

ABSTRACT

This research purpose to analyze production efficiency of Islamic banking industry in Indonesia, especially Sharia Commercial bank (BUS) and Sharia Business Unit. Efficiency is a parameter for measuring banking performance. There are 9 Islamic banks which used as samples of this research and divided into two groups of banks, 3 BUS and 6 UUS.

This Research use Stochastic Frontier Analysis (SFA) methods to measure the efficiency of Indonesian banking in BUS and UUS. The result of SFA that appear in the form of a score between 0-1, closer to 1 it means a bank more efficient. Variables were chosen based on the intermediation analysis. Input variables in this research are total deposits, operational expenses, and other operational expenses, and the output variable is total financing as the main product of Islamic banking. In order To know the difference of efficiency level of each bank, we used independent sample t- test.

The analysis using SFA showing that during 2005-2009 the efficiency of BUS and UUS always increase with the average efficiency 0.976207 for BUS and 0.969280 for UUS. This is showing that BUS in Indonesia better than UUS in efficiency with the BUS efficiency more optimum in total financing during 2005-2009. The average of BUS efficiency and UUS position in 0,9 of efficiency range level show that BUS and UUS in Indonesia has reach the efficiency level even not until the full of efficiency or 1. Based on the panel to know the impact of input variables to output variable found that total deposits and operational expenses has positif and significant impact to total financing, while other operational expenses has positif impact but not significant to total financing. Finding of independent sample t-test analysis showing that there is no difference in efficiency level between BUS and UUS.

Keywords: Efficiency, SFA, Commercial bank (BUS), Sharia Business Unit (UUS)