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WORKING PAPER

Are private banks more efficient than public banks?

Evidence from Russia

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Are private banks more efficient than public banks? Evidence from Russia

Karas, Schoors and Weill

Abstract

We study whether bank efficiency is related to bank ownership in Russia. We find that foreign banks are more efficient than domestic private banks and – surprisingly – that domestic private banks are not more efficient than domestic public banks. These results are not driven by the choice of production process, the bank's environment, management's risk preferences, the bank's activity mix or size, the econometric approach, or the introduction of deposit insurance. The policy conclusion is that the efficiency of the Russian banking system may benefit more from increased levels of competition and greater access of foreign banks than from bank privatization.

JEL classification: G21; P30; P34; P52

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