

The Service Industries Journal >  
Volume 25, 2005 - Issue 7


366 Views | 38 CrossRef citations to date | 0 Altmetric

Original Articles

## Off-balance sheet activities and cost inefficiency in Taiwan's Banks

Pang-tien Lieu, Tsai-lien Yeh &amp; Yung-ho Chiu

Pages 925-944 | Published online: 20 Aug 2006

Cite this article <https://doi.org/10.1080/02642060500134196>  
Sample our  
Economics, Finance,  
Business & Industry Journals  
>> [Sign in here](#) to start your access  
to the latest two volumes for 14 days[Full Article](#) [Figures & data](#) [References](#) [Citations](#) [Metrics](#)  
[Reprints & Permissions](#) [Read this article](#)

In this study, we adopt a stochastic cost frontier method to investigate the influence of off-balance sheet (OBS) activities on the cost efficiency of Taiwan's banks. We estimate and compare cost inefficiency with or without OBS outputs of 46 Taiwanese commercial banks during the period, 1998 through 2001. The conclusions of this empirical study are as follows. First, omitting off-balance sheet outputs in estimating the cost frontier function of banks results in an underestimation of bank efficiency by approximately 5 per cent. Second, the cost efficiency of banks is significantly higher when we control for the increase in OBS outputs. Third, the cost efficiency of banks is significantly higher when we control for the increase in OBS outputs. Finally, the cost efficiency of banks is significantly higher when we control for the increase in OBS outputs.

## About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click "Settings". For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All

Essential Only

Settings

# Notes

- 1. Chen and Yeh [1998](#) adopted four outputs – loan services, portfolio investment, interest income, and non-interest income – to analyse the relative efficiency of 34 commercial banks in Taiwan, by using the data envelopment analysis method. In later research, Chen and Yeh [2000](#) used loan services, portfolio investment, and non-interest income to measure bank efficiency, ownership and productivity changes in Taiwan.
- 2. According to the official report of the Ministry of Finance, any loan for which repayment of interest has been overdue for more than six months will be classified as a non-accrual loan.
- 3. Cost inefficiency 27 per cent equals  $1-(1/1.3762)$ .

## Related research

People also read

Recommended articles

Cited by  
38



### About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All 

Essential Only

Settings

## Information for

Authors  
R&D professionals  
Editors  
Librarians  
Societies

## Opportunities

Reprints and e-prints  
Advertising solutions  
Accelerated publication  
Corporate access solutions

## Open access

Overview  
Open journals  
Open Select  
Dove Medical Press  
F1000Research

## Help and information

Help and contact  
Newsroom  
All journals  
Books

## Keep up to date

Register to receive personalised research and resources by email

 Sign me up



Copyright © 2024 Informa UK Limited   Privacy policy   Cookies   Terms & conditions

[Accessibility](#)



### About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our [Privacy Policy](#).

 Accept All

Essential Only

Settings