

ABSTRACT

An Analysis of Efficiency in the Commercial Banking Industry:- The Case of Guyana and Trinidad and Tobago.

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The central objective of this thesis is to investigate and gauge the operating efficiency of the commercial banking industry in a financially liberalized environment. To achieve this, the study focuses on the banking industry in Guyana and Trinidad and Tobago, and makes special reference to the Jamaica case.

For the Caribbean Region, past studies on banking efficiency have gauged bank performance using operating ratios such as return on assets and the operating cost to earnings ratio. This thesis proposes to contribute to this body of literature by employing a parametric technique to assess the existence of both technical and allocative efficiency in the banking industry. The assessment is undertaken against the background of changes that occurred in monetary policy and prudential regulation.

The findings obtained suggest that the banking industry in both countries achieved efficiency gains from the financial reforms that came with liberalization. These gains appeared less sustainable in Trinidad and Tobago than in Guyana,

partly due to the use reserve requirements by the monetary authorities. More apparent, however, was the commercial banks' performance in terms of profitability.

The conclusions of the study highlight the need for developing countries to meet the prerequisites of financial liberalization before embarking on wide-sweeping financial reforms. It also shed light on the operating strategy of commercial banks in the new liberalized environment.

Keywords: André N. Powder; Commercial Banking; Efficiency; Financial Liberalization.