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THE RELATIVE EFFICIENCY OF BANKS IN LENDING AND BORROWING: EVIDENCE FROM DATA ENVELOPMENT ANALYSIS

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Abstract. DEA is used to estimate the relative technical, allocative, cost and scale efficiency of the four largest South African banks over a period of sixteen years. Two models are applied to determine whether there is a difference in the efficiency with regard to the lending and borrowing activities of the banks. On average, three banks were more technical efficient, all four banks more allocative efficient, and three banks more cost efficient in the borrowing activities (deposits). To a large extent, the banks were operating at increasing returns to scale, meaning that they were operating at a scale that was too small.

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

Keywords: Data Envelopment Analysis, Bank efficiency, Bank performance, Bank lending and borrowing

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