



**The Efficiency of Banks and Financial Crisis in a Developing
Economy:
The Case of Jordan**

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ABSTRACT: This paper measures and evaluates the relative efficiency of Jordanian banks over the period 2005-2010. The measurement of efficiency is estimated using Data Envelopment Analysis (DEA). Our sample contains 12 banks; three of them are Islamic banks. Constant returns to scale (CRS) and variable returns to scale (VRS) were used in order to measure the relative efficiency of the Jordanian banks, using annual data from 2005 through 2010. The results show that, on the technical efficiency scale only a few Jordanian banks were efficient in managing their financial resources and generating profit. Furthermore, only a few banks were found to be efficient on the scale of pure technical efficiency and in few years. The financial crisis was found to have a significant impact on banks' efficiency. These findings can be used by regulators, policy makers and bank management to further investigate the reasons behind the inefficient DMUs.

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