

# Efficiency Amongst China's Banks: A DEA Analysis Five Years after WTO Entry

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## Abstract

WTO entry in 2001 heralded a new stage in the reform of China's banking sector. With the reality that foreign banks would be extended national treatment by the end of 2006, China's banks faced the imperative to reform in earnest. They began reforms from a variety of different starting points and have pursued a variety of different reform approaches. Five years on, this paper assesses efficiency levels in 11 of China's most prominent banks. The results, obtained using Data Envelopment Analysis (DEA), suggest that differences in efficiency levels are actually quite small. On the one hand, this finding is encouraging because it suggests that few of China's major banks lag behind the pack. On the other hand, it also implies that efficiency levels almost certainly do lag in China's less prominent banks, which together still account for more than 40 per cent of total banking system assets.

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**Key words: China, banking reform, efficiency**

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