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Are Small- and Medium-sized Enterprise Lending and Credit Guarantees Conducive to Bank Efficiency?

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A B S T R A C T

Financing difficulties for small and medium-sized enterprises (SMEs) have always been a problem, especially following the spread of the COVID-19 epidemic, showing that a government's stabilizing support policies play an important role as the source of their funds. This research thus adopts the data envelopment analysis (DEA) model and Tobit regression model to study the relationships among SME lending, credit guarantee, bank revenue efficiency, cost efficiency, and profit efficiency. The results herein reveal when SME credit guarantee funds increase that the risk of bank failure drops, while revenue efficiency rises. However, because banks undertake a portion of the default costs, their cost efficiency also falls, resulting in less profit efficiency. Consequently, banks that increase their lending to SMEs may incur significantly reduced profit efficiency and revenue efficiency, but cost efficiency is not significantly impacted.

Keyword: Small- and Medium-sized Enterprise Lending, Credit Guarantee, Revenue Efficiency, Cost Efficiency, Profit Efficiency

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