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**AN EXAMINATION OF NEW ZEALAND BANK
EFFICIENCY**

**A dissertation presented in partial fulfilment of the requirements for
the Degree of
Doctor of Philosophy
in
Banking Studies**

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Abstract:

This research explores the efficiency of the New Zealand banking system over the period 1996 to 2003 using Data Envelopment Analysis (DEA). DEA is used as a lack of data on prices and the relatively small cross-sections (because of the limited number of banks in the New Zealand market) pose difficulties for the use of parametric methods.

This is the first major research to make use of the data-set provided under the New Zealand banking disclosure regime, and the first major attempt at contrasting the relative efficiency of banks in Australia and New Zealand.

The research discusses the problems of analysis of efficiency in small banking markets and proposes a solution through use of panel data. Analysis on this basis highlights problems that arise from changing environmental conditions (specifically from changes in the general level of interest rates), but also produces a reasonably consistent ranking of the efficiency of New Zealand banks.

The research finds that equity is an important input to the study of bank efficiency, and that it is a cause of differences in relative efficiency between New Zealand and Australian banks.

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