

# Package: npsf (via r-universe)

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**Type** Package

**Title** Nonparametric and Stochastic Efficiency and Productivity Analysis

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**Description** Nonparametric efficiency measurement and statistical inference via DEA type estimators (see Färe, Grosskopf, and Lovell (1994) <doi:10.1017/CBO9780511551710>, Kneip, Simar, and Wilson (2008) <doi:10.1017/S0266466608080651> and Badunenko and Mozharovskyi (2020) <doi:10.1080/01605682.2019.1599778>) as well as Stochastic Frontier estimators for both cross-sectional data and 1st, 2nd, and 4th generation models for panel data (see Kumbhakar and Lovell (2003) <doi:10.1017/CBO9781139174411>, Badunenko and Kumbhakar (2016) <doi:10.1016/j.ejor.2016.04.049>). The stochastic frontier estimators can handle both half-normal and truncated normal models with conditional mean and heteroskedasticity. The marginal effects of determinants can be obtained.

**Depends** Formula

**Suggests** snowFT, Rmpi

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**LinkingTo** Rcpp

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npsf-package

*Introduction to Nonparametric and Stochastic Frontier Analysis*

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## Description

This package provides a variety of tools for nonparametric and parametric efficiency measurement.

## Details

The nonparametric models in `npsf` comprise nonradial efficiency measurement (`tenonradial`), where non-proportional reductions (expansions) in each positive input (output) are allowed, as well as popular radial efficiency measurement (`teradial`), where movements to the frontier are proportional.

Using bootstrapping techniques, `teradialbc`, `tenonradialbc`, `nptestrts`, `nptestind` deal with statistical inference about the radial efficiency measurement. `nptestind` helps in deciding which type of the bootstrap to employ. Global return to scale and individual scale efficiency is tested by `nptestrts`. Finally, `teradialbc` and `tenonradialbc`, performs bias correction of the radial Debrue-Farrell and nonradial Russell input- or output-based measure of technical efficiency, computes bias and constructs confidence intervals.

Computer intensive functions `teradialbc` and `nptestrts` allow making use of parallel computing, even on a single machine with multiple cores. Help files contain examples that are intended to introduce the usage.

The parametric stochastic frontier models in `npsf` can be estimated by `sf`, which performs maximum likelihood estimation of the frontier parameters and technical or cost efficiencies. Inefficiency error component can be assumed to be have either half-normal or truncated normal distribution. `sf` allows modelling multiplicative heteroskedasticity of either inefficiency or random noise component, or both. Additionally, marginal effects of determinants on the expected value of inefficiency term can be computed.

For details of the respective method please see the reference at the end of this introduction and of the respective help file.

All function in `npsf` accept formula with either names of variables in the data set, or names of the matrices. Except for `nptestind`, all function return `esample`, a logical vector length of which is determined by data and subset (if specified) or number of rows in matrix outputs. `esample` equals TRUE if this data point parted in estimation procedure, and FALSE otherwise.

Results can be summarized using `summary.npsf`.

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Maintainer: Oleg Badunenko <oleg.badunenko@brunel.ac.uk>

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banks00\_07

*U.S. Commercial Banks Data*

---

### **Description**

banks00\_07 data frame contains selected variables for 500 (randomly sampled from around 5000) U.S. commercial banks from data of Koetter et al. (2012) for years 2000-2007. This data are used for illustration purposes and are not suitable for research purposes.

### **Usage**

```
data(banks00_07)
```

### **Format**

This data frame contains the following variables (columns):

year Year.

id Entity ID.

TA Gross total assets.

LLP Loan loss provisions.

Y1 Total securities (in thousands of US dollars).

Y2 Total loans and leases (in thousands of US dollars).

W1 Cost of fixed assets divided by the cost of borrowed funds.

W2 Cost of labor (in thousands of US dollars) divided by the cost of borrowed funds.

ER Gross total equity to gross total assets ratio.

TC Total operating cost.

LA Total loans and leases to gross total assets ratio.

Ti Times bank is observed.

TA\_ave Mean value of TA.

TA\_initial Value of TA in the first observed year.

LLP\_ave Mean value of LLP.

LLP\_initial Value of LLP in the first observed year.

ER\_ave Mean value of ER.

ER\_initial Value of ER in the first observed year.

LA\_ave Mean value of LA.

LA\_initial Value of LA in the first observed year.

### **Details**

The data were sampled and generated as shown in section "Examples".

**Source**

<http://qed.econ.queensu.ca/jae/2014-v29.2/restrepo-tobon-kumbhakar/>.

**References**

Koetter, M., Kolari, J., and Spierdijk, L. (2012), Enjoying the quiet life under deregulation? Evidence from adjusted Lerner indices for U.S. banks. *Review of Economics and Statistics*, **94**, 2, 462–480.

Restrepo-Tobon, D. and Kumbhakar, S. (2014), Enjoying the quiet life under deregulation? Not Quite. *Journal of Applied Econometrics*, **29**, 2, 333–343.

**Examples**

```
## Not run:

# Download data from the link in "Source"

banks00_07 <- read.delim("2b_QLH.txt")

# rename 'entity' to 'id'
colnames(banks00_07) [colnames(banks00_07) == "entity"] <- "id"

table(banks00_07$year)
# keep if 2000 -- 2007

banks00_07 <-
  banks00_07[(banks00_07$year >= 2000 & banks00_07$year <= 2007),]
dim(banks00_07)

q1q3 <- quantile(banks00_07$TA, probs = c(.25,.75))

banks00_07 <-
  banks00_07[(banks00_07$TA >= q1q3[1] & banks00_07$TA <= q1q3[2]),]
dim(banks00_07)

# generate required variables
banks00_07$TC <-banks00_07$TOC
banks00_07$ER <- banks00_07$Z / banks00_07$TA
banks00_07$LA <- banks00_07$Y2 / banks00_07$TA

banks00_07 <-
  banks00_07[, colnames(banks00_07)
    c("id", "year", "Ti", "TC", "Y1", "Y2", "W1", "W2", "ER", "LA", "TA", "LLP")]
dim(banks00_07)

t0 <- as.vector( by(data = banks00_07$id,
                    INDICES = banks00_07$id,
                    FUN = function(qq) length(qq)) )
banks00_07$Ti <- rep(t0, times = t0)
banks00_07 <- banks00_07[banks00_07$Ti > 4,]
```

```
# complete observations
banks00_07 <- banks00_07[complete.cases(banks00_07),]
dim(banks00_07)

id_names <- unique(banks00_07$id)
N_total <- length(id_names)
set.seed(816376586)
ids_n2choose <- sample(1:N_total, 500)
ids2choose <- id_names[ids_n2choose]
banks00_07 <- banks00_07[banks00_07$id
dim(banks00_07)

t0 <- as.vector( by(data = banks00_07$id,
                    INDICES = banks00_07$id,
                    FUN = function(qq) length(qq)) )
length(rep(t0, times = t0))

banks00_07$Ti <- rep(t0, times = t0)

banks00_07[1:50,c("id", "year", "Ti")]

# keep if Ti > 4

banks00_07 <- banks00_07[banks00_07$Ti > 4,]
dim(banks00_07)

# sort
banks00_07 <- banks00_07[order(banks00_07$id, banks00_07$year),]

# TC = TOC
#
# ER = Z / TA
# Gross total equity to gross total assets ratio.
#
# LA = Y2 / TA
# Total loans and leases to gross total assets ratio.

banks00_07$TA_ave <-
  rep(as.vector( by(data = banks00_07$TA,
                    INDICES = banks00_07$id,
                    FUN = function(qq) mean(qq))), times = t0)

banks00_07$TA_initial <-
  rep(as.vector( by(data = banks00_07$TA,
                    INDICES = banks00_07$id,
                    FUN = function(qq) qq[1])), times = t0)

banks00_07$LLP_ave <-
  rep(as.vector( by(data = banks00_07$LLP,
                    INDICES = banks00_07$id,
                    FUN = function(qq) mean(qq))), times = t0)
```

```

banks00_07$LLP_initial <-
  rep(as.vector( by(data = banks00_07$LLP,
                    INDICES = banks00_07$id,
                    FUN = function(qq) qq[1])), times = t0)

banks00_07$ER_ave <-
  rep(as.vector( by(data = banks00_07$ER,
                    INDICES = banks00_07$id,
                    FUN = function(qq) mean(qq))), times = t0)

banks00_07$ER_initial <-
  rep(as.vector( by(data = banks00_07$ER,
                    INDICES = banks00_07$id,
                    FUN = function(qq) qq[1])), times = t0)

banks00_07$LA_ave <-
  rep(as.vector( by(data = banks00_07$LA,
                    INDICES = banks00_07$id,
                    FUN = function(qq) mean(qq))), times = t0)

banks00_07$LA_initial <-
  rep(as.vector( by(data = banks00_07$LA,
                    INDICES = banks00_07$id,
                    FUN = function(qq) qq[1])), times = t0)

cols2export <- c("id", "year", "Ti", "TA", "TA_ave",
                 "TA_initial", "LLP", "LLP_ave",
                 "LLP_initial", "ER_ave", "ER_initial", "LA_ave", "LA_initial")

write.table(x = banks00_07, file = "banks00_07.txt", row.names = FALSE)

## End(Not run)

```

---

banks05

*U.S. Commercial Banks Data*


---

### Description

banks05 data frame contains selected variables from the U.S. commercial banks data of Koetter et al. (2012) for year 2005 and 500 banks randomly sampled from around 5000. Dependent variable was randomly generated, as described under 'Details', to satisfy the assumptions of doubly heteroskedastic stochastic cost frontier model. This data is, therefore, not suitable for research purposes.

### Usage

```
data(banks05)
```



**Format**

This data frame contains the following variables (columns):

- lnC Randomly generated total operating costs.
- lnw1 Logarithm of the cost of fixed assets divided by the cost of borrowed funds.
- lnw2 Logarithm of the cost of labor (in thousands of US dollars) divided by the cost of borrowed funds.
- lny1 Logarithm of total securities (in thousands of US dollars).
- lny2 Logarithm of total loans and leases (in thousands of US dollars).
- ER Gross total equity to gross total assets ratio.
- LA Total loans and leases to gross total assets ratio.

**Details**

The variable representing total operating costs was generated as follows:

$$\ln C = \beta_0 + \beta_1 * \ln w_1 + \beta_2 * \ln w_2 + \gamma_1 * \ln y_1 + \gamma_2 * \ln y_2 + \nu + u,$$

where  $\nu \sim N(0, \exp(\alpha_0 + \alpha_1 * LA))$  and  $u \sim N(\delta_0 + \delta_1 * ER, \exp(\omega_0 + \omega_1 * ER))$ . More detailed description of input prices, outputs, and exogenous variables is provided in Koetter et al. (2012). See also related study of Restrepo-Tobon and Kumbhakar (2014).

**Source**

<http://qed.econ.queensu.ca/jae/2014-v29.2/restrepo-tobon-kumbhakar/>.

**References**

- Koetter, M., Kolari, J., and Spierdijk, L. (2012), Enjoying the quiet life under deregulation? Evidence from adjusted Lerner indices for U.S. banks. *Review of Economics and Statistics*, **94**, 2, 462–480.
- Restrepo-Tobon, D. and Kumbhakar, S. (2014), Enjoying the quiet life under deregulation? Not Quite. *Journal of Applied Econometrics*, **29**, 2, 333–343.

**Description**

The data set is from an US federally sponsored program for providing remedial assistance to disadvantaged primary school students. The data comprises 70 school sites.

**Usage**

```
data( ccr81 )
```

**Format**

This data frame contains the following variables (columns):

nu School Site Number  
 y1 Total Reading Score  
 y2 Total Math Score  
 y3 Total Coopersmith Score  
 x1 Education Level of Mother  
 x2 Occupation Index  
 x3 Parental Visit Index  
 x4 Counseling Index  
 x5 Number of Teachers

**Details**

The data were originally used to evaluate the efficiency of public programs and their management.

**Source**

A. Charnes, W. W. Cooper and E. Rhodes (1981), Evaluating Program and Managerial Efficiency: An Application of Data Envelopment Analysis to Program Follow Through, *Management Science*, **27**, 668–697.

**References**

Charnes, A., W. W. Cooper, and E. Rhodes. 1981. Evaluating Program and Managerial Efficiency: An Application of Data Envelopment Analysis to Program Follow Through. *Management Science* **27**: 668–697

---

coef.npsf	<i>'coef' method for class 'npsf'</i>
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---

**Description**

Extracts the ML parameters of a stochastic frontier model estimated by [sf](#).

**Usage**

```
## S3 method for class 'npsf'
coef( object, ... )
```

**Arguments**

object            an object of class npsf returned by the function [sf](#).  
 ...                currently unused.

**Value**

`coef.npsf` returns a named vector of the ML parameters of a stochastic frontier model.

**Author(s)**

Oleg Badunenko <oleg.badunenko@brunel.ac.uk>

**See Also**

[vcov.npsf](#), [nobs.npsf](#), [summary.npsf](#), and [sf](#).

