

ABSTRACT

The banking sector plays an important role in a country's economy, especially in supporting economic growth through the financial intermediation function. In Indonesia, the banking system consists of conventional commercial banks and Islamic commercial banks, which operate with different financial principles. This study aims to analyze and compare the efficiency levels of the two banking systems in Indonesia during the period 2019–2023.

This study uses the Data Envelopment Analysis (DEA) method with the Constant Returns to Scale (CRS) model to measure technical efficiency. This study uses secondary data obtained from the financial statements of selected commercial banks, Bank Indonesia, and Otoritas Jasa Keuangan (OJK). The efficiency of each bank is evaluated based on key financial indicators such as total assets, operating costs, third-party funds, and financing (credit). In addition, statistical tests, including the Kolmogorov-Smirnov test and the Independent Sample t-Test (or Mann-Whitney U Test if the normality assumption is not met), are used to determine significant differences in the level of efficiency between the two banking models.

The results of the study reveal that conventional banks generally achieve higher levels of efficiency due to their larger asset base and established financial infrastructure. However, Islamic banks demonstrate strong financial stability, especially during periods of economic downturn, as their operations are based on the principle of profit sharing and a risk-averse financing model.

Keywords: Efficiency, Conventional Banks, Islamic Banks, Data Envelopment Analysis.

