

ABSTRACT

The implementation of the spin-off policy in the Indonesian Sharia insurance industry has encouraged Sharia Business Units to separate into independent entities. However, the implementation of this policy still faces various challenges, such as limited capital, suboptimal asset utilization, and increasing operating expenses disproportionate to revenue growth. These conditions have the potential to impact the technical efficiency of Sharia life insurance companies. This study aims to analyze the technical efficiency of Sharia life insurance companies in Indonesia and examine the effect of capital, operating expenses, and assets on company revenue.

This study uses a quantitative approach using secondary data in the form of annual financial reports of 12 Sharia life insurance companies in Indonesia for the period 2016–2024. The analysis was conducted using the output-oriented Stochastic Frontier Analysis (SFA) method with a Cobb-Douglas production function. The output variable used is revenue, while the input variables consist of capital, operating expenses, and assets.

The results indicate that Sharia life insurance companies in Indonesia generally do not operate efficiently, with an average technical efficiency value of 0.626. PT Sun Life Financial Indonesia has the highest efficiency level with an average of 0.865, while PT Takaful Keluarga has the lowest efficiency level at 0.153. The SFA estimation results show that capital and operating expenses have a positive and significant effect on revenue, while assets have a positive but insignificant effect on revenue. From an Islamic economic perspective, these findings indicate that the company has been able to utilize capital and operating expenses effectively, but asset utilization still needs to be optimized according to the principles of efficiency, productivity, and trustworthiness in resource management..

Keywords: *Efficiency, Sharia Life Insurance, SFA*



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