**Examples**

```
require( npsf )

# Load Penn World Tables 5.6 dataset

data( pwt56 )
head( pwt56 )

# Create some missing values

pwt56 [4, "K"] <- NA

# Stochastic production frontier model with
# homoskedastic error components (half-normal)

# Use subset of observations - for year 1965

m1 <- sf(log(Y) ~ log(L) + log(K), data = pwt56,
  subset = year == 1965, distribution = "h")
coef( m1 )
```

---

halton

*'halton' method for class 'npsf'*

---

**Description**

Provides Halton draws, deviates from a uniform distribution.

**Usage**

```
halton(n = 1, n.bases = 1, bases = NULL,
  start = 0, random.primes = FALSE, seed = 7,
  scale.coverage = FALSE, shuffle = FALSE)
```

**Arguments**

n	number of prime numbers to be returned (the row number in the value).
n.bases	numeric. number of bases used. (the column number in the value).
bases	numeric. Supply specific order numbers for getting primes, see <a href="#">primes</a> . See examples.
start	numeric. from which value in the halton sequence to start. Default is 0, which is actually 0.
random.primes	logical. if TRUE, the n.bases primes are chosen on a random basis from 100008 available prime numbers. See <a href="#">primes</a> .
seed	set seed for replicability. Default is 17345168.
scale.coverage	logical. at larger primes not whole [0,1] interval is covered. if TRUE, rescale is used to fill the coverage.
shuffle	logical. if TRUE, each column in the value is randomly reshuffled (seed is used).

**Value**

halton returns Halton draws.

**Author(s)**

Oleg Badunenko <oleg.badunenko@brunel.ac.uk>

**See Also**

[sf](#) and [primes](#).

**Examples**

```
require( npsf )

# obtain first 10 x 7 matrix with the first 7 primes as bases
npsf::halton(10, n.bases = 7)

# obtain first 10 x 7 matrix with the randomly chosen 7 primes as bases
npsf::halton(10, n.bases = 7, random.primes = TRUE, seed = 17345168)

# just one column with desired prime
npsf::halton(10, bases = 1)

# or 2 columns
npsf::halton(10, bases = c(1,7))

# if bases are large
npsf::halton(10, bases = c(1,7)*1000)

# the coverage is not great
npsf::halton(10, bases = c(1,7)*1000, scale.coverage = TRUE)
```

```
# reshuffle them, use seed for replicability
npsf::halton(10, bases = c(1,7)*1000, scale.coverage = TRUE, shuffle = TRUE, seed = 17345168)
```

---

mroz

*Female labor force participation*


---

### Description

Instructional dataset, N=753, cross-sectional labor force participation data Accompanying Introductory Econometrics: A Modern Approach, Jeffrey M. Wooldridge, South-Western College Publishing, (c) 2000 and Jeffrey M. Wooldridge, Econometric Analysis of Cross Section and Panel Data, MIT Press,(c) 2001.

### Usage

```
data( mroz )
```

### Format

This data frame contains the following variables (columns):

```
inlf =1 if in labor force, 1975
hours hours worked, 1975
kidslt6 # kids < 6 years
kidsge6 # kids 6-18
age woman's age in yrs
educ years of schooling
wage estimated wage from earns., hours
repwage reported wage at interview in 1976
hushrs hours worked by husband, 1975
husage husband's age
huseduc husband's years of schooling
huswage husband's hourly wage, 1975
faminc family income, 1975
mtr fed. marginal tax rate facing woman
motheduc mother's years of schooling
fatheduc father's years of schooling
unem unem. rate in county of resid.
city =1 if live in SMSA
exper actual labor mkt exper
nwifeinc (faminc - wage*hours)/1000
```

**Details**

Instructional dataset, N=753, cross-sectional labor force participation data Accompanying Introductory Econometrics: A Modern Approach, Jeffrey M. Wooldridge, South-Western College Publishing, (c) 2000 and Jeffrey M. Wooldridge, Econometric Analysis of Cross Section and Panel Data, MIT Press,(c) 2001.

**Source**

Datasets accessible from <http://wooldridge.swcollege.com>, <http://courses.bus.msu.edu/econ/821/001/index.cfm?action=mat>, and [http://www.cengage.com/aise/economics/wooldridge\\_3e\\_datasets/](http://www.cengage.com/aise/economics/wooldridge_3e_datasets/)

**References**

Mroz, T.A. 1987. The Sensitivity of an Empirical Model of Married Women's Hours of Work to Economic and Statistical Assumptions. *Econometrica* **55**: 765-799

---

nobs.npsf	<i>'nobs' method for class 'npsf'</i>
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---

**Description**

Extracts the number of observations for which efficiencies are estimated by SF or DEA model estimated by [sf](#), [teradial](#), [tenonradial](#), or [teradialbc](#).

**Usage**

```
## S3 method for class 'npsf'
nobs( object, ... )
```

**Arguments**

object	an object of class npsf returned by the function <a href="#">sf</a> ).
...	currently unused.

**Value**

nobs.npsf returns the number of observations for which efficiencies are estimated by SF or DEA model.

**Author(s)**

Oleg Badunenko <[oleg.badunenko@brunel.ac.uk](mailto:oleg.badunenko@brunel.ac.uk)>

**See Also**

[vcov.npsf](#), [coef.npsf](#), [summary.npsf](#), and [sf](#).

**Examples**

```

require( npsf )

# Load Penn World Tables 5.6 dataset

data( pwt56 )
head( pwt56 )

# Create some missing values

pwt56 [4, "K"] <- NA

# Stochastic production frontier model with
# homoskedastic error components (half-normal)

# Use subset of observations - for year 1965

m1 <- sf(log(Y) ~ log(L) + log(K), data = pwt56,
  subset = year == 1965, distribution = "h")
nobs( m1 )

# DEA

t1 <- teradialbc ( Y ~ K + L, data = pwt56, subset = Nu < 10)
nobs(t1)

```

---

nptestind

*Nonparametric Test of Independence*


---

**Description**

In output based efficiency measurement, routine `nptestind` perform test that radial (Debreu-Farrell) output-based measure of technical efficiency under chosen assumption about the technology and mix of outputs are independent. In input-based efficiency measurement, routine `nptestind` perform test that radial (Debreu-Farrell) input-based measure of technical efficiency under chosen assumption about the technology and mix of inputs are independent. Testing is performed using bootstrap technique.

**Usage**

```

nptestind(formula, data, subset,
  rts = c("C", "NI", "V"), base = c("output", "input"),
  reps = 999, alpha = 0.05,
  print.level = 1, dots = TRUE)

```

**Arguments**

`formula` an object of class “formula” (or one that can be coerced to that class): a symbolic description of the model. The details of model specification are given under ‘Details’.

<code>data</code>	an optional data frame containing the variables in the model. If not found in <code>data</code> , the variables are taken from environment ( <code>formula</code> ), typically the environment from which <code>teradial</code> is called.
<code>subset</code>	an optional vector specifying a subset of observations for which technical efficiency is to be computed.
<code>rts</code>	character or numeric. string: first letter of the word “c” for constant, “n” for non-increasing, or “v” for variable returns to scale assumption. numeric: 3 for constant, 2 for non-increasing, or 1 for variable returns to scale assumption.
<code>base</code>	character or numeric. string: first letter of the word “o” for computing output-based or “i” for computing input-based technical efficiency measure. numeric: 2 for computing output-based or 1 for computing input-based technical efficiency measure
<code>reps</code>	specifies the number of bootstrap replications to be performed. The default is 999. The minimum is 100. Adequate estimates of confidence intervals using bias-corrected methods typically require 1,000 or more replications.
<code>alpha</code>	sets significance level; default is <code>alpha=0.05</code> .
<code>dots</code>	logical. Relevant if <code>print.level&gt;=1</code> . If TRUE, one dot character is displayed for each successful replication; if FALSE, display of the replication dots is suppressed.
<code>print.level</code>	numeric. 0 - nothing is printed; 1 - print summary of the model and data. 2 - print summary of technical efficiency measures. 3 - print estimation results observation by observation. Default is 1.

## Details

In output based efficiency measurement, routine `nptestind` perform test that radial (Debreu-Farrell) output-based measure of technical efficiency under chosen assumption about the technology and mix of outputs are independent. In input-based efficiency measurement, routine `nptestind` perform test that radial (Debreu-Farrell) input-based measure of technical efficiency under chosen assumption about the technology and mix of inputs are independent.

Testing is performed using bootstrap technique (see Wilson, 2003).

Results can be summarized using [summary.npsf](#).

## Value

`nptestrts` returns a list of class `npsf` containing the following elements:

<code>K</code>	numeric: number of data points.
<code>M</code>	numeric: number of outputs.
<code>N</code>	numeric: number of inputs.
<code>rts</code>	string: RTS assumption.
<code>base</code>	string: base for efficiency measurement.
<code>reps</code>	numeric: number of bootstrap replications.
<code>alpha</code>	numeric: significance level.
<code>t4n</code>	numeric: value of the T4n statistic.
<code>pval</code>	numeric: p-value of the test of independence.



**Note**

Results can be summarized using [summary.npsf](#).

**Author(s)**

Oleg Badunenko <oleg.badunenko@brunel.ac.uk>

**References**

Färe, R. and Lovell, C. A. K. (1978), Measuring the technical efficiency of production, *Journal of Economic Theory*, **19**, 150–162, doi: [10.1016/00220531\(78\)900601](https://doi.org/10.1016/00220531(78)900601)

Färe, R., Grosskopf, S. and Lovell, C. A. K. (1994), *Production Frontiers*, Cambridge U.K.: Cambridge University Press

Wilson P.W. (2003), Testing Independence in Models of Productive Efficiency, *Journal of Productivity Analysis*, **20**, 361–390, doi: [10.1023/A:1027355917855](https://doi.org/10.1023/A:1027355917855)

**See Also**

[teradial](#), [tenonradial](#), [teradialbc](#), [tenonradialbc](#), [nptestrts](#), [sf](#)

**Examples**

```
## Not run:

require( npsf )

# Prepare data and matrices

data( ccr81 )
head( ccr81 )

# Create some missing values

ccr81 [64, "x4"] <- NA # just to create missing
ccr81 [68, "y2"] <- NA # just to create missing

Y2 <- as.matrix( ccr81[ , c("y1", "y2", "y3"), drop = FALSE] )
X2 <- as.matrix( ccr81[ , c("x1", "x2", "x3", "x4", "x5"), drop = FALSE] )

# Perform nonparametric test that radial (Debreu-Farrell)
# output-based measure of technical efficiency under assumption of
# NIRS technology and mix of outputs are independent. Test is
# performed based on 999 replications at the 5

t1 <- nptestind ( y1 + y2 + y3 ~ x1 + x2 + x3 + x4 + x5,
  data = ccr81, base = "o", rts = "n",
  reps = 999, dots = TRUE)

# Really large data-set
```

```

data(usmanuf)
head(usmanuf)

nrow(usmanuf)
table(usmanuf$year)

# This will take some time depending on computer power

data(usmanuf)
head(usmanuf)

t2 <- nptestind ( Y ~ K + L + M, data = usmanuf,
  subset = year >= 1999 & year <= 2000,
  reps = 999, dots = TRUE, base = "i", rts = "v")

## End(Not run)

```

---

nptestrts

*Nonparametric Test of Returns to Scale*


---

### Description

Routine nptestrts performs nonparametric tests the returns to scale of the underlying technology via bootstrapping techniques.

### Usage

```

nptestrts(formula, data, subset,
  base = c("output", "input"),
  homogeneous = TRUE, test.two = TRUE,
  reps = 999, alpha = 0.05,
  core.count = 1, cl.type = c("SOCK", "MPI"),
  print.level = 1, dots = TRUE)

```

### Arguments

formula	an object of class “formula” (or one that can be coerced to that class): a symbolic description of the model. The details of model specification are given under ‘Details’.
data	an optional data frame containing the variables in the model. If not found in data, the variables are taken from environment (formula), typically the environment from which teradial is called.
subset	an optional vector specifying a subset of observations for which technical efficiency is to be computed.

base	character or numeric. string: first letter of the word “o” for computing output-based or “i” for computing input-based technical efficiency measure. string: 2 for computing output-based or 1 for computing input-based technical efficiency measure
homogeneous	logical. If TRUE, the reference set is bootstrapped with homogeneous smoothing; if FALSE, the reference set is bootstrapped with heterogeneous smoothing.
test.two	logical. If TRUE, test 2, where efficiency measures under assumption of non-increasing and variable returns to scale technology are compared; if FALSE, nptestrts stops after test 1 is completed.
reps	specifies the number of bootstrap replications to be performed. The default is 999. The minimum is 100. Adequate estimates of confidence intervals using bias-corrected methods typically require 1,000 or more replications.
alpha	sets significance level; default is $\alpha=0.05$ .
core.count	positive integer. Number of cluster nodes. If core.count=1, the process runs sequentially. See performParallel in package snowFT for more details.
cl.type	Character string that specifies cluster type (see makeClusterFT in package snowFT). Possible values are 'MPI' and 'SOCK' ('PVM' is currently not available). See performParallel in package snowFT for more details.
dots	logical. Relevant if print.level $\geq$ 1. If TRUE, one dot character is displayed for each successful replication; if FALSE, display of the replication dots is suppressed.
print.level	numeric. 0 - nothing is printed; 1 - print summary of the model and data. 2 - print summary of technical efficiency measures. 3 - print estimation results observation by observation. Default is 1.

