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Efficiency in Spanish banking: A multistakeholder approach analysis

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ABSTRACT

Searching for greater inter efficiency has been used as a reason to modify the Spanish banking system since 2009. This paper aims to contribute to quantify the magnitude of efficiency, but not only the economic one, but also social and overall efficiency from 2000 to 2011. The case of Spain – compared to other banking systems – provides unique information regarding the stakeholder governance banking literature because over the last century savings banks have become rooted in the Spanish culture. The results – confirmed by a two-stage frontiers analysis, a DEA and a model combined with bootstrapped tests – indicate that Spanish savings banks are not less efficient globally than banks and are more efficient socially. Moreover, our results – with potentially important implications – encourage the participation of stakeholders in banking systems and underline the importance of attaining long-term efficiency gains to support financial stability objectives.

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1. Introduction

Since 2009, the Spanish financial system has undergone wide-ranging changes that have radically transformed it. One of the most affected financial institutions – by mergers and model transformation – has been saving banks, which represented, in 2010, more than 30% of total assets in banking system and more than 35% of market share (Asociación Española de Banca, 2011).

This type of financial institution is based, at least theoretically, on social issues. Saving banks aim to contribute to social and sustainable enlargement of the society and close environment but they have been questioned because of their lack of economic viability (Carbó et al., 2002). Moreover, the economic routine and public administrations have driven their transformation into traditional banking institutions. In fact, savings banks have been characterized as socially-engaged financial institutions, but besides this differentiation, their maturity in terms of governance has been to avoid being governed by shareholders' capital which has been one of their leitmotifs. Hence, in terms of models, traditional banks are, on the one hand, based on the property right model which establishes the capital as the key to governance. And on the other hand, savings banks are based on a multi-fiduciary model that takes into consideration not the capital as the element to determinate the governance of the institution, but other features such as work, human resources or society decision legitimacy (García-Cestona and Surroca, 2008; Boatright, 2008).

Hence, an economic-social duality exists: banks are radically interested and oriented to economic and financial results whereas basic aims of savings banks have to do with social issues. That's the reason why it is questioned if they are different in terms of economic and social efficiency. In fact, the differentiation between these two efficiency measures could be used as the basic argument or contra-argument to develop a Spanish banking model without duality discrimination and maybe with another form to organize the decision-making system in banking governance.

A substantial body of literature has emerged on bank efficiency (Fiordelisi, 2007; Hughes et al., 2003). Studies dealing with bank efficiency focus on methodological issues (e.g. Berger et al., 1993), estimating bank efficiency by focusing on countries differentiations (e.g. Dietsch and Lozano-Vivas, 2000; Chortareas et al., 2013; Lozano-Vivas and Pasiouras, 2010; Beccalli, 2004; Beccalli et al., 2006) or evaluating and analyzing the relationship between bank efficiency and shareholder value creation (Beccalli et al., 2006; Fiordelisi, 2007) and also the influence of central banks' supervision (Gaganisa and Pasiouras, 2013). But, the most common element of bank efficiency literature is that it is focused on cost–benefit analysis. The findings are not conclusive probably because of the quantification of the efficiency based on costs (Berger and Humphrey, 1997; Chortareas et al., 2013) instead of on other determinants (Berger and de Young, 2001; Berger and Bonaccorsi di Patti, 2006) that need to be recognized explicitly in empirical models. Particularly, when financial institutions oriented to social value creation – such as savings banks – are analyzed, social value outputs such as employment maintenance, taxes generated, credit invested in the real economy and funds destined to social foundations should be included as efficiency determinants. All these items have been taken into consideration in this paper.

There is not a substantial body of literature relating to savings banks' efficiency. Few studies deal with the measurement of the efficiency of entities that pursue alternative objectives (Berger and Humphrey, 1997; Carbó et al., 2002; Fiordelisi and Salvatore, 2013; Williams, 2004). However, it is highlighted by Altunbaş et al. (2001) the importance of the empirical studies in this research line because of the need to improve the knowledge about an efficient bank management model with earning and social capacity to be competitive.

As a continuation of the suggestion of these authors, but with the aim to make not only a contribution to the empirical research of savings banks, but also to the development of the theory by means of explaining management efficiency, it is necessary to bring the multi-fiduciary theory to the fore. The main argument is the following one. This multi-fiduciary theory of stakeholder developed by Goodpaster (1991) and Boatright (2008) establishes the relationship between different stakeholders – not only shareholders – that are the principals and the agent – that is the person with fiduciary responsibility behind the stakeholder group. Then, the agent will be legitimately obligated to respond to the interests of stakeholders. In this regard, other authors – such as Jensen (2002) – argue that it is not possible to manage the interest of all stakeholders because there is not a person with enough legitimacy