This research focused on the economies of scale of commercial bank branches which comprise of small, medium and large-sized branches and their network by utilizing the Cobb-Douglas cost function. The study emphasized on the elasticity of cost with respect to input price ratio of labour, capital and raw materials. Ordinary Least Squares and Generalized Least Squares were applied to estimate coefficients of the cost function.

The estimating result shown that there is the economies of scale for branches of all sizes. The small branches have the most advantage, while the medium branches have the least advantage. The elasticities of cost to all factor input prices are less than 1. Furthermore, this study found that the elasticities with respect to wage was more than those with respect to capital price and to raw material price. The elasticities with respect to capital price and to raw material price are almost the same. The estimated coefficients from the Ordinary Least Squares are almost identical to the coefficients from the Generalized Least Squares. However, the estimates obtained from the Ordinary Least Squares are more statistically significant than the estimates of the Generalized Least Squares.