## Details

Routine nptestrts performs nonparametric tests the returns to scale of the underlying technology (see Simar L. and P.W. Wilson (2002), Nonparametric Tests of Return to Scale, *European Journal of Operational Research*, **139**, 115–132, doi: [10.1016/S03772217\(01\)001679](https://doi.org/10.1016/S03772217(01)001679)).

If test.two is not specified, nptestrts performs only Test #1, which consists of two parts. First, the null hypothesis that the technology is globally CRS (vs VRS) is tested. Second, the null hypothesis that the data point is scale efficient is tested.

If test.two is specified, nptestrts may perform Test #2. If the null hypothesis that the technology is CRS is rejected, test.two requests that nptestrts tests the null hypothesis that the technology is NIRS (vs VRS). If not all data points are scale efficient, nptestrts tests that the reason for scale inefficiency is DRS. If the null hypothesis that the technology is CRS is not rejected and all data points are scale efficient, nptestrts will not perform Test #2 even if test.two is specified.

Models for nptestrts are specified symbolically. A typical model has the form  $\text{outputs} \sim \text{inputs}$ , where outputs (inputs) is a series of (numeric) terms which specifies outputs (inputs). Refer to the examples.

If core.count $\geq$ 1, nptestrts will perform bootstrap on multiple cores. Parallel computing requires package snowFT. By the default cluster type is defined by option cl.type="SOCK". Specifying cl.type="MPI" requires package Rmpi.

On some systems, specifying option `cl.type="SOCK"` results in much quicker execution than specifying option `cl.type="MPI"`. Option `cl.type="SOCK"` might be problematic on Mac system.

Parallel computing make a difference for large data sets. Specifying option `dots=TRUE` will indicate at what speed the bootstrap actually proceeds. Specify `reps=100` and compare two runs with option `core.count=1` and `core.count>1` to see if parallel computing speeds up the bootstrap. For small samples, parallel computing may actually slow down the `npTestrts`.

Results can be summarized using [summary.npsf](#).

## Value

`npTestrts` returns a list of class `npsf` containing the following elements:

<code>K</code>	numeric: number of data points.
<code>M</code>	numeric: number of outputs.
<code>N</code>	numeric: number of inputs.
<code>rts</code>	string: RTS assumption.
<code>base</code>	string: base for efficiency measurement.
<code>reps</code>	numeric: number of bootstrap replications.
<code>alpha</code>	numeric: significance level.
<code>teCrs</code>	numeric: measures of technical efficiency under the assumption of CRS.
<code>teNrs</code>	numeric: measures of technical efficiency under the assumption of NiRS.
<code>teVrs</code>	numeric: measures of technical efficiency under the assumption of VRS.
<code>sefficiency</code>	numeric: scale efficiency.
<code>sefficiencyMean</code>	numeric: ratio of means of technical efficiency measures under CRS and VRS.
<code>pGlobalCRS</code>	numeric: p-value of the test that the technology is globally CRS.
<code>psefficient</code>	numeric: p-value of the test that data point is statistically scale efficient.
<code>sefficient</code>	logical: returns TRUE, if statistically scale efficient; FALSE otherwise.
<code>nsefficient</code>	numeric: number of statistically scale efficient.
<code>nrsOVERvrsMean</code>	numeric: ratio of means of technical efficiency measures under NIRS and VRS (if <code>test.two=TRUE</code> ).
<code>pGlobalNRS</code>	numeric: p-value of the test the technology is globally NIRS (if <code>test.two=TRUE</code> ).
<code>sineffdrs</code>	logical: returns TRUE if statistically scale inefficient due to DRS and FALSE if statistically scale inefficient due to IRS (if <code>test.two=TRUE</code> and not all data points are statistically scale efficient <code>nsefficient&lt;K</code> ).
<code>pineffdrs</code>	numeric: p-value of the test that data point is scale inefficient due to DRS (if <code>test.two=TRUE</code> and not all data points are statistically scale efficient <code>nsefficient&lt;K</code> ).
<code>nrsOVERvrs</code>	numeric: ratio of measures of technical efficiency under NiRS and VRS (if <code>test.two=TRUE</code> and not all data points are statistically scale efficient <code>nsefficient&lt;K</code> ).
<code>esample</code>	logical: returns TRUE if the observation in user supplied data is in the estimation subsample and FALSE otherwise.

**Note**

Before specifying option homogeneous it is advised to preform the test of independence (see [nptestind](#)).  
Results can be summarized using [summary.npsf](#).

**Author(s)**

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**References**

- Badunenko, O. and Mozharovskyi, P. (2016), Nonparametric Frontier Analysis using Stata, *Stata Journal*, **163**, 550–89, doi: [10.1177/1536867X1601600302](https://doi.org/10.1177/1536867X1601600302)
- Färe, R. and Lovell, C. A. K. (1978), Measuring the technical efficiency of production, *Journal of Economic Theory*, **19**, 150–162, doi: [10.1016/00220531\(78\)900601](https://doi.org/10.1016/00220531(78)900601)
- Färe, R., Grosskopf, S. and Lovell, C. A. K. (1994), *Production Frontiers*, Cambridge U.K.: Cambridge University Press, doi: [10.1017/CBO9780511551710](https://doi.org/10.1017/CBO9780511551710)
- Simar L. and P.W. Wilson (2002), Nonparametric Tests of Return to Scale, *European Journal of Operational Research*, **139**, 115–132, doi: [10.1016/S03772217\(01\)001679](https://doi.org/10.1016/S03772217(01)001679)

**See Also**

[teradial](#), [tenonradial](#), [teradialbc](#), [tenonradialbc](#), [nptestind](#), [sf](#)

**Examples**

```
## Not run:

require( npsf )

# Prepare data and matrices

data( ccr81 )
head( ccr81 )

# Create some missing values

ccr81 [64, "x4"] <- NA # just to create missing
ccr81 [68, "y2"] <- NA # just to create missing

Y2 <- as.matrix( ccr81[ , c("y1", "y2", "y3"), drop = FALSE] )
X2 <- as.matrix( ccr81[ , c("x1", "x2", "x3", "x4", "x5"), drop = FALSE] )

# Perform output-based test of returns to scale smoothed
# homogeneous bootstrap with 999 replications at the 5
# significance level. Also perform Test #2

t1 <- nptestrts(y1 + y2 + y3 ~ x1 + x2 + x3 + x4 + x5,
  data = ccr81, homogeneous = TRUE,
```

```

    reps = 999, dots = TRUE, base = "o")

# suppress printing replication dots
t2 <- nptestrts(Y2 ~ X2,
  homogeneous = TRUE,
  reps = 100, dots = FALSE, base = "o")

# heterogeneous
t3 <- nptestrts(Y2 ~ X2,
  homogeneous = FALSE,
  reps = 100, dots = TRUE, base = "o")

# =====
# === Parallel computing ===
# =====

# Perform previous test but use 8 cores and
# cluster type SOCK

t3 <- nptestrts(y1 + y2 + y3 ~ x1 + x2 + x3 + x4 + x5,
  data = ccr81, homogeneous = FALSE,
  reps = 100, dots = TRUE, base = "o",
  core.count = 8, cl.type = "SOCK")

# Really large data-set

data(usmanuf)
head(usmanuf)

nrow(usmanuf)
table(usmanuf$year)

# Figure industries to include in the sample (first quarter)

summary(usmanuf[usmanuf$year >= 1999 & usmanuf$year < 2000, "naics"])

# This test is quite demanding and it will take some time
# depending on computer power

t4 <- nptestrts(Y ~ K + L + M, data = usmanuf,
  subset = year >= 1999 & year < 2000 & naics < 321900,
  homogeneous = FALSE, reps = 100, dots = TRUE, base = "o",
  core.count = 8, cl.type = "SOCK")

# This is very computer intensive task

t5 <- nptestrts(Y ~ K + L + M, data = usmanuf,
  subset = year >= 1999 & year < 2000,
  homogeneous = FALSE, reps = 100, dots = TRUE, base = "o",
  core.count = 8, cl.type = "SOCK")

```

```
## End(Not run)
```

---

```
primes          'primes' method for class 'npsf'
```

---

### Description

Provides prime numbers.

### Usage

```
primes(n = NULL, which = NULL, random.primes = FALSE, seed = 7)
```

### Arguments

n	number of prime numbers to be returned. Should be smaller than 100008.
which	numeric. if specific prime numbers are required. See examples.
random.primes	logical. if n is supplied and random.primes = TRUE, the n primes are chosen on a random basis from 100008 available prime numbers.
seed	set seed for replicability. Default is 17345168.

### Details

primes just returns prime numbers, which come from <https://primes.utm.edu/lists/small/100000.txt>, see <https://primes.utm.edu>

### Value

primes returns prime numbers.

### Author(s)

Oleg Badunenko <[oleg.badunenko@brunel.ac.uk](mailto:oleg.badunenko@brunel.ac.uk)>

### Source

<https://primes.utm.edu/lists/small/100000.txt> and <https://primes.utm.edu>

### See Also

[sf](#) and [halton](#).

**Examples**

```

require( npsf )

# obtain first 30 prime numbers
npsf::primes( 30 )

# the same as
npsf::primes( n = 30 )

# the result in both case above are 30 prime numbers

# if we use
npsf::primes( which = 30 )

# the 30th prime is returns, just a scalar

# both cannot be used
# npsf::primes(n = 30, which = 30, random.primes = FALSE, seed = 17345168)
# will give a mistake

# you can get random 30 primes, use seed for replicability
npsf::primes(n = 30, random.primes = TRUE, seed = 17345168)

# obtain specific primes: which take order number(s)
npsf::primes(which = c(3,67,30, 100008))

```

---

pwt56

*Penn World Tables 5.6 (compiled in 1995)*


---

**Description**

The data set is from Penn World Tables (PWT) 5.6. This data set provides only selected variables for years 1965 and 1990.

**Usage**

```
data( pwt56 )
```

**Format**

This data frame contains the following variables (columns):

Nu Order Number  
Country Country Name  
year 1965 or 1990  
Y Real GDP chain, international prices of 1985  
K Capital stock, international prices of 1985  
L Number of workers, in thousands



## Details

The Penn World Table was developed by Robert Summers and Alan Heston (and others) to facilitate consistent national accounts comparisons across countries as well as over time. The data can be used to evaluate the efficiency of economies of various countries in years 1965 and 1990.

## Source

<http://www.rug.nl/research/ggdc/data/pwt/pwt-5.6>. These data were originally hosted on the website of the Center for International Comparisons at the University of Pennsylvania.

## References

Heston, A. and Summers, R. (1991), The Penn World Table (Mark 5): An Expanded Set of International Comparisons, 1950-1988, *The Quarterly Journal of Economics*, **106**, 327–368.

---

rescale	<i>'rescale' method for class 'npsf'</i>
---------	--

---

## Description

rescales a vector.

## Usage

```
rescale(x, lb = min(x), ub = max(x))
```

## Arguments

x	a numeric vector.
lb	numeric. lower bound.
ub	numeric. upper bound.

## Value

rescale returns rescaled vector.

## Author(s)

Oleg Badunenko <[oleg.badunenko@brunel.ac.uk](mailto:oleg.badunenko@brunel.ac.uk)>

## See Also

[sf](#), [primes](#), and [halton](#).

## Examples

```
require( npsf )

# obtain first 30 prime numbers
set.seed(8265897)
t1 <- runif(10, min = 1, max = 2)
summary(t1)
summary(rescale(t1, 0, 10))
```

---

 sf

*Stochastic Frontier Models Using Cross-Sectional and Panel Data*


---

## Description

sf performs maximum likelihood estimation of the parameters and technical or cost efficiencies in cross-sectional stochastic (production or cost) frontier models with half-normal or truncated normal distributional assumption imposed on inefficiency error component.

## Usage

```
sf(formula, data, it = NULL, subset,
   prod = TRUE, model = "K1990", distribution = c("h"),
   eff.time.invariant = FALSE,
   mean.u.0i.zero = FALSE,
   mean.u.0i = NULL,
   ln.var.u.0i = NULL,
   ln.var.v.0i = NULL,
   ln.var.v.it = NULL,
   simtype = c("halton", "rnorm"), halton.base = NULL, R = 500,
   simtype_GHK = c("halton", "runif"), R_GHK = 500,
   random.primes = FALSE,
   cost.eff.less.one = FALSE, level = 95, marg.eff = FALSE,
   start.val = NULL, maxit = 199, report.ll.optim = 10,
   reltol = 1e-8, lmtol = sqrt(.Machine$double.eps),
   digits = 4, print.level = 4, seed = 17345168,
   only.data = FALSE)
```

## Arguments

formula	an object of class “formula” (or one that can be coerced to that class): a symbolic description of the model. The details of model specification are given under ‘Details’.
data	an optional data frame containing variables in the model. If not found in data, the variables are taken from environment (formula), typically the environment from which sf is called.

