

Relative Efficiency of Banks in India - Evaluation and Policies for Improvement



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This paper attempts to determine the relative efficiency of 80 banks operating in India using Data Envelopment Analysis using 2008, 2009 and 2010 year data. The banks are grouped into 3 categories, namely Public sector banks, Private sector banks and Foreign banks. The study finds that Foreign banks are most efficient followed by Private sector and then by Public sector banks. The choice of source of funds, Non-performing assets (NPA) and low return on investments are identified as important factors for underperforming banks. The analysis and results provide policy measures for improvement of efficiencies of underperforming banks.

Keywords: Data Envelopment Analysis, Efficiency index, Mean Efficiency