UNIVERSITY OF BRADFORD

MSc GLOBAL AND DOMESTIC BANKING

MAN4329M

Monday 13th January 2014   **16:00 – 17:30 hours**

Main

Answer **TWO (2)** questions

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1. Discuss the concept of barriers to entry and contestability in banking by applying Rosse-Panzar H statistics. Analyse possible outcomes of such an analysis.

(100 marks)

2. Analyse a simple general equilibrium model *a la* Arrow-Debrew that includes a banking sector by using a deterministic framework. Discuss the implications of this model for the importance of the banking firm.

(100 marks)

3. The structure of the financial services industry is changing rapidly, so it is particularly relevant to examine the efficiency characteristics of financial institutions. In terms of modelling efficiency, the recent academic literature has focused mainly on using statistical techniques that construct an efficient frontier. Discuss and critically analyse the concept of measuring frontier efficiency (X-efficiency) in banking. Contrast with other techniques used for analysing the structural characteristics in the banking industry.

(100 marks)