

# Accepted Manuscript

Bank size and market value: The role of direct monitoring and delegation costs

Panagiotis Avramidis , Christos Cabolis , Konstantinos Serfes

PII: S0378-4266(18)30116-X  
DOI: [10.1016/j.jbankfin.2018.05.016](https://doi.org/10.1016/j.jbankfin.2018.05.016)  
Reference: JBF 5358



To appear in: *Journal of Banking and Finance*

Received date: 17 September 2017  
Revised date: 13 April 2018  
Accepted date: 23 May 2018

Please cite this article as: Panagiotis Avramidis , Christos Cabolis , Konstantinos Serfes , Bank size and market value: The role of direct monitoring and delegation costs, *Journal of Banking and Finance* (2018), doi: [10.1016/j.jbankfin.2018.05.016](https://doi.org/10.1016/j.jbankfin.2018.05.016)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

# Bank size and market value: The role of direct monitoring and delegation costs<sup>1</sup>

Panagiotis Avramidis,<sup>2</sup> Christos Cabolis<sup>3</sup> and Konstantinos Serfes<sup>4</sup>

## Abstract

Recent studies have presented evidence of scale economies for large banks, providing a rationale for some very large banks seen worldwide. In this study, we focus on the negative side of bank size which relates to monitoring costs. In particular, we show that the relationship between size and bank's market to book value of assets is contained by the cost of the manager to directly monitor the borrowers and by the (delegation) cost of the owner to monitor the bank manager. Using a sample of US bank holding companies from 2001 to 2015, we provide evidence that the relationship between size and bank's market to book value of assets is inverse U-shaped and that monitoring costs offset the benefits from economies of scale.

KEYWORDS: Bank Size, Market Value, Asymmetric Information, Monitoring

JEL classification: G21, G32, L25

---

<sup>1</sup> We would like to thank Mitchell Berlin, Manthos Dellis, Iftekar Hasan, Robert M. Hunt, Beverley Lennox, Philip Molyneux, Fotis Pasiouras, George Pennacchi, Aris Stouraitis, Nickolaos Travlos, Pavlos Vlachos and the seminar participants at EFMA 2016, IMAEF 2016 and the HKBU International Corporate Governance Conference 2016 for helpful comments and suggestions.

<sup>2</sup> ALBA Graduate Business School at The American College of Greece, 6-8 Xenias Street, GR-11528 Athens, Greece; email: [pavramid@alba.edu.gr](mailto:pavramid@alba.edu.gr).

<sup>3</sup> IMD, and Yale International Center for Finance. IMD, Chemin de Bellerive 23, P.O. Box 915, CH-1001 Lausanne, Switzerland; email: [christos.cabolis@imd.org](mailto:christos.cabolis@imd.org).

<sup>4</sup> School of Economics, Bennett S. LeBow College of Business, Drexel University, Philadelphia PA 19104; email: [ks346@drexel.edu](mailto:ks346@drexel.edu).

Download English Version:

<https://daneshyari.com/en/article/7356478>

Download Persian Version:

<https://daneshyari.com/article/7356478>

[Daneshyari.com](https://daneshyari.com)