

OPERATIONAL EFFICIENCY AND SIZE OF COMMERCIAL BANKS: A STUDY OF THE INDIAN BANKING SECTOR

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ABSTRACT

This study attempts to find out the association between the size of a bank and its efficiency on the basis of the Indian scheduled commercial banking sector for the time period 2006-2016. Size of banks has been measured by two variables – total asset of the bank and the number of branches of the bank. Operational efficiency has been estimated by applying the Data Envelopment Analysis. To check the robustness of our results, the study has been performed with respect to the cost efficiency of the banks as well. We found that in India, there is a strong positive association between the size of the bank and efficiency. Larger banks (measured in terms of log value of total asset and number of branches in the country) in India are more efficient both in terms of technical and cost efficiency. The study also revealed that the large-sized public sector banks are the most efficient banks in spite of their large size both in terms of total asset and massive branch network across the country.

KEYWORDS: *Data Envelopment Analysis, Efficiency, Bank Size, Financial Inclusion, Indian Commercial Banks*