<code>it</code>	vector with two character entries. E.g., <code>c("ID", "TIME")</code> , where "ID" defines individuals that are observed in time periods defined by "TIME". The default is NULL. At default, cross-sectional model will be estimated.
<code>subset</code>	an optional vector specifying a subset of observations for which technical or cost efficiencies are to be computed.
<code>prod</code>	logical. If TRUE, the estimates of parameters of stochastic production frontier model and of technical efficiencies are returned; if FALSE, the estimates of parameters of stochastic cost frontier model and of cost efficiencies are returned.
<code>model</code>	character. Five panel data models are estimated for now. "K1990" and "K1990modified" (see Kumbhakar, 1990), "BC1992" (see Battese and Coelli, 1992), "4comp" (see Badunenko and Kumbhakar (2016) and Filippini and Greene, 2016). They specify common evolution of inefficiency. Default is "K1990". The time functions are " $(1 + \exp(b*t + c*t^2))^{-1}$ ", " $1 + d*(t-T_i) + e*(t-T_i)^2$ ", and " $\exp(-f*(t-T_i))$ ", respectively.
<code>distribution</code>	either "h" (half-normal), "t" (truncated normal), or "e" (exponential, only cross-sectional models), specifying the distribution of inefficiency term.
<code>eff.time.invariant</code>	logical. If TRUE, the 1st generation of panel data models is estimated, otherwise, the 2nd generation or 4 components panel data model is estimated.
<code>mean.u.0i.zero</code>	logical. If TRUE, normal-half normal model is estimated, otherwise, normal-truncated model is estimated.
<code>mean.u.0i</code>	one-sided formula; e.g. $\text{mean.u.0i} \sim z1 + z2$ . Specifies whether the mean of pre-truncated normal distribution of inefficiency term is a linear function of exogenous variables. In cross-sectional models, used only when <code>distribution = "t"</code> . If NULL, mean is assumed to be constant for all ids.
<code>ln.var.u.0i</code>	one-sided formula; e.g. $\ln.var.u.0i \sim z1 + z2$ . Specifies exogenous variables entering the expression for the log of variance of inefficiency error component. If NULL, inefficiency term is assumed to be homoskedastic, i.e. $\sigma_u^2 = \exp(\gamma[0])$ . Time invariant variables are expected.
<code>ln.var.v.0i</code>	one-sided formula; e.g. $\ln.var.v.0i \sim z1 + z2$ . Specifies exogenous variables entering the expression for variance of random noise error component. If NULL, random noise component is assumed to be homoskedastic, i.e. $\sigma_v^2 = \exp(\gamma[0])$ . Time invariant variables are expected.
<code>ln.var.v.it</code>	one-sided formula; e.g. $\ln.var.v.it \sim z1 + z2$ . Specifies exogenous variables entering the expression for variance of random noise error component. If NULL, random noise component is assumed to be homoskedastic, i.e. $\sigma_v^2 = \exp(\gamma[0])$ . Time invariant variables are expected.
<code>simtype</code>	character. Type of random deviates for the 4 components model. 'halton' draws are default. One can specify 'rnorm.'
<code>halton.base</code>	numeric. The prime number which is the base for the Halton draws. If not used, different bases are used for each id.
<code>R</code>	numeric. Number of draws. Default is 500. Can be time consuming.
<code>simtype_GHK</code>	character. Type of random deviates for use in GHK for efficiency estimating by approximation. 'halton' draws are default. One can specify 'runif.'

R_GHK	numeric. Number of draws for GHK. Default is 500. Can be time consuming.
random.primes	logical. If TRUE, and halton.base = NULL, the primes are chosen on a random basis for each ID from 100008 available prime numbers.
cost.eff.less.one	logical. If TRUE, and prod = FALSE, reported cost efficiencies are larger than one. Interpretation: by what factor is total cost larger than the potential total cost.
level	numeric. Defines level% two-sided prediction interval for technical or cost efficiencies (see Horrace and Schmidt 1996). Default is 95.
marg.eff	logical. If TRUE, unit-specific marginal effects of exogenous variables on the mean of distribution of inefficiency term are returned.
start.val	numeric. Starting values to be supplied to the optimization routine. If NULL, OLS and method of moments estimates are used (see Kumbhakar and Lovell 2000).
maxit	numeric. Maximum number of iterations. Default is 199.
report.ll.optim	numeric. Not used for now.
reltol	numeric. One of convergence criteria. Not used for now.
lmtol	numeric. Tolerance for the scaled gradient in ML optimization. Default is $\sqrt{\text{Machine\$double.eps}}$ .
digits	numeric. Number of digits to be displayed in estimation results and for efficiency estimates. Default is 4.
print.level	numeric. 1 - print estimation results. 2 - print optimization details. 3 - print summary of point estimates of technical or cost efficiencies. 7 - print unit-specific point and interval estimates of technical or cost efficiencies. Default is 4.
seed	set seed for replicability. Default is 17345168.
only.data	logical. If TRUE, only data are returned. Default is FALSE

## Details

Models for `sf` are specified symbolically. A typical model has the form  $y \sim x_1 + \dots$ , where  $y$  represents the logarithm of outputs or total costs and  $\{x_1, \dots\}$  is a series of inputs or outputs and input prices (in logs).

Options `ln.var.u.θi` and `ln.var.v.θi` can be used if multiplicative heteroskedasticity of either inefficiency or random noise component (or both) is assumed; i.e. if their variances can be expressed as exponential functions of (e.g. size-related) exogenous variables (including intercept) (see Caudill et al. 1995).

If `marg.eff = TRUE` and `distribution = "h"`, the marginal effect of  $k$ th exogenous variable on the expected value of inefficiency term of unit  $i$  is computed as:  $\gamma[k]\sigma[i]/\sqrt{2\pi}$ , where  $\sigma_u[i] = \sqrt{\exp(z[i]'\gamma)}$ . If `distribution = "t"`, marginal effects are returned if either `mean.u.θi` or `ln.var.u.θi` are not NULL. If the same exogenous variables are specified under both options, (non-monotonic) marginal effects are computed as explained in Wang (2002).

See references and links below.

**Value**

sf returns a list of class npsf containing the following elements:

coef	numeric. Named vector of ML parameter estimates.
vcov	matrix. Estimated covariance matrix of ML estimator.
ll	numeric. Value of log-likelihood at ML estimates.
efficiencies	data frame. Contains point estimates of unit-specific technical or cost efficiencies: $\exp(-E(u e))$ of Jondrow et al. (1982), $E(\exp(-u e))$ of Battese and Coelli (1988), and $\exp(-M(u e))$ , where $M(u e)$ is the mode of conditional distribution of inefficiency term. In addition, estimated lower and upper bounds of $(1-\alpha)100\%$ two-sided prediction intervals are returned.
marg.effects	data frame. Contains unit-specific marginal effects of exogenous variables on the expected value of inefficiency term.
sigmas_u	matrix. Estimated unit-specific variances of inefficiency term. Returned if <code>ln.var.u.0i</code> is not NULL.
sigmas_v	matrix. Estimated unit-specific variances of random noise component. Returned if <code>ln.var.v.0i</code> is not NULL.
mu	matrix. Estimated unit-specific means of pre-truncated normal distribution of inefficiency term. Returned if <code>mean.u.0i</code> is not NULL.
esample	logical. Returns TRUE if the observation in user supplied data is in the estimation subsample and FALSE otherwise.

**Author(s)**

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**References**

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### See Also

[teradial](#), [tenonradial](#), [teradialbc](#), [tenonradialbc](#), [nptestrts](#), [nptestind](#), [halton](#), [primes](#)

### Examples

```
require( npsf )

# Cross-sectional examples begin -----

# Load Penn World Tables 5.6 dataset

data( pwt56 )
head( pwt56 )

# Create some missing values

pwt56 [4, "K"] <- NA

# Stochastic production frontier model with
# homoskedastic error components (half-normal)

# Use subset of observations - for year 1965

m1 <- sf(log(Y) ~ log(L) + log(K), data = pwt56,
         subset = year == 1965, distribution = "h")

m1 <- sf(log(Y) ~ log(L) + log(K), data = pwt56,
         subset = year == 1965, distribution = "e")

# Test CRS: 'car' package is required for that
## Not run: linearHypothesis(m1, "log(L) + log(K) = 1")

# Write efficiencies to the data frame using 'esample':

pwt56$BC[ m1$esample ] <- m1$efficiencies$BC
## Not run: View(pwt56)

# Computation using matrices

Y1 <- as.matrix(log(pwt56[pwt56$year == 1965,
                       c("Y"), drop = FALSE]))
X1 <- as.matrix(log(pwt56[pwt56$year == 1965,
                       c("K", "L"), drop = FALSE]))
```

```

X1 [51, 2] <- NA # create missing
X1 [49, 1] <- NA # create missing

m2 <- sf(Y1 ~ X1, distribution = "h")

# Load U.S. commercial banks dataset

data(banks05)
head(banks05)

# Doubly heteroskedastic stochastic cost frontier
# model (truncated normal)

# Print summaries of cost efficiencies' estimates

m3 <- sf(lnC ~ lnw1 + lnw2 + lny1 + lny2, ln.var.u.0i = ~ ER,
         ln.var.v.0i = ~ LA, data = banks05, distribution = "t",
         prod = FALSE, print.level = 3)

m3 <- sf(lnC ~ lnw1 + lnw2 + lny1 + lny2, ln.var.u.0i = ~ ER,
         ln.var.v.0i = ~ LA, data = banks05, distribution = "e",
         prod = FALSE, print.level = 3)

# Non-monotonic marginal effects of equity ratio on
# the mean of distribution of inefficiency term

m4 <- sf(lnC ~ lnw1 + lnw2 + lny1 + lny2, ln.var.u.0i = ~ ER,
         mean.u.0i = ~ ER, data = banks05, distribution = "t",
         prod = FALSE, marg.eff = TRUE)

summary(m4$marg.effects)

# Cross-sectional examples end -----

## Not run:

# Panel data examples begin -----

# The only way to differentiate between cross-sectional and panel-data
# models is by specifying "it".
# If "it" is not specified, cross-sectional model will be estimated.
# Example is below.

# Read data -----

# Load U.S. commercial banks dataset

data(banks00_07)
head(banks00_07, 5)

banks00_07$trend <- banks00_07$year - min(banks00_07$year) + 1

```

```

# Model specification -----
my.prod      <- FALSE
my.it        <- c("id","year")

# my.model = "BC1992"
# my.model = "K1990modified"
# my.model = "K1990"

# translog -----
formu <- log(TC) ~ (log(Y1) + log(Y2) + log(W1) + log(W2) + trend)^2 +
  I(0.5*log(Y1)^2) + I(0.5*log(Y2)^2) + I(0.5*log(W1)^2) + I(0.5*log(W2)^2) +
  trend + I(0.5*trend^2)

# Cobb-Douglas -----
# formu <- log(TC) ~ log(Y1) + log(Y2) + log(W1) + log(W2) + trend + I(trend^2)

ols <- lm(formu, data = banks00_07)
# just to mark the results of the OLS model
summary(ols)

# Components specifications -----

ln.var.v.it <- ~ log(TA)
ln.var.u.0i <- ~ ER_ave
mean.u.0i_1 <- ~ LLP_ave + LA_ave
mean.u.0i_2 <- ~ LLP_ave + LA_ave - 1

# Suppose "it" is not specified
# Then it is a cross-sectional model

t0_1st_0 <- sf(formu, data = banks00_07, subset = year > 2000,
  prod = my.prod,
  ln.var.v.it = ln.var.v.it,
  ln.var.u.0i = ln.var.u.0i,
  eff.time.invariant = TRUE,
  mean.u.0i.zero = TRUE)

# 1st generation models -----

# normal-half normal -----

# the same as above but "it" is specified

t0_1st_0 <- sf(formu, data = banks00_07, it = my.it, subset = year > 2000,
  prod = my.prod,
  ln.var.v.it = ln.var.v.it,
  ln.var.u.0i = ln.var.u.0i,
  eff.time.invariant = TRUE,
  mean.u.0i.zero = TRUE)

# Note efficiencies are time-invariant

```



```

# confidence intervals for efficiencies -----
head(t0_1st_0$efficiencies, 20)

# normal-truncated normal -----

# truncation point is constant (for all ids) -----

t0_1st_1 <- sf(formu, data = banks00_07, it = my.it, subset = year > 2000,
  prod = my.prod,
  eff.time.invariant = TRUE,
  mean.u.0i.zero = FALSE,
  ln.var.v.it = ln.var.v.it,
  ln.var.u.0i = ln.var.u.0i,
  mean.u.0i = NULL,
  cost.eff.less.one = TRUE)

# truncation point is determined by variables -----

t0_1st_2 <- sf(formu, data = banks00_07, it = my.it, subset = year > 2000,
  prod = my.prod,
  eff.time.invariant = TRUE,
  mean.u.0i.zero = FALSE,
  mean.u.0i = mean.u.0i_1,
  ln.var.v.it = ln.var.v.it,
  ln.var.u.0i = ln.var.u.0i,
  cost.eff.less.one = TRUE)

# the same, but without intercept in mean.u.0i

t0_1st_3 <- sf(formu, data = banks00_07, it = my.it, subset = year > 2000,
  prod = my.prod,
  eff.time.invariant = TRUE,
  mean.u.0i.zero = FALSE,
  mean.u.0i = mean.u.0i_2,
  ln.var.v.it = ln.var.v.it,
  ln.var.u.0i = ln.var.u.0i,
  cost.eff.less.one = TRUE)

# 2nd generation models -----

# normal-half normal -----

# Kumbhakar (1990) model -----

t_nhn_K1990 <- sf(formu, data = banks00_07, it = my.it, subset = year > 2000,
  prod = my.prod,
  eff.time.invariant = FALSE,

