ABSTRACT

This paper examines the productivity and efficiency of Indian commercial banks from 1996 to 2012.Stochastic frontier Methodology is used to estimate efficiency of banks treating non-performing loan as a bad output. Two different inefficiency distributions - half normal and truncated normal distribution are used to obtain mean efficiency score bank wise and bank group wise. The finding shows that the public sector has performed better when we consider the management of bad output (Net NPA). But state bank and associate have performed better than the nationalized banks.

Key Wards: Stochastic frontier approach, bank efficiency, non-performing asset