

BANK SYSTEM EFFICIENCY AND CONVERGENCE IN THE IRAN PROVINCES

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ABSTRACT

According to previous researches, bank system efficiency in every country is a fundamental step toward economic growth. The most important topics in the process of growth are convergence and efficiency. This paper examines the impact of bank efficiency on the convergence process across the range of 30 provinces for the period 2001-2015, giving special attention to the role of bank performance as a conditioning factor, using panel data. First, the bank system efficiency is calculated with the SFA method, and then the impact of bank efficiency on the convergence process is estimated. As a result of the convergence of a function of factors such as the accumulation of physical capital and bank efficiency, the bank system efficiency in every country is a fundamental step toward economic growth and convergence.

KEYWORDS: Economic Growth, Efficiency, Bank System, Convergence, Panel Data