```

```

mean.u.0i.zero = TRUE,
ln.var.v.it = ln.var.v.it,
ln.var.u.0i = ln.var.u.0i,
cost.eff.less.one = FALSE)

# Kumbhakar (1990) modified model -----

t_nhn_K1990modified <- sf(formu, data = banks00_07, it = my.it, subset = year > 2000,
  prod = my.prod, model = "K1990modified",
  eff.time.invariant = FALSE,
  mean.u.0i.zero = TRUE,
  ln.var.v.it = ln.var.v.it,
  ln.var.u.0i = ln.var.u.0i,
  cost.eff.less.one = FALSE)

# Battese and Coelli (1992) model -----

t_nhn_BC1992 <- sf(formu, data = banks00_07, it = my.it, subset = year > 2000,
  prod = my.prod, model = "BC1992",
  eff.time.invariant = FALSE,
  mean.u.0i.zero = TRUE,
  ln.var.v.it = ln.var.v.it,
  ln.var.u.0i = ln.var.u.0i,
  cost.eff.less.one = FALSE)

# normal-truncated normal -----

# Kumbhakar (1990) model -----

# truncation point is constant (for all ids) -----

t_ntn_K1990_0 <- sf(formu, data = banks00_07, it = my.it, subset = year > 2000,
  prod = my.prod,
  eff.time.invariant = FALSE,
  mean.u.0i.zero = FALSE,
  ln.var.v.it = ln.var.v.it,
  ln.var.u.0i = ln.var.u.0i,
  cost.eff.less.one = FALSE)

# truncation point is determined by variables -----

t_ntn_K1990_1 <- sf(formu, data = banks00_07, it = my.it, subset = year > 2000,
  prod = my.prod,
  eff.time.invariant = FALSE,
  mean.u.0i.zero = FALSE,
  mean.u.0i = mean.u.0i_1,
  ln.var.v.it = ln.var.v.it,
  ln.var.u.0i = ln.var.u.0i,
  cost.eff.less.one = FALSE)

```

```

# Efficiencies are tiny, since empirically truncation points are quite big.
# Try without an intercept in conditional mean f-n

t_ntn_K1990_2 <- sf(formu, data = banks00_07, it = my.it, subset = year > 2000,
  prod = my.prod,
  eff.time.invariant = FALSE,
  mean.u.0i.zero = FALSE,
  mean.u.0i = mean.u.0i_2,
  ln.var.v.it = ln.var.v.it,
  ln.var.u.0i = ln.var.u.0i,
  cost.eff.less.one = FALSE)

# Kumbhakar (1990) modified model -----

t_ntn_K1990modified <- sf(formu, data = banks00_07, it = my.it, subset = year > 2000,
  prod = my.prod, model = "K1990modified",
  eff.time.invariant = FALSE,
  mean.u.0i.zero = FALSE,
  mean.u.0i = mean.u.0i_1,
  ln.var.v.it = ln.var.v.it,
  ln.var.u.0i = ln.var.u.0i,
  cost.eff.less.one = FALSE)

# Battese and Coelli (1992) model -----

t_ntn_BC1992 <- sf(formu, data = banks00_07, it = my.it, subset = year > 2000,
  prod = my.prod, model = "BC1992",
  eff.time.invariant = FALSE,
  mean.u.0i.zero = FALSE,
  mean.u.0i = mean.u.0i_1,
  ln.var.v.it = ln.var.v.it,
  ln.var.u.0i = ln.var.u.0i,
  cost.eff.less.one = FALSE)

# The next one (without "subset = year > 2000" option) converges OK

t_ntn_BC1992 <- sf(formu, data = banks00_07, it = my.it,
  prod = my.prod, model = "BC1992",
  eff.time.invariant = FALSE,
  mean.u.0i.zero = FALSE,
  mean.u.0i = mean.u.0i_1,
  ln.var.v.it = ln.var.v.it,
  ln.var.u.0i = ln.var.u.0i,
  cost.eff.less.one = FALSE)

# 4 component model -----

# Note, R should better be more than 200, this is just for illustration.
# This is the model that takes long to be estimated.
# For the following example, 'mlmaximize' required 357 iterations and
# took 8 minutes.
# The time will increase with more data and more parameters.

```

```

formu <- log(TC) ~ log(Y1) + log(Y2) + log(W1) + log(W2) + trend

t_4comp <- sf(formu, data = banks00_07, it = my.it,
              subset = year >= 2001 & year < 2006,
              prod = my.prod, model = "4comp",
              R = 500, initialize.halton = TRUE,
              lmtol = 1e-5, maxit = 500, print.level = 4)

# With R = 500, 'mlmaximize' required 124 iterations and
# took 7 minutes.
# The time will increase with more data and more parameters.

formu <- log(TC) ~ log(Y1) + log(Y2) + log(W1) + log(W2) + trend

t_4comp_500 <- sf(formu, data = banks00_07, it = my.it,
                  subset = year >= 2001 & year < 2006,
                  prod = my.prod, model = "4comp",
                  R = 500, initialize.halton = TRUE,
                  lmtol = 1e-5, maxit = 500, print.level = 4)

# @e_i0, @e_it, and @e_over give efficiencies,
# where @ is either 'c' or 't' for cost or production function.
# e.g., t_ntn_4comp$ce_i0 from last model, gives persistent cost efficiencies

# Panel data examples end -----

## End(Not run)

```

---

summary.npsf

*'summary' method for class 'npsf'*


---

## Description

Prints summary of SF or DEA model estimated by [sf](#), [teradial](#), [tenonradial](#), and [teradialbc](#), or testing procedures [nptestrts](#) and [nptestind](#).

## Usage

```

## S3 method for class 'npsf'
summary( object, ... )
## S3 method for class 'summary.npsf'
print( x, digits = NULL, print.level = NULL, ... )

```

## Arguments

**object** an object of class `npsf` returned by one of the functions [sf](#), [teradial](#), [tenonradial](#), [teradialbc](#), [nptestrts](#) or [nptestind](#).

x	an object of class npsf returned by one of the functions <a href="#">sf</a> , <a href="#">teradial</a> , <a href="#">tenonradial</a> , <a href="#">teradialbc</a> , <a href="#">nptestrts</a> or <a href="#">nptestind</a> .
digits	numeric. Number of digits to be displayed in estimation results and for efficiency estimates. Default is 4.
print.level	numeric. 0 - nothing is printed; 1 - print summary of the model and data. 2 - print summary of technical efficiency measures. 3 - print estimation results observation by observation (for DEA models). Default is 1.
...	currently unused.

### Details

The summary depends on the model or testing procedure that is being estimated

### Value

Currently no value is returned

### Author(s)

Oleg Badunenko <[oleg.badunenko@brunel.ac.uk](mailto:oleg.badunenko@brunel.ac.uk)>

### See Also

[sf](#), [teradial](#), [tenonradial](#), [teradialbc](#), [tenonradialbc](#), [nptestrts](#), and [nptestind](#)

### Examples

```
require( npsf )

# Load Penn World Tables 5.6 dataset

data( pwt56 )

# Stochastic production frontier model with
# homoskedastic error components (half-normal)

# Use subset of observations - for year 1965

# DEA

t1 <- teradialbc ( Y ~ K + L, data = pwt56, subset = Nu < 10,
  reps = 199, print.level = 0)
summary(t1)

# SFA

m1 <- sf(log(Y) ~ log(L) + log(K), data = pwt56,
  subset = year == 1965, distribution = "h",
  print.level = 0)
summary( m1 )
```

```
# Load U.S. commercial banks dataset

data(banks05)

m3 <- sf(lnC ~ lnw1 + lnw2 + lny1 + lny2, ln.var.u.0i = ~ ER,
        ln.var.v.0i = ~ LA, data = banks05, distribution = "t",
        prod = FALSE, print.level = 3)

summary(m3)
```

---

tenonradial

*Nonradial Measure of Technical Efficiency, the Russell Measure*


---

## Description

Routine `tenonradial` uses reduced linear programming to compute the nonradial output- or input-based measure of technical efficiency, which is known as the Russell measure. In input-based nonradial efficiency measurement, this measure allows for non-proportional/different reductions in each positive input, and this is what permits it to shrink an input vector all the way back to the efficient subset. In output-based nonradial efficiency measurement, the Russell measure allows for non-proportional/different expansions of each positive output.

## Usage

```
tenonradial(formula, data, subset,
            rts = c("C", "NI", "V"),
            base = c("output", "input"),
            ref = NULL, data.ref = NULL, subset.ref = NULL,
            full.solution = TRUE,
            print.level = 1)
```

## Arguments

<code>formula</code>	an object of class “formula” (or one that can be coerced to that class): a symbolic description of the model. The details of model specification are given under ‘Details’.
<code>data</code>	an optional data frame containing the variables in the model. If not found in data, the variables are taken from environment ( <code>formula</code> ), typically the environment from which <code>tenonradial</code> is called.
<code>subset</code>	an optional vector specifying a subset of observations for which technical efficiency is to be computed.
<code>rts</code>	character or numeric. string: first letter of the word “c” for constant, “n” for non-increasing, or “v” for variable returns to scale assumption. numeric: 3 for constant, 2 for non-increasing, or 1 for variable returns to scale assumption.

base	character or numeric. string: first letter of the word “o” for computing output-based or “i” for computing input-based technical efficiency measure. string: 2 for computing output-based or 1 for computing input-based technical efficiency measure
ref	an object of class “formula” (or one that can be coerced to that class): a symbolic description of inputs and outputs that are used to define the technology reference set. The details of technology reference set specification are given under ‘Details’. If reference is not provided, the technical efficiency measures for data points are computed relative to technology based on data points themselves.
data.ref	an optional data frame containing the variables in the technology reference set. If not found in data.ref, the variables are taken from environment(ref), typically the environment from which tenonradial is called.
subset.ref	an optional vector specifying a subset of observations to define the technology reference set.
full.solution	logical. The detailed solution is returned. See value section.
print.level	numeric. 0 - nothing is printed; 1 - print summary of the model and data. 2 - print summary of technical efficiency measures. 3 - print estimation results observation by observation. Default is 1.

## Details

Routine `tenonradial` computes the nonradial output- or input-based measure of technical efficiency under assumption of constant, non-increasing, or variable returns to scale technology. The details of the estimator can be found e.g., in Färe, Grosskopf, and Lovell (1994) or Badunenko and Mozharovskyi (2020).

Models for `tenonradial` are specified symbolically. A typical model has the form  $\text{outputs} \sim \text{inputs}$ , where `outputs` (`inputs`) is a series of (numeric) terms which specifies outputs (inputs). The same goes for reference set. Refer to the examples.

Results can be summarized using `summary.npsf`.

## Value

`tenonradial` returns a list of class `npsf` containing the following elements:

model	string: model name.
K	numeric: number of data points for which efficiency is estimated.
M	numeric: number of outputs.
N	numeric: number of inputs.
Kref	numeric: number of data points in the reference.
rts	string: RTS assumption.
base	string: base for efficiency measurement.
te	numeric: nonradial measure (Russell) of technical efficiency.
te.detail	numeric: $K \times ncol$ matrix containing thetas or lambdas for <code>ncol</code> outputs (output-based) or inputs (input-based). <code>ncol</code> is M for output- and N for input-based efficiency measurement.

intensity	numeric: $K \times K_{ref}$ matrix containing the intensity variables $z$ . These can be used to identify peers.
esample	logical: returns TRUE if the observation in user supplied data is in the estimation subsample and FALSE otherwise.
esample.ref	logical: returns TRUE if the observation in the user supplied reference is in the reference subsample and FALSE otherwise.

### Note

In case of one input (output), the input (output)-based Russell measure is equal to Debrue-Farrell ([teradial](#)) measure of technical efficiency.

Results can be summarized using [summary.npsf](#).

