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U.S. Financial Services Consolidation: The Case of Corporate Credit Unions

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W. Scott Frame¹ & Tim J. Coelli¹

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Abstract

This paper estimates a stochastic cost frontier for U.S. corporate credit unions using call report data for 1992–1997. The results indicate that corporate credit unions were 91 percent cost efficient, on average, over this period and that institutions passing a larger percentage of their investments to U.S. Central Credit Union are more cost efficient. However, the economic magnitude of estimated efficiency gains from investment concentration is found to be modest. We conclude that the current three-tier hierarchical structure for the U.S. credit union industry is likely to endure.

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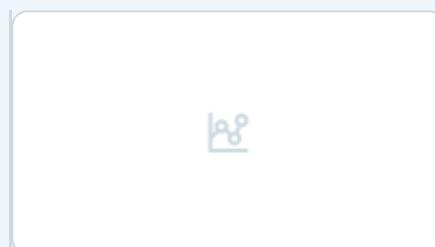
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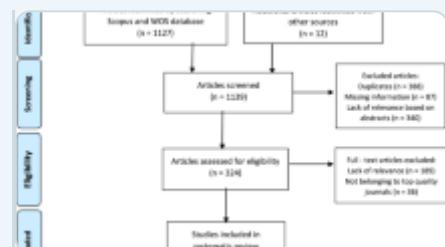
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Author information

Authors and Affiliations

Centre for Efficiency and Productivity Analysis, School of Economic Studies, University of New England, Armidale, NSW, 2351, Australia

W. Scott Frame & Tim J. Coelli

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