

ABSTRACT

This Paper attempts a comparison of performance between Public and Private sector banks in terms of cost efficiency in India during year 1995-2011. Stochastic Frontier Methodology is being used with two different inefficiency distributions and two different cost functions - half normal distribution with Cobb doglous cost function and truncated normal distribution with translog cost function to obtain mean cost efficiency score bank wise and sector wise. The findings show that Public sector banks are significantly more cost efficient in cobb-doglous cost function case and marginally better in translog cost function case. So It conclusively points out that even with better specification of cost function Public sector banks are more cost efficient than private sector banks in India.