Abstract

This thesis studies the relationship between market structure and performance of Macau's banking sector during the 1995-2004 period. The model incorporates measures of concentration, market share, X-efficiency, and scale efficiency into the estimating equation, to test both the market-power and the efficient-structure hypotheses in Macau's banking sector. The empirical results only support the relative-market-power (RMP) hypothesis. The finding implies that the big banks in Macau were able to except market power in setting prices and earn higher profits. However, these big banks did not enjoy their "quiet life" by opting for a more relaxed environment in which less effort is put into the rigors of maximizing management efficiency. Finally, there is no support for any of the efficient-structure hypotheses and quiet life hypothesis. The major policy lesson is that Macau's banking sector should be closely monitored by the regulatory authorities in terms of antitrust enforcement.