

«Good and bad Banks? Governance, Chairmen's human capital and performance»

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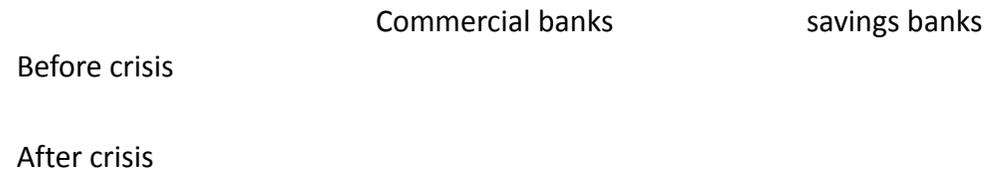
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Research question

Observing the demise of savings banks:

- Comparison of performance (return, risk) between commercial banks and savings banks



- The focus is on the difference in governance: proxied by human factors for the chairman of board.
 - Education, political connections, experience
- Potential contribution.
 - Value of board during crisis? Are expensive and educated chairs better?
 - Horserace between stakeholder and shareholder systems.

The reader's impression of results

- Savings banks perform worse during crisis (tbl2)
 - imp. loans/ gross loans
 - + crisis, - bank x crisis,
 - no effect for ROA:
 - Could be to different asset mix between savings banks and commercial banks
 - Savings banks take more risk during crisis
 - Z-score: make all measurement window for σ_{roa} time varying
- Savings banks employ less qualified executives (tbl1)
 - No previous banking experience
 - No economics education at any level
 - Sometimes no university
 - Executives political appointees
- Human capital role in general (tbl3)
 - Education improves performance, especially during crisis
 - Three-way sort?
 - Low power, try combining economics vs other, restricted regressions
- Politization does not have a consistent results among savings banks in crisis
- Clean test within country, broader controls, almost population

Reservations and suggestions (1/4)

How to properly compare the banks:

Savings banks: stakeholder model:

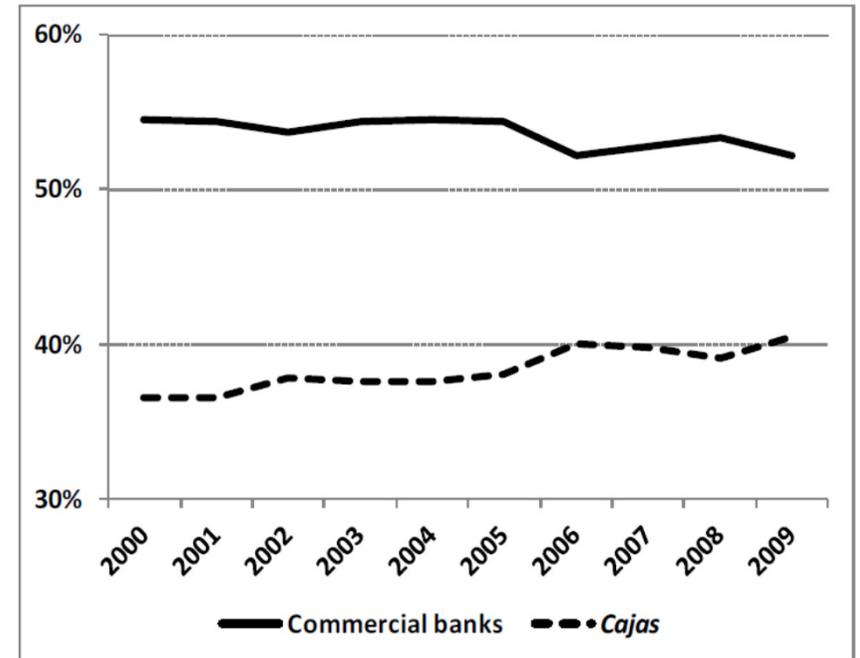
- lower rates,
- projects w/ “regional (dis)utility”
- need controls of additional CF

Commercial banks: shareholder model

- international operations,
- larger size

Additional channels not addressed yet.

Figure 1. Assets (% over banks' total assets)



To improve on previous Spanish bank literature

collect larger commercial banks set to have more equal size comparison

24 000 branches vs 4000 branches: 42 vs 16 in sample

in general differentiate better from the existing Spanish papers

introduce variation in concentration.

Difference between executive- and non- chair, contrast to com. banks

Reservations and suggestions (2/4)

Be careful to follow though with
three-way sorts

Commercial banks savings banks

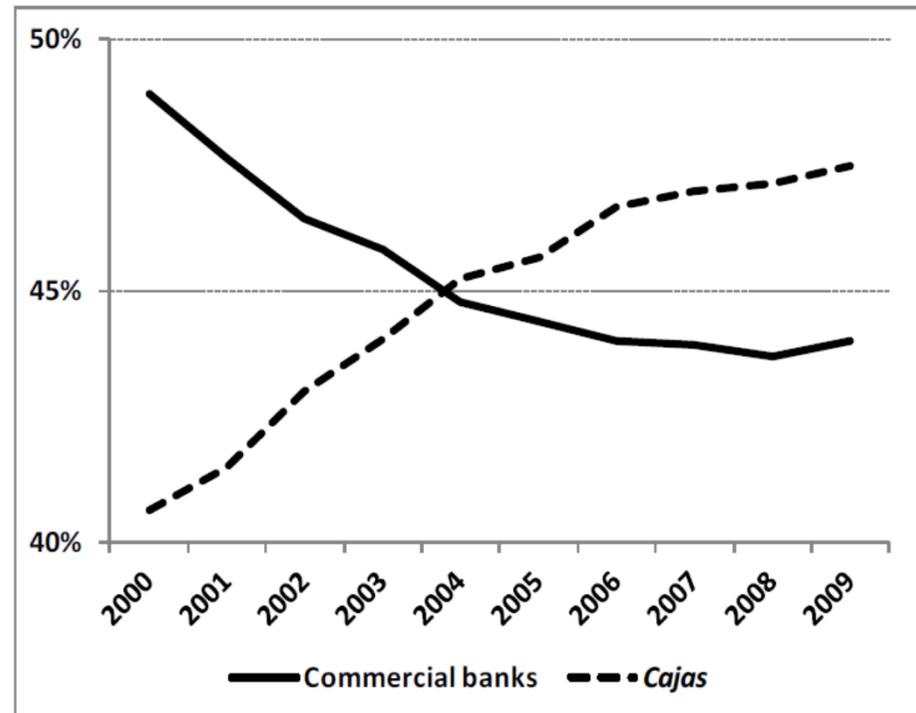
Before crisis

After crisis

Especially with the human capital part

- do human capital measures have time variation?
- account more for differences in asset composition
- why such exposure to mortgages
- decomposition of differences in performance: margins, costs, loan quality, insolvency risk, duration of loan portfolio

Figure 2. Loans (% over banks' total loans)



Reservations and suggestions (3/4)

Strong correlation between size and chairman

- n previous year experience 29%
- economic undergrad 15%
- economic MBA or PhD 19%

interactions?

Compensation variable.

- defined as an average per board member, if varies within board, use total/assets
- interact with crisis as we are looking at distressed companies during crisis

Reservations and suggestions (4/4)

Politization variable in regressions difficult to interpret

	Cajas		Commercial banks			
	Chairman	Executive Chairman	Non Executive Chairman	Chairman	Executive Chairman	Non Executive Chairman
political	35	7	28	17	13	4
not	32	17	15	3	0	3

Easier to interpret within savings banks than across the type (tbl3)
Shapley value?