuliana Borello, Università Cattolica del Sacro Cuore, Largo Gemelli 1, 20123 Milan, Italy tel. 0039 02 72342989, email: giuliana.borello@unicatt.it