### Author(s)

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### References

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Badunenko, O. and Mozharovskyi, P. (2020), Statistical inference for the Russell measure of technical efficiency, *Journal of the Operational Research Society*, **713**, 517–527, doi: [10.1080/01605682.2019.1599778](https://doi.org/10.1080/01605682.2019.1599778)

Färe, R. and Lovell, C. A. K. (1978), Measuring the technical efficiency of production, *Journal of Economic Theory*, **19**, 150–162, doi: [10.1016/00220531\(78\)900601](https://doi.org/10.1016/00220531(78)900601)

Färe, R., Grosskopf, S. and Lovell, C. A. K. (1994), *Production Frontiers*, Cambridge U.K.: Cambridge University Press, doi: [10.1017/CBO9780511551710](https://doi.org/10.1017/CBO9780511551710)

### See Also

[teradial](#), [teradialbc](#), [tenonradialbc](#), [nptestrts](#), [nptestind](#), [sf](#), [summary.npsf](#) for printing summary results

### Examples

```
require( npsf )

# Prepare data and matrices

data( pwt56 )
head( pwt56 )

# Create some missing values

pwt56 [49, "K"] <- NA # create missing

Y1 <- as.matrix ( pwt56[ pwt56$year == 1965, c("Y"), drop = FALSE] )
X1 <- as.matrix ( pwt56[ pwt56$year == 1965, c("K", "L"), drop = FALSE] )
```



```

X1 [51, 2] <- NA # create missing
X1 [49, 1] <- NA # create missing

data( ccr81 )
head( ccr81 )

# Create some missing values

ccr81 [64, "x4"] <- NA # create missing
ccr81 [68, "y2"] <- NA # create missing

Y2 <- as.matrix( ccr81[ , c("y1", "y2", "y3"), drop = FALSE] )
X2 <- as.matrix( ccr81[ , c("x1", "x2", "x3", "x4", "x5"), drop = FALSE] )

# Computing without reference set

# Using formula

# Country is a categorical variable, so nonradial gives error message

# t1 <- tenonradial ( Country ~ K + L, data = pwt56 )

# for computing the efficiencies of countries in 1965
# with technology reference set is defined by observations in 1965
# (that same sample of countries)

t2 <- tenonradial ( Y ~ K + L, data = pwt56, rts = "v",
base = "in", print.level = 2)

# Using a subset

t3 <- tenonradial ( Y ~ K + L, data = pwt56, subset = year == 1965,
rts = "VRS", base = "in", print.level = 3 )

t4 <- tenonradial ( Y ~ K + L, data = pwt56, subset = Nu < 10,
rts = "vrs", base = "I" )

t5 <- tenonradial ( Y ~ L, data = pwt56, subset = Nu < 10, rts = "v" )

# Multiple outputs

t8 <- tenonradial ( y1 + y2 + y3 ~ x1 + x2 + x3 + x4 + x5, data = ccr81,
rts = "v", base = "i" )

# Using a subset

t7 <- tenonradial ( y1 + y2 + y3 ~ x1 + x2 + x3 + x4 + x5, data = ccr81,
subset = x5 != 22, rts = "n", base = "o" )

# Computation using matrices

t9 <- tenonradial ( Y1 ~ X1, rts = "v", base = "i" )

```

```

# Define subsets on a fly

t10 <- tenonradial ( Y1[-1,] ~ X1[-2,1] )
t11 <- tenonradial ( Y1[-3,] ~ X1[-1,], rts = "v", base = "o" )

# Multiple outputs

t12 <- tenonradial ( Y2 ~ X2 )
t13 <- tenonradial ( Y2[-66,] ~ X2[-1, -c(1,3)] )

# Computing with reference set

# Using formula

# For computing the efficiencies of countries with order number
# less than 10 with technology reference set defined by countries
# with order number larger than 10 and smaller than 11 (in effect
# no reference set, hence warning) type

t14 <- tenonradial ( Y ~ K + L, data = pwt56, subset = Nu < 10,
  ref = Y ~ K + L, data.ref = pwt56,
  subset.ref = Nu > 10 & Nu < 11 ) # warning

# For computing the efficiencies of countries with order number
# less than 10 with technology reference set defined by countries
# with order number larger than 10 and smaller than 15 type

t15 <- tenonradial ( Y ~ K + L, data = pwt56, subset = Nu < 10, ref = Y ~ K + L,
  data.ref = pwt56, subset.ref = Nu > 10 & Nu < 15 )

# For computing the efficiencies of countries in 1965
# with technology reference set is defined by observations in both
# 1965 and 1990 (all) type

t16 <- tenonradial ( Y ~ K + L, data = pwt56, subset = year == 1965,
  rts = "v", base = "i",
  ref = Y ~ K + L, data.ref = pwt56 )

# For computing the efficiencies of countries in 1990
# with technology reference set is defined by observations in 1965
# type

t17 <- tenonradial ( Y ~ K + L, data = pwt56, subset = year == 1990,
  ref = Y ~ K + L, data.ref = pwt56, subset.ref = year == 1965 )

# Using matrices

t18 <- tenonradial ( Y1[-1,] ~ X1[-2,], ref = Y1[-2,] ~ X1[-1,] )

# error: not equal number of observations in outputs and inputs

```

```

# t19 <- tenonradial ( Y1[-1,] ~ X1[-(1:2),],
# ref = Y1[-2,] ~ X1[-1,1] )

# Combined formula and matrix

# error: not equal number of inputs in data and reference set

# t20 <- tenonradial ( Y ~ K + L, data = pwt56, subset = Nu < 10,
# ref = Y1[-2,] ~ X1[-1,1] )

t21 <- tenonradial ( Y ~ K + L, data = pwt56, subset = Nu < 10,
  ref = Y1[-2,] ~ X1[-1,] )

## Not run:

# Really large data-set

data(usmanuf)
head(usmanuf)

nrow(usmanuf)
table(usmanuf$year)

# This will take some time depending on computer power

t22 <- tenonradial ( Y ~ K + L + M, data = usmanuf,
  subset = year >= 1995 & year <= 2000 )

# Summary

summary ( t22$te )

# Write efficiencies to the data frame:

usmanuf$te_nonrad_crs_out[ t22$esample ] <- t22$te

head(usmanuf, 17)

## End(Not run)

```

---

tenonradialbc

*Statistical Inference Regarding the Russell Measure of Technical Efficiency*


---

### Description

Routine `tenonradialbc` performs bias correction of the nonradial Russell input- or output-based measure of technical efficiency, computes bias and constructs confidence intervals via bootstrapping

techniques.

### Usage

```
tenonradialbc(formula, data, subset,
              ref = NULL, data.ref = NULL, subset.ref = NULL,
              rts = c("C", "NI", "V"), base = c("output", "input"),
              homogeneous = TRUE, smoothed = TRUE, kappa = NULL,
              reps = 999, level = 95,
              print.level = 1, show.progress = TRUE, seed = NULL)
```

### Arguments

formula	an object of class “formula” (or one that can be coerced to that class): a symbolic description of the model. The details of model specification are given under ‘Details’.
data	an optional data frame containing the variables in the model. If not found in data, the variables are taken from environment (formula), typically the environment from which teradial is called.
subset	an optional vector specifying a subset of observations for which technical efficiency is to be computed.
rts	character or numeric. string: first letter of the word “c” for constant, “n” for non-increasing, or “v” for variable returns to scale assumption. numeric: 3 for constant, 2 for non-increasing, or 1 for variable returns to scale assumption.
base	character or numeric. string: first letter of the word “o” for computing output-based or “i” for computing input-based technical efficiency measure. numeric: 2 for computing output-based or 1 for computing input-based technical efficiency measure
ref	an object of class “formula” (or one that can be coerced to that class): a symbolic description of inputs and outputs that are used to define the technology reference set. The details of technology reference set specification are given under ‘Details’. If reference is not provided, the technical efficiency measures for data points are computed relative to technology based on data points themselves.
data.ref	an optional data frame containing the variables in the technology reference set. If not found in data.ref, the variables are taken from environment(ref), typically the environment from which teradial is called.
subset.ref	an optional vector specifying a subset of observations to define the technology reference set.
smoothed	logical. If TRUE, the reference set is bootstrapped with smoothing; if FALSE, the reference set is bootstrapped with subsampling.
homogeneous	logical. Relevant if smoothed=TRUE. If TRUE, the reference set is bootstrapped with homogeneous smoothing; if FALSE, the reference set is bootstrapped with heterogeneous subsampling.
kappa	relevant if smoothed=TRUE. ‘kappa’ sets the size of the subsample as $K^{\text{kappa}}$ , where $K$ is the number of data points in the original reference set. The default value is 0.7. ‘kappa’ may be between 0.5 and 1.

reps	specifies the number of bootstrap replications to be performed. The default is 999. The minimum is 100. Adequate estimates of confidence intervals using bias-corrected methods typically require 1,000 or more replications.
level	sets confidence level for confidence intervals; default is level=95.
show.progress	logical. Relevant if print.level>=1. If TRUE, progress of the bootstrap is displayed; if FALSE, display of the bootstrap progress is suppressed.
print.level	numeric. 0 - nothing is printed; 1 - print summary of the model and data. 2 - print summary of technical efficiency measures. 3 - print estimation results observation by observation. Default is 1.
seed	numeric. The seed (for replication purposes).

### Details

Routine `tenonradialbc` performs bias correction of the nonradial Russell input- or output-based measure of technical efficiency, computes bias and constructs confidence intervals via bootstrapping techniques (see Badunenko and Mozharovskyi (2020), doi: [10.1080/01605682.2019.1599778](https://doi.org/10.1080/01605682.2019.1599778)).

Models for `tenonradialbc` are specified symbolically. A typical model has the form `outputs ~ inputs`, where `outputs` (`inputs`) is a series of (numeric) terms which specifies `outputs` (`inputs`). The same goes for reference set. Refer to the examples.

Results can be summarized using `summary.npsf`.

### Value

`tenonradialbc` returns a list of class `npsf` containing the following elements:

K	numeric: number of data points.
M	numeric: number of outputs.
N	numeric: number of inputs.
rts	string: RTS assumption.
base	string: base for efficiency measurement.
reps	numeric: number of bootstrap replications.
level	numeric: confidence level for confidence intervals.
te	numeric: radial measure (Russell) of technical efficiency.
tebc	numeric: bias-corrected radial measures of technical efficiency.
biasboot	numeric: bootstrap bias estimate for the original radial measures of technical efficiency.
varboot	numeric: bootstrap variance estimate for the radial measures of technical efficiency.
biassqvar	numeric: one-third of the ratio of bias squared to variance for radial measures of technical efficiency.
realreps	numeric: actual number of replications used for statistical inference.
telow	numeric: lower bound estimate for radial measures of technical efficiency.
teupp	numeric: upper bound estimate for radial measures of technical efficiency.

teboot	numeric: reps x K matrix containing bootstrapped measures of technical efficiency from each of reps bootstrap replications.
esample	logical: returns TRUE if the observation in user supplied data is in the estimation subsample and FALSE otherwise.

### Note

Before specifying option homogeneous it is advised to preform the test of independence (see [nptestind](#)). Routine [nptestrts](#) may help deciding regarding option rts.

Results can be summarized using [summary.npsf](#).

### Author(s)

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### References

- Badunenko, O. and Mozharovskyi, P. (2020), Statistical inference for the Russell measure of technical efficiency, *Journal of the Operational Research Society*, **713**, 517–527, doi: [10.1080/01605682.2019.1599778](https://doi.org/10.1080/01605682.2019.1599778)
- Färe, R., Grosskopf, S. and Lovell, C. A. K. (1994), *Production Frontiers*, Cambridge U.K.: Cambridge University Press, doi: [10.1017/CBO9780511551710](https://doi.org/10.1017/CBO9780511551710)

### See Also

[teradial](#), [tenonradial](#), [teradialbc](#), [nptestrts](#), [nptestind](#), [sf](#)

### Examples

```
## Not run:

data( ccr81 )
head( ccr81 )

# Subsampling

t9 <- tenonradialbc(y1 + y2 + y3 ~ x1 + x2 + x3 + x4 + x5, data = ccr81,
  ref = NULL, data.ref = NULL, subset.ref = NULL,
  rts = "v", base = "i",
  homogeneous = FALSE, smoothed = TRUE, kappa = .6,
  reps = 999, level = 95,
  print.level = 1, show.progress = TRUE, seed = NULL)

# display the results

cbind(te = t9$te, telow = t9$telow, tebc = t9$tebc, teupp = t9$teupp,
  biasboot = t9$biasboot, varboot = t9$varboot, biassqvar = t9$biassqvar)

# Smoothing

t10 <- tenonradialbc(y1 + y2 + y3 ~ x1 + x2 + x3 + x4 + x5, data = ccr81,
```

```

ref = NULL, data.ref = NULL, subset.ref = NULL,
rts = "v", base = "i",
homogeneous = TRUE, smoothed = TRUE, kappa = .6,
reps = 999, level = 95,
print.level = 1, show.progress = TRUE, seed = NULL)

# display the results

cbind(te = t10$te, telow = t10$telow, tebc = t10$tebc, teupp = t10$teupp,
      biasboot = t10$biasboot, varboot = t10$varboot, biassqvar = t10$biassqvar)

## End(Not run)

```

---

teradial

*Radial Measure of Technical Efficiency, the Debrue-Farrell Measure*


---

## Description

Routine `teradial` computes radial Debrue-Farrell input- or output-based measure of efficiency via reduced linear programming. In input-based radial efficiency measurement, this measure allows for proportional reductions in each positive input, and this is what permits it to shrink an input vector all the way back to the efficient subset. In output-based radial efficiency measurement, the Debrue-Farrell measure allows for proportional expansions of each positive output.

## Usage

```

teradial(formula, data, subset,
         rts = c("C", "NI", "V"),
         base = c("output", "input"),
         ref = NULL, data.ref = NULL, subset.ref = NULL,
         intensity = FALSE,
         print.level = 1)

```

## Arguments

<code>formula</code>	an object of class “formula” (or one that can be coerced to that class): a symbolic description of the model. The details of model specification are given under ‘Details’.
<code>data</code>	an optional data frame containing the variables in the model. If not found in data, the variables are taken from environment ( <code>formula</code> ), typically the environment from which <code>teradial</code> is called.
<code>subset</code>	an optional vector specifying a subset of observations for which technical efficiency is to be computed.
<code>rts</code>	character or numeric. string: first letter of the word “c” for constant, “n” for non-increasing, or “v” for variable returns to scale assumption. numeric: 3 for constant, 2 for non-increasing, or 1 for variable returns to scale assumption.

