

Abstract

The Performance of Small Banks in Croatia

PROFFESIONAL PAPER

Ivan Šverko*
Andrea Pavlović**
Jurica Vukas***

Small banks and their operations are especially interesting for researchers around the globe. However, in local literature, there is not much research on this topic. Therefore, the aim of this paper is to analyze the indicators of small banks in the Republic of Croatia in the last few years and consider their potential for future development. The results of the analysis of small banks' performance and their comparison with major competitors show that smaller banks are less efficient, less profitable, and that they take more risks in their daily operations. In this sense, one can expect to see more mergers and acquisitions, as well as additional specializations of small banks. Only those banks that become relatively "aggregated" that continue to provide "personalized" service to their customers and find their niches will have potential to prosper within the Croatian financial system.

Keywords: small banks, profitability, financial ratios, Croatia

JEL classification: G21

* Ivan Šverko, Hypo Alpe-Adria-Bank d.d., Zagreb, e-mail: Ivan.Sverko@hypo-alpe-adria.hr.

** Andrea Pavlović, Privredna banka d.d., Zagreb, e-mail: andrea.pavlovic@pbz.hr.

*** Jurica Vukas, Croatian National Bank, Zagreb, e-mail: jvukas@hnb.hr.