

Abstract

This study estimates the determinants of bank efficiency for 11 Central and Eastern European (CEE) countries from 2013 to 2021. The output-orientated BCC and SBM efficiency score using the Data Envelopment Analysis (DEA) method are calculated in the first step. Following the approach developed by Simar and Wilson (2007), the second step of this study includes the estimation of the Double Bootstrap Truncated Regression (DBTR) and the testing of the separability hypothesis about various efficiency determinants. The results show that the relationship between bank size and bank efficiency is positively significant in the linear model while this relationship is a U-shape between the bank size and the pure technical efficiency in the non-linear model. Moreover, the equity ratio, the deposit ratio and the market concentration ratio significantly affect the bank efficiency positively, while the loan/asset ratio, loan loss reserve to asset ratio as well as income diversification significantly impact the bank efficiency negatively.