

ARE LAC COOPERATIVE AND COMMERCIAL BANKS SO DIFFERENT IN THEIR MANAGEMENT OF NON-PERFORMING LOANS?

by

Ignacio JIMÉNEZ-HERNÁNDEZ*

University of Granada, Spain

Andrés J. PICAZO-TADEO

University of Valencia and INTECO Research Group, Spain

and

Francisco J. SÁEZ-FERNÁNDEZ

University of Granada, Spain

ABSTRACT: *This paper assesses technical efficiency in the management of non-performing loans (NPLs) in the Latin American and Caribbean (LAC) banking industry. To that end, Data Envelopment Analysis techniques are employed with data from the years 2013 to 2016 on a sample of 307 LAC cooperative and commercial banks. Our main contribution to existing literature is that differences of efficiency between cooperative banks and commercial banks are assessed as the result of the different capacities of their managers – managerial efficiency – and the so-called programme efficiency, which represents differences in the technology used by these two categories of entities. Our principal result suggests that the technology used by cooperative banks in the management of NPLs is more efficient than the technology of commercial banks.*

Keywords: Cooperative and commercial banks, *Data Envelopment Analysis*, Latin American and Caribbean banking industry, non-performing loans

JEL Classification C61, G20, L20

1 Introduction and motivation

There is a deep-rooted tradition of performance analyses in the field of economics; furthermore, a comprehensive scientific literature has addressed the issue of the

* E-mail: ignaciojimenez@correo.ugr.es

Andrés J Picazo-Tadeo and Francisco J Sáez-Fernández acknowledge the financial support of the Spanish Ministry of Economy and Competitiveness and the European Regional Development Fund (project ECO2016-75237-R). Andrés J Picazo-Tadeo also thanks the Valencian Regional Government for its support (project PROMETEOII/2014/053). Moreover, we are thankful for useful comments and suggestions received from the referees.