

ABSTRACT

The COVID-19 pandemic has disrupted banking operations, both conventional and Islamic banks. The economic downturn caused commercial banks to experience a decline in performance in their intermediation activities. Efficiency is one of the parameters performance, which theoretically underlies the entire performance of a company. The ability to produce maximum output with existing inputs is a measurement of the expected performance. In business activities, Islamic banks have different concepts and principles from conventional banks, so each company has a different strategy and implementation in managing its inputs.

This study aims to analyse the level of efficiency of sharia banks and conventional banks and determine the difference in the level of efficiency between the two. The analysis technique used is Stochastic Frontier Analysis (SFA). The data used is quarterly data from 6 conventional banks and 6 Islamic banks in Indonesia in 2018 - 2020, namely Bank Mega, Bank Mega Syariah, Bank Panin, Bank Panin Dubai Syariah, Bank Bukopin, Bank Bukopin Syariah, Bank BCA, Bank BCA Syariah, BNI Bank, BNI Syariah Bank, BRI Bank, and BRI Syariah Bank. This research uses efficiency measurement with the bank intermediation approach, so the input variables are financing and other productive assets, while the output variables are labor costs, capital costs, and costs of funds.

The results in this study indicate that Islamic commercial banks before the COVID-19 pandemic had better performance than conventional commercial banks. Still during the COVID-19 pandemic, conventional banks had better efficient performance than Islamic banks. This study also found differences in efficiency between conventional banks and Islamic banks. This study provides additional empirical evidence regarding the efficiency of conventional banks and Islamic banks in Indonesian banking using the latest data.

Keyword : *Efficiency, SFA, Bank, COVID-19.*