



Summary of Factors Affecting Indonesian Islamic Banking Efficiency in 2014-2022

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Abstract. Bank efficiency can be used as a benchmark for bank success in a period. Because of this, there have been many studies related to bank efficiency using various methods and perspectives to review banking in Indonesia. As a growing bank, Islamic Indonesian Banking need to pay attention to these factors. This study aims to summarize what factors were found to influence the technical efficiency of Indonesian banking in the year of 2014-2022 period. For this reason, the method used in this research is a literature study which is presented in a qualitative descriptive manner. The results of this research show There are several factors that influence the level of efficiency of Islamic banking in Indonesia in 2014-2022 period. There are factors that cause efficient and inefficient. Small bank size, and the input is higher than the output, causing the bank to be inefficient. Input resources should be reduced by adjusting the target to become efficient. And The Need for Government and Banking Cooperation to Improve Technology and Digitalization.

Keywords: Efficiency Factor, Islamic Indonesian Banking, Library Research.

1 Introduction

Islamic banks in Indonesia have proven their resilience since the monetary crisis hit in 1997. Among the many conventional banks that have experienced liquidation, Islamic Banks have been able to survive and continue to grow with a market share of 5.7% in 2018 [1]. Various researches have been carried out since the phenomenon of the monetary crisis on how Islamic banks in Indonesia can survive and achieve efficiency. In general, within that time span at least Indonesia experienced several major phenomena, one of which was the monetary crisis (1997-1998 and 2008). As we know that a country's banking economy is heavily influenