CEPY HERFADIANSYAH JAYANEGARA. Analysis of Efficiency and Productivity of Sharia Commercial Banks in Indonesia. Supervised by LUKYTAWATI ANGGRAENI and TRIAS ANDATI.

Sharia banking in Indonesia has been established for more than three decades, but until 2017 the market share of Sharia Commercial Banks in Indonesia is only 3.9%. The relatively slow growth of Sharia Commercial Banks needs to be assessed in terms of efficiency and productivity because Indonesia has a vision for the development of Sharia banking in the future.

The purpose of this study is to analyze the efficiency and productivity of Sharia Commercial Banks in Indonesia during 2014-2017. The intended efficiency is the technical efficiency and productivity in question is the Total Factor Productivity. The method used is nonparametric statistical Data Envelopment Analysis (DEA) with the Intermediation approach assuming Constant Return to Scale (CRS). Efficiency analysis produce efficiency scores and productivity analysis produces the Malmquist Productivity Index (MPI).

The data used in this study is secondary data in the form of panel data which is a combination of cross section data in the form of 12 (twelve) Sharia Commercial Banks in Indonesia and time series data in the form of 2014-2017 annual data. Input variables are Deposit, Fixed Asset and Labor Cost. Output variables are Loan, Current Asset and Other Operating Income.

The results of an analysis of 12 Sharia commercial banks in Indonesia during 2014-2017 namely the average efficiency level of Sharia commercial banks increased from 82.4% in 2014 to 84.9% in 2015, increased to 90.1% in 2016 and to be 99.6% in 2017. But the trend of increasing efficiency is not followed by a trend of increasing productivity. Sharia commercial bank productivity in 2014-2015 increased by 8.5%, increased in 2015-2016 by 14.1%, but decreased in 2016-2017 by 8%. On average, the productivity of Sharia commercial banks in Indonesia during 2014-2017 was 4.4%.

Managerial implications that can be conveyed are that in general, Sharia commercial banks should increase their current asset portfolio, reduce labor costs and reduce the portion of ownership of fixed assets with the rental system. Sharia commercial banks also need to expand their market share by expanding financing and optimizing digital banking services or merging.

Keywords: sharia commercial bank, data envelopment analysis (DEA), intermediation approach, constant return to scale (CRS), malmquist productivity index (MPI).