

**Year: 2010**  
**Volume: 55**  
**Issue: 2**

**STUDIA**  
**Universitatis Babes-Bolyai**  
**OECONOMICA**

**THE ROLE OF INTEREST INCOME AND NON-INTEREST INCOME ON THE  
RELATIVE EFFICIENCY OF BANK REGIONS: THE CASE OF A LARGE SOUTH  
AFRICAN BANK**

**Gert van der WESTHUIZEN** \*  
North-West University, South Africa

**Abstract.** Data Envelopment Analysis (DEA) is used to estimate the technical, allocative and cost efficiency of the 37 regions of a large South African bank. Two models are applied to determine the effect of interest income and non-interest income on the various efficiency estimates. Malmquist DEA was used to determine the sources of efficiency change that took place during the period of the investigation. All the regions can increase their technical efficiency and allocative efficiency in order to become more cost efficient. The majority of the regions were operating at decreasing returns to scale meaning that they were operating at a scale that was too large. There is evidence that non-interest income can contribute toward an increase in efficiency.

**JEL Classification:** C50, C61, D24, G21, L21

**Keywords:** Data Envelopment Analysis, Efficiency, Malmquist

\* Corresponding author. Address: School of Economic Sciences, North-West University, Vaal Triangle Campus, PO Box 1174, Vanderbijlpark, 1900, Tel. number: +27-82-782-3245/ +27-16-9711612, E-mail: [gvdwesthuizen@absamail.co.za](mailto:gvdwesthuizen@absamail.co.za)