

**DOES GLOBALIZATION INCREASE BANK EFFICIENCY AS MEASURED BY NET INTEREST MARGIN?**

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**ABSTRACT**

This study examines how the level of globalization as well as the incremental globalization of each country is associated with bank efficiency, which is measured by banks' net interest margin (NIM). Using a panel of 35,501 observations in 141 countries over the period of 1987-2008, we find that there exists an inverse relationship between NIM and change in globalization of each country, which implies that globalization reduces banks' NIM and improves the efficiency of banking system. However, this relationship only holds for bigger banks, but not for smaller banks.

Keywords: *Globalization, Bank Efficiency, Net Interest Margin*