<code>base</code>	character or numeric. string: first letter of the word “o” for computing output-based or “i” for computing input-based technical efficiency measure. string: 2 for computing output-based or 1 for computing input-based technical efficiency measure
<code>ref</code>	an object of class “formula” (or one that can be coerced to that class): a symbolic description of inputs and outputs that are used to define the technology reference set. The details of technology reference set specification are given under ‘Details’. If reference is not provided, the technical efficiency measures for data points are computed relative to technology based on data points themselves.
<code>data.ref</code>	an optional data frame containing the variables in the technology reference set. If not found in <code>data.ref</code> , the variables are taken from <code>environment(ref)</code> , typically the environment from which <code>teradial</code> is called.
<code>subset.ref</code>	an optional vector specifying a subset of observations to define the technology reference set.
<code>intensity</code>	logical. If set to TRUE, the value <code>intensity</code> will contain $K \times K_{ref}$ matrix with intensity variables, which can be used to for example identify the peers. Default is FALSE as the matrix is potentially large.
<code>print.level</code>	numeric. 0 - nothing is printed; 1 - print summary of the model and data. 2 - print summary of technical efficiency measures. 3 - print estimation results observation by observation. Default is 1.

## Details

Routine `teradial` computes the radial output- or input-based measure of technical efficiency under assumption of constant, non-increasing, or variable returns to scale technology. The details of the estimator can be found e.g., in Färe, Grosskopf, and Lovell (1994, especially section 3.1 on p.62 for input-based and section 4.1 on p.96 for output-based efficiency measurement) or Badunenko and Mozharovskyi (2016).

Models for `teradial` are specified symbolically. A typical model has the form `outputs ~ inputs`, where `outputs` (`inputs`) is a series of (numeric) terms which specifies outputs (`inputs`). The same goes for reference set. Refer to the examples.

Results can be summarized using [summary.npsf](#).

## Value

`teradial` returns a list of class `npsf` containing the following elements:

<code>K</code>	numeric: number of data points.
<code>M</code>	numeric: number of outputs.
<code>N</code>	numeric: number of inputs.
<code>rts</code>	string: RTS assumption.
<code>base</code>	string: base for efficiency measurement.
<code>te</code>	numeric: radial measure (Debrue-Farrell) of technical efficiency.



intensity	numeric: if the option intensity is set to TRUE, the value intensity will contain $K \times K_{ref}$ matrix with intensity variables, which can be used to for example identify the peers (see example with t3 in the example section). Is NULL if option intensity is set to FALSE, which is a default.
esample	logical: returns TRUE if the observation in user supplied data is in the estimation subsample and FALSE otherwise.
esample.ref	logical: returns TRUE if the observation in the user supplied reference is in the reference subsample and FALSE otherwise.

### Note

In case of one input (output), the input (output)-based Debrue-Farrell measure is equal to Russell measure of technical efficiency (see [tenonradial](#)).

Results can be summarized using [summary.npsf](#).

### Author(s)

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### References

Badunenko, O. and Mozharovskyi, P. (2016), Nonparametric Frontier Analysis using Stata, *Stata Journal*, **16**(3), 550–589, doi: [10.1177/1536867X1601600302](https://doi.org/10.1177/1536867X1601600302)

Färe, R. and Lovell, C. A. K. (1978), Measuring the technical efficiency of production, *Journal of Economic Theory*, **19**, 150–162, doi: [10.1016/00220531\(78\)900601](https://doi.org/10.1016/00220531(78)900601)

Färe, R., Grosskopf, S. and Lovell, C. A. K. (1994), *Production Frontiers*, Cambridge U.K.: Cambridge University Press, doi: [10.1017/CBO9780511551710](https://doi.org/10.1017/CBO9780511551710)

### See Also

[tenonradial](#), [teradialbc](#), [tenonradialbc](#), [nptestrts](#), [nptestind](#), [sf](#)

### Examples

```
require( npsf )

# Prepare data and matrices

data( pwt56 )
head( pwt56 )

# Create some missing values

pwt56 [49, "K"] <- NA # create missing

Y1 <- as.matrix ( pwt56[ pwt56$year == 1965, c("Y"), drop = FALSE] )
X1 <- as.matrix ( pwt56[ pwt56$year == 1965, c("K", "L"), drop = FALSE] )
```

```

X1 [51, 2] <- NA # create missing
X1 [49, 1] <- NA # create missing

data( ccr81 )
head( ccr81 )

# Create some missing values

ccr81 [64, "x4"] <- NA # create missing
ccr81 [68, "y2"] <- NA # create missing

Y2 <- as.matrix( ccr81[ , c("y1", "y2", "y3"), drop = FALSE] )
X2 <- as.matrix( ccr81[ , c("x1", "x2", "x3", "x4", "x5"), drop = FALSE] )

# Computing without reference set

# Using formula

# Country is a categorical variable, so nonradial gives error message

# t1 <- teradial ( Country ~ K + L, data = pwt56 )

# for computing the efficiencies of countries in 1965
# with technology reference set is defined by observations in 1965
# (that same sample of countries)

t2 <- teradial ( Y ~ K + L, data = pwt56, rts = "v",
base = "in", print.level = 2)

# Using a subset

t3 <- teradial ( Y ~ K + L, data = pwt56, subset = year == 1965,
rts = "VRS", base = "in", print.level = 3, intensity = TRUE )

# VRS constraint is satisfied, which is easy to verify
# by checking the sums of intensity variables
rowSums(t3$intensity)

# to obtain peers create a list that will contain order numbers of peers
t3.peers <- list()
# now fill this list
for(i in seq.int(sum(t3$esample))){
  t3.peers[[i]] <- which( t3$intensity[i,] != 0 )
}

t4 <- teradial ( Y ~ K + L, data = pwt56, subset = Nu < 10,
rts = "vrs", base = "I" )

t5 <- teradial ( Y ~ L, data = pwt56, subset = Nu < 10, rts = "v" )

# Multiple outputs

t8 <- teradial ( y1 + y2 + y3 ~ x1 + x2 + x3 + x4 + x5, data = ccr81,

```

```

rts = "v", base = "i" )

# Using a subset

t7 <- teradial ( y1 + y2 + y3 ~ x1 + x2 + x3 + x4 + x5, data = ccr81,
  subset = x5 != 22, rts = "n", base = "o" )

# Computation using matrices

t9 <- teradial ( Y1 ~ X1, rts = "v", base = "i" )

# Define subsets on a fly

t10 <- teradial ( Y1[-1,] ~ X1[-2,1] )
t11 <- teradial ( Y1[-3,] ~ X1[-1,], rts = "v", base = "o" )

# Multiple outputs

t12 <- teradial ( Y2 ~ X2 )
t13 <- teradial ( Y2[-66,] ~ X2[-1, -c(1,3)] )

# Computing with reference set

# Using formula

# For computing the efficiencies of countries with order number
# less than 10 with technology reference set defined by countries
# with order number larger than 10 and smaller than 11 (in effect
# no reference set, hence warning) type

t14 <- teradial ( Y ~ K + L, data = pwt56, subset = Nu < 10,
  ref = Y ~ K + L, data.ref = pwt56,
  subset.ref = Nu > 10 & Nu < 11 ) # warning

# For computing the efficiencies of countries with order number
# less than 10 with technology reference set defined by countries
# with order number larger than 10 and smaller than 15 type

t15 <- teradial ( Y ~ K + L, data = pwt56, subset = Nu < 10, ref = Y ~ K + L,
  data.ref = pwt56, subset.ref = Nu > 10 & Nu < 15 )

# For computing the efficiencies of countries in 1965
# with technology reference set is defined by observations in both
# 1965 and 1990 (all) type

t16 <- teradial ( Y ~ K + L, data = pwt56, subset = year == 1965,
  rts = "v", base = "i",
  ref = Y ~ K + L, data.ref = pwt56 )

# For computing the efficiencies of countries in 1990
# with technology reference set is defined by observations in 1965
# type

```

```

t17 <- teradial ( Y ~ K + L, data = pwt56, subset = year == 1990,
  ref = Y ~ K + L, data.ref = pwt56, subset.ref = year == 1965 )

# Using matrices

t18 <- teradial ( Y1[-1,] ~ X1[-2,], ref = Y1[-2,] ~ X1[-1,] )

# error: not equal number of observations in outputs and inputs

# t19 <- teradial ( Y1[-1,] ~ X1[-(1:2),],
# ref = Y1[-2,] ~ X1[-1,1] )

# Combined formula and matrix

# error: not equal number of inputs in data and reference set

# t20 <- teradial ( Y ~ K + L, data = pwt56, subset = Nu < 10,
# ref = Y1[-2,] ~ X1[-1,1] )

t21 <- teradial ( Y ~ K + L, data = pwt56, subset = Nu < 10,
  ref = Y1[-2,] ~ X1[-1,] )

## Not run:

# Really large data-set

data(usmanuf)
head(usmanuf)

nrow(usmanuf)
table(usmanuf$year)

# This will take some time depending on computer power

t22 <- teradial ( Y ~ K + L + M, data = usmanuf,
  subset = year >= 1995 & year <= 2000 )

# Summary

summary ( t22$te )

# Write efficiencies to the data frame:

usmanuf$te_nonrad_crs_out[ t22$esample ] <- t22$te

head(usmanuf, 17)

## End(Not run)

```

---

teradialbc	<i>Statistical Inference Regarding the Radial Measure of Technical Efficiency</i>
------------	---

---

### Description

Routine `teradialbc` performs bias correction of the radial Debrue-Farrell input- or output-based measure of technical efficiency, computes bias and constructs confidence intervals via bootstrapping techniques.

### Usage

```
teradialbc(formula, data, subset,
  ref = NULL, data.ref = NULL, subset.ref = NULL,
  rts = c("C", "NI", "V"), base = c("output", "input"),
  homogeneous = TRUE, smoothed = TRUE, kappa = NULL,
  reps = 999, level = 95,
  core.count = 1, cl.type = c("SOCK", "MPI"),
  print.level = 1, dots = TRUE)
```

### Arguments

<code>formula</code>	an object of class “formula” (or one that can be coerced to that class): a symbolic description of the model. The details of model specification are given under ‘Details’.
<code>data</code>	an optional data frame containing the variables in the model. If not found in <code>data</code> , the variables are taken from environment ( <code>formula</code> ), typically the environment from which <code>teradial</code> is called.
<code>subset</code>	an optional vector specifying a subset of observations for which technical efficiency is to be computed.
<code>rts</code>	character or numeric. string: first letter of the word “c” for constant, “n” for non-increasing, or “v” for variable returns to scale assumption. numeric: 3 for constant, 2 for non-increasing, or 1 for variable returns to scale assumption.
<code>base</code>	character or numeric. string: first letter of the word “o” for computing output-based or “i” for computing input-based technical efficiency measure. string: 2 for computing output-based or 1 for computing input-based technical efficiency measure
<code>ref</code>	an object of class “formula” (or one that can be coerced to that class): a symbolic description of inputs and outputs that are used to define the technology reference set. The details of technology reference set specification are given under ‘Details’. If reference is not provided, the technical efficiency measures for data points are computed relative to technology based on data points themselves.
<code>data.ref</code>	an optional data frame containing the variables in the technology reference set. If not found in <code>data.ref</code> , the variables are taken from environment( <code>ref</code> ), typically the environment from which <code>teradial</code> is called.

subset.ref	an optional vector specifying a subset of observations to define the technology reference set.
smoothed	logical. If TRUE, the reference set is bootstrapped with smoothing; if FALSE, the reference set is bootstrapped with subsampling.
homogeneous	logical. Relevant if smoothed=TRUE. If TRUE, the reference set is bootstrapped with homogeneous smoothing; if FALSE, the reference set is bootstrapped with heterogeneous smoothing.
kappa	relevant if smoothed=TRUE. 'kappa' sets the size of the subsample as $K^{\text{kappa}}$ , where K is the number of data points in the original reference set. The default value is 0.7. 'kappa' may be between 0.5 and 1.
reps	specifies the number of bootstrap replications to be performed. The default is 999. The minimum is 100. Adequate estimates of confidence intervals using bias-corrected methods typically require 1,000 or more replications.
level	sets confidence level for confidence intervals; default is level = 95.
core.count	positive integer. Number of cluster nodes. If core.count=1, the process runs sequentially. See performParallel in package snowFT for more details.
cl.type	Character string that specifies cluster type (see makeClusterFT in package snowFT). Possible values are 'MPI' and 'SOCK' ('PVM' is currently not available). See performParallel in package snowFT for more details.
dots	logical. Relevant if print.level>=1. If TRUE, one dot character is displayed for each successful replication; if FALSE, display of the replication dots is suppressed.
print.level	numeric. 0 - nothing is printed; 1 - print summary of the model and data. 2 - print summary of technical efficiency measures. 3 - print estimation results observation by observation. Default is 1.

## Details

Routine teradialbc performs bias correction of the radial Debrue-Farrell input- or output-based measure of technical efficiency, computes bias and constructs confidence intervals via bootstrapping techniques. See Simar and Wilson (1998) doi: [10.1287/mnsc.44.1.49](https://doi.org/10.1287/mnsc.44.1.49), Simar and Wilson (2000) doi: [10.1080/02664760050081951](https://doi.org/10.1080/02664760050081951), Kneip, Simar, and Wilson (2008) doi: [10.1017/S0266466608080651](https://doi.org/10.1017/S0266466608080651), and references with links below.

Models for teradialbc are specified symbolically. A typical model has the form `outputs ~ inputs`, where `outputs` (`inputs`) is a series of (numeric) terms which specifies `outputs` (`inputs`). The same goes for reference set. Refer to the examples.

If `core.count`>=1, teradialbc will perform bootstrap on multiple cores. Parallel computing requires package snowFT. By the default cluster type is defined by option `cl.type="SOCK"`. Specifying `cl.type="MPI"` requires package Rmpi.

On some systems, specifying option `cl.type="SOCK"` results in much quicker execution than specifying option `cl.type="MPI"`. Option `cl.type="SOCK"` might be problematic on Mac system.

Parallel computing make a difference for large data sets. Specifying option `dots=TRUE` will indicate at what speed the bootstrap actually proceeds. Specify `reps=100` and compare two runs with option `core.count=1` and `core.count>1` to see if parallel computing speeds up the bootstrap. For small samples, parallel computing may actually slow down the teradialbc.

Results can be summarized using [summary.npsf](#).

**Value**

teradialbc returns a list of class npsf containing the following elements:

K	numeric: number of data points.
M	numeric: number of outputs.
N	numeric: number of inputs.
rts	string: RTS assumption.
base	string: base for efficiency measurement.
reps	numeric: number of bootstrap replications.
level	numeric: confidence level for confidence intervals.
te	numeric: radial measure (Russell) of technical efficiency.
tebc	numeric: bias-corrected radial measures of technical efficiency.
biasboot	numeric: bootstrap bias estimate for the original radial measures of technical efficiency.
varboot	numeric: bootstrap variance estimate for the radial measures of technical efficiency.
biassqvar	numeric: one-third of the ratio of bias squared to variance for radial measures of technical efficiency.
realreps	numeric: actual number of replications used for statistical inference.
telow	numeric: lower bound estimate for radial measures of technical efficiency.
teupp	numeric: upper bound estimate for radial measures of technical efficiency.
teboot	numeric: reps x K matrix containing bootstrapped measures of technical efficiency from each of reps bootstrap replications.
esample	logical: returns TRUE if the observation in user supplied data is in the estimation subsample and FALSE otherwise.

**Note**

Before specifying option homogeneous it is advised to preform the test of independence (see [nptestind](#)).

Routine [nptestrts](#) may help deciding regarding option rts.

Results can be summarized using [summary.npsf](#).

**Author(s)**

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### See Also

[teradial](#), [tenonradial](#), [tenonradialbc](#), [nptestrts](#), [nptestind](#), [sf](#)

### Examples

```
## Not run:

require( npsf )

# Prepare data and matrices

data( pwt56 )
head( pwt56 )

# Create some missing values

pwt56 [49, "K"] <- NA # just to create missing

Y1 <- as.matrix ( pwt56[ pwt56$year == 1965, c("Y"), drop = FALSE] )
X1 <- as.matrix ( pwt56[ pwt56$year == 1965, c("K", "L"), drop = FALSE] )

X1 [51, 2] <- NA # just to create missing
X1 [49, 1] <- NA # just to create missing

data( ccr81 )
head( ccr81 )

# Create some missing values

ccr81 [64, "x4"] <- NA # just to create missing
ccr81 [68, "y2"] <- NA # just to create missing

Y2 <- as.matrix( ccr81[ , c("y1", "y2", "y3"), drop = FALSE] )
X2 <- as.matrix( ccr81[ , c("x1", "x2", "x3", "x4", "x5"), drop = FALSE] )

# Compute output-based measures of technical efficiency under
# the assumption of CRS (the default) and perform bias-correction
# using smoothed homogeneous bootstrap (the default) with 999
# replications (the default).
```



```

t1 <- teradialbc ( y1 + y2 + y3 ~ x1 + x2 + x3 + x4 + x5,
  data = ccr81)

# or just

t2 <- teradialbc ( Y2 ~ X2)

# Combined formula and matrix

t3 <- teradialbc ( Y ~ K + L, data = pwt56, subset = Nu < 10,
  ref = Y1[-2,] ~ X1[-1,] )

# Compute input-based measures of technical efficiency under
# the assumption of VRS and perform bias-correction using
# subsampling heterogenous bootstrap with 1999 replications.
# Choose to report 99
# formed by data points where x5 is not equal 10.
# Suppress printing dots.

t4 <- teradialbc ( y1 + y2 + y3 ~ x1 + x2 + x3 + x4 + x5,
  data = ccr81, ref = y1 + y2 + y3 ~ x1 + x2 + x3 + x4 + x5,
  subset.ref = x5 != 10, data.ref = ccr81, reps = 1999,
  smoothed = FALSE, kappa = 0.7, dots = FALSE,
  base = "i", rts = "v", level = 99)

# Compute input-based measures of technical efficiency under
# the assumption of NRS and perform bias-correction using
# smoothed heterogenous bootstrap with 499 replications for
# all data points. The reference set formed by data points
# where x5 is not equal 10.

t5 <- teradialbc ( y1 + y2 + y3 ~ x1 + x2 + x3 + x4 + x5,
  data = ccr81, ref = y1 + y2 + y3 ~ x1 + x2 + x3 + x4 + x5,
  subset.ref = x5 != 10, data.ref = ccr81, homogeneous = FALSE,
  reps = 999, smoothed = TRUE, dots = TRUE, base = "i", rts = "n")

# =====
# === Parallel computing ===
# =====

# Perform previous bias-correction but use 8 cores and
# cluster type SOCK

t51 <- teradialbc ( y1 + y2 + y3 ~ x1 + x2 + x3 + x4 + x5,
  data = ccr81, ref = y1 + y2 + y3 ~ x1 + x2 + x3 + x4 + x5,
  subset.ref = x5 != 10, data.ref = ccr81, homogeneous = FALSE,
  reps = 999, smoothed = TRUE, dots = TRUE, base = "i", rts = "n",
  core.count = 8, cl.type = "SOCK")

# Really large data-set

```

```

data(usmanuf)
head(usmanuf)

nrow(usmanuf)
table(usmanuf$year)

# This will take some time depending on computer power

data(usmanuf)
head(usmanuf)

t6 <- teradialbc ( Y ~ K + L + M, data = usmanuf,
  subset = year >= 1999 & year <= 2000, homogeneous = FALSE,
  base = "o", reps = 100,
  core.count = 8, cl.type = "SOCK")

## End(Not run)

```

---

truncreg

---

*Parametric truncated regression for cross-sectional data*


---

## Description

truncreg performs maximum likelihood estimation of the parameters in cross-sectional truncated regression.

## Usage

```

truncreg(formula, data, subset,
  ll = -Inf, ul = Inf,
  lmtol = .Machine$double.eps, maxiter = 150,
  marg.eff = FALSE,
  print.level = 1)

```

## Arguments

formula	an object of class “formula” (or one that can be coerced to that class): a symbolic description of the model. The details of model specification are given under ‘Details’.
data	an optional data frame containing variables in the model. If not found in data, the variables are taken from environment (formula), typically the environment from which sf is called.
subset	an optional vector specifying a subset of observations for which technical or cost efficiencies are to be computed.
ll	scalar or one-sided formula for lower limit for left-truncation; e.g. ll = ~ 1 or ll = ~ z1.

ul	scalar or one-sided formula for upper limit for right-truncation; e.g. $ul = \sim 800$ or $ul = \sim z1$ .
lmtol	numeric. Tolerance for the scaled gradient in ML optimization. Default is <code>.Machine\$double.eps</code> .
maxiter	numeric. maximum number of iteration for maximization of the log likelihood function.
marg.eff	logical. If TRUE, unit-specific marginal effects of exogenous variables on the mean of distribution of inefficiency term are returned.
print.level	numeric. 0 - nothing is printed. 1 - optimization steps and print estimation results. 2 - detailed optimization steps and print estimation results. Default is 1.

### Details

truncreg performs a regression from a sample drawn from a restricted part of the population. Under the assumption that the error term of the whole population is normal, the error terms in the truncated regression model have a truncated normal distribution.

Both lower limit for left-truncation and upper limit for right-truncation can be specified simultaneously.

Models for truncreg are specified symbolically. A typical model has the form  $y \sim x1 + \dots$ , where  $y$  represents the left hand side variable and  $\{x1, \dots\}$  right hand side variables.

If `marg.eff = TRUE`, the marginal effects are computed.

### Value

truncreg returns a list of class `npsf` containing the following elements:

call	call. <code>'truncreg.cs'</code> .
model	character. Unevaluated call to function <code>truncreg</code> .
coef	numeric. Named vector of ML parameter estimates.
table	matrix. Table with results.
vcov	matrix. Estimated covariance matrix of ML estimator.
ll	numeric. Value of log-likelihood at ML estimates.
lmtol	numeric. Convergence criterion: tolerance for the scaled gradient.
LM	numeric. Value of the scaled gradient.
esttime	numeric. Estimation time.
marg.effects	data frame. Contains unit-specific marginal effects of exogenous variables.
sigma	numeric. estimate of sigma.
LL	numeric. The lower limit for left-truncation
UL	numeric. The upper limit for left-truncation
n	numeric. Number of observations (used in regression).
n.full	numeric. Number of observations (used and not used in regression).
nontruncsample	logical. Returns TRUE if the observation in user supplied data is in the estimation subsample and in non-truncated part of the sample, and FALSE otherwise.
esample	logical. Returns TRUE if the observation in user supplied data is in the estimation subsample and FALSE otherwise.

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**See Also**

[teradial](#), [tenonradial](#), [teradialbc](#), [tenonradialbc](#), [nptestrts](#), [nptestind](#), [sf](#)

**Examples**

```
require( npsf )

# Female labor force participation dataset

data(mroz)
head(mroz)

t1 <- npsf::truncreg(hours ~ kidslt6 + kidsge6 + age*educ,
  data = mroz, ll = 0, lmtol = 1e-16, print.level = 2)

# matrices also can be used
myY <- mroz$hours
myX <- cbind(mroz$kidslt6, mroz$kidsge6, mroz$age, mroz$educ, mroz$age*mroz$educ)

t1.m <- truncreg(myY ~ myX, ll = 0)

# gives identical result to `t1`:
# compare summary(t1) and summary(t1.m)

# using variable for limits is admissible
# we obtain the same result as before

mroz$myll <- 0
t11 <- npsf::truncreg(hours ~ kidslt6 + kidsge6 + age*educ,
  data = mroz, ll = ~ myll, lmtol = 1e-16, print.level = 0)
summary(t11)

# if you believe that the sample is additionally truncated from above at say 3500

t12 <- update(t1, ul = 3500, print.level = 1)

# for obtaining marginal effects

t13 <- update(t12, marg.eff = TRUE)

summary(t13$marg.effects)
```

---

usmanuf

*US Manufacturing Industry Data*

---

### Description

This data come from the National Bureau of Economic Research Center for Economic Studies manufacturing industry database. This data set provides only selected variables.

### Usage

```
data( usmanuf )
```

### Format

This data frame contains the following variables (columns):

naics NAICS 6-digit Codes

year Year ranges from 1990 to 2009

Y Total value of shipments in \$1m divided by the deflator for VSHIP 1997=1.000 (vship/pishop)

K Total real capital stock in \$1m (cap)

L Total employment in thousands (emp)

M Total cost of materials in \$1m divided by the deflator for MATCOST 1997=1.000 plus oost of electric & fuels in \$1m divided by the deflator for ENERGY 1997=1.000 (matcost/pimat + energy/pien)

### Details

These data come from the National Bureau of Economic Research Center for Economic Studies manufacturing industry database, which was compiled by Randy A. Becker and Wayne B. Gray. This database is a joint effort between the National Bureau of Economic Research (NBER) and U.S. Census Bureau's Center for Economic Studies (CES), containing annual industry-level data from 1958-2009 on output, employment, payroll and other input costs, investment, capital stocks, TFP, and various industry-specific price indexes. Because of the change from SIC to NAICS industry definitions in 1997, the database is provided in two versions: one with 459 four-digit 1987 SIC industries and the other with 473 six-digit 1997 NAICS industries.

### Source

<https://www.nber.org/nberces/>.

### References

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---

vcov.npsf                    *'vcov' method for class 'npsf'*

---

### Description

Extracts the variance-covariance matrix of the ML parameters of a stochastic frontier model estimated by [sf](#).

### Usage

```
## S3 method for class 'npsf'  
vcov( object, ... )
```

### Arguments

object                    an object of class npsf returned by the function [sf](#).  
...                        currently unused.

### Details

The estimated variance-covariance matrix of the ML parameters is the inverse of the negative Hessian evaluated at the MLE.

### Value

vcov.npsf returns the estimated variance-covariance matrix of the ML parameters.

### Author(s)

Oleg Badunenko <[oleg.badunenko@brunel.ac.uk](mailto:oleg.badunenko@brunel.ac.uk)>

### See Also

[coef.npsf](#), [nobs.npsf](#), [summary.npsf](#), and [sf](#).

### Examples

```
require( npsf )  
  
# Load Penn World Tables 5.6 dataset  
  
data( pwt56 )  
head( pwt56 )  
  
# Create some missing values  
  
pwt56 [4, "K"] <- NA  
  
# Stochastic production frontier model with
```

```
# homoskedastic error components (half-normal)

# Use subset of observations - for year 1965

m1 <- sf(log(Y) ~ log(L) + log(K), data = pwt56,
  subset = year == 1965, distribution = "h")
vcov( m1 )
```

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