SUMMARY

SOLIHIN. Analysis of ASEAN Islamic Banking Readiness in Facing AEC Implementation Year 2015. Supervised by NOER AZAM ACHSANI and IMAM TEGUH SAPTONO.

With the enactment of a free market in the ASEAN region, which is known as the ASEAN Economic Community (AEC) by 2015, the banking industry as the main pillar of the economy in ASEAN countries will face competition with similar banks from other ASEAN members. Indonesia as the largest Muslim country in the world with the development of Islamic banking industry is still lagging behind, become a potential market for investors and the banking industry for Islamic banks that are already running. It is certainly a challenge for existing Islamic banks in Indonesia.

In the face of business competition, Islamic Bank required to run their business efficiently. Efficient Islamic Bank will be able to defend itself and is able to expand its business. Therefore it is necessary to analyze the efficiency of all Islamic banks and determine the factors that affect the level of efficiency in the banking industry in ASEAN member countries.

Based on the above problem, the objectives to be achieved in this thesis is to analyze the efficiency ratio of Islamic banks in ASEAN countries by using the asset, intermediation, and production approach. Furthermore, identifying the determinants that affect the efficiency of Islamic banks in each ASEAN country that has a chance of entering the ASEAN market, and formulate policies for enhancing the efficiency of existing Islamic banks in Indonesia to be able to compete in the Islamic banking market of ASEAN.

The data used in this thesis is the published annual financial statements from 2008 to 2013. The data of bank used are 32 Islamic banks consist of one Islamic bank in Brunei Darussalam, 11 Islamic banks in Indonesia, 18 Islamic banks in Malaysia, one Islamic bank in the Philippines, and the one Islamic bank in Singapore.

In data processing, this research approach Two Stage Data Envelopment Analysis (DEA). The first stage is to measure the efficiency of each Islamic bank by using DEA. Data processing using software MaxDEA, with measurement of the efficiency-oriented input and output. Data analysis using DEA model approach is a model constant returns to scale (CRS) and variabel returns to scale (VRS). Results of calculation of the DEA in any Islamic banks classified by the State to determine the average efficiency level in each country, and conducted comparative analysis between the three approaches mentioned above.

After we concluded the average efficiency of Islamic banks in each country then performed the analysis of the factors that affect the internal and external efficiency values using Tobit regression and processed using E-Views 6. For internal aspects such as the size of Islamic banks is reflected in the value of Natural logarithm (ln) total assets, profitabilits which is reflected by the ratio of return on total assets (ROA), operating as reflected by the ratio of operating expenses to operating income (ROA) and equity which is reflected by the ratio of equity to total assets (ETA). While the external aspects, variables used is the
market power of one that is reflected by the ratio of the number of deposits in
each bank to total deposits in the banking industry of each country, the market
power of 2 that is reflected by the ratio of the total amount of assets in each bank
to total gross domestic product (GDP) sector in the each country, and the level of
inflation rate.

From the calculation of DEA with all three approaches, found that the
orientation of the input and output efficiency levels which produce relatively not
different. The average value of efficiency Islamic bank in ASEAN for asset
approach remain at levels that are not efficient. In the intermediation approach,
the average value of the efficiency of ASEAN nearly efficient, better than the
asset approach. While the production approach, the average value of efficiency
Islamic bank in ASEAN remain at a level that is very inefficient. It shows that the
Islamic banks in the ASEAN average more efficient in its intermediary function
(collecting and distributing funds), compared with asset management (managing
assets in generating revenue) and run the production process (the amount of
expense in generating revenues).

Brunei, Philippines and Singapore each have one Islamic bank, despite
having an efficient level above the average of ASEAN even at efficient levels, but
did not become a threat to the Islamic banks in other countries. Competitive
banking industry of ASEAN countries will only happen in Islamic banks in
Indonesia and Malaysia. Islamic banks in Indonesia will be more efficient in
comparison to the three approach of Islamic banks in Malaysia if it is able to
reduce the number of its operational costs.

Although Islamic banks in Indonesia is more efficient, but Islamic banks
in Malaysia have other potential markets that could affect Islamic banking
industry in ASEAN, which is more experienced, supported by good governance
policies, have assets greater, complemented by better institutions, and products
more varied and accommodate the needs of modern transactions.

On the asset approach, factors affecting the level of efficiency of OTE in
Islamic banks in Indonesia is an internal factor is the size of the bank, profitability
ratios, and ROA ratios. While in Malaysia, the ratio is not tested BOPO
significant influence. While the intermediation approach, external factors the bank
deposit ratio to total deposits Industrial affect the level of efficiency of Islamic
banking industry in Malaysia.

Keyword: ASEAN, Bank efficiency, DEA, Islamic Banking