

Accelerated capital market globalization has led to further deepening of banking sector integration. Wide consolidation of European banking markets resulted in increased competition, however there are still efficiency differences within the global banking sector. Although economic theory postulates that increased competition in financial markets should lead to lower cost and enhanced efficiency, recent studies indicate that the relationship is more complex and not inevitably straightforward. As both banking competition and efficiency is of high relevance for economic development, it is crucial to determine the impact of recent structural changes on the competitive environment and banks' performance. In the theoretical part, we consider different methodological issues in measuring competition and efficiency. Within the empirical section, we employ the SFA to estimate efficiency scores for the selected EU credit institutions and derive corresponding measure of competition based on Panzar-Rosse methodology. By further research, we elaborate on the link between competition and efficiency.