

Determinant of efficiency of the Islamic Banking in Indonesia

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Abstrak

Dual banking system in Indonesia provides an excellent opportunity for the growth of Islamic banking industry in Indonesia. Islamic banking industry in Indonesia has improved in number of banks and branches but the performance of Islamic banks has decreased in recent years. This paper measure the efficiency of Islamic banking in Indonesia using the intermediation approach and the Data Envelopment Analysis (DEA) on quarterly reports of 10 Islamic Banks (BUS) and 15 Islamic Business Units (UUS). The result showed that Islamic Banks (BUS) and Islamic Business Unit (UUS) in Indonesia has not been operating efficiently in its intermediation function. The estimation results of data panel regression model showed total financing and CAR have positive and significant impact, whereas the deposits have negative and significant impact to the efficiency of BUS and UUS in Indonesia.