

Do Foreign Shares Affect the Performance of Local Banks? A Micro View

Chung-Hua Shen
Department of Finance
National Taiwan University
Phone: 886-2-33611087
Fax: 886-2-33611087
E-mail: chshen01@ntu.edu.tw

Bor-Yi Huang
Graduate School Corporate Innovation and Entrepreneurial Management
Shih Chien University
Taipei, Taiwan
TEL: 2-2538-1111-8026
FAX: 2-2533-6293-8926
E-mail: hby-1688@mail.usc.edu.tw

Meng-Wen Wu^{*}
Department of Finance
Ming Chuan University
Phone: 886-6-3120366
E-mail: mwwu@mcu.edu.tw

Abstract

Past studies on the effects of the presence of foreign shares have primarily focused on how foreign shares change the nature of competitiveness in the banking environment and subsequently cause the performance of local banks to change. This is the macro view referred to in this paper. However, unlike those studies, this paper adopts a micro approach to investigate the effects of foreign shares on local banks. Both the parent countries of foreign shares and the host countries are categorized into high- and low- income countries, and it is found (apparent) that foreign shares from high-income countries have little impact on local banks in rich countries but have a considerable impact on those in poor countries. Against this, foreign shares from poor countries do not have much, if any, significant effect on local banks in rich countries but do have some effect on those in poor countries.

Key words: Foreign Bank Penetration 、 Bank Performance 、 Competition.

JEL: E44; G21

^{*} Correspondence: Meng-Wen Wu, Ph. Candidate, Department of Money and Banking, National Chengchi University, Taiwan. TEL: 02-33661087; FAX; EMAIL: g1352509@nccu.edu.tw