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

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Aims and scope

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Abstract

This paper estimates a stochastic cost frontier forU.S. corporate credit unions using call report datafor 1992–1997. The results indicate that corporatecredit unions were 91 percent cost efficient, onaverage, over this period and that institutionspassing a larger percentage of their investments toU.S. Central Credit Union are more cost efficient. However, the economic magnitude of estimatedefficiency gains from investment concentration isfound to be modest. We conclude that the currentthree-tier hierarchical structure for the U.S. creditunion industry is likely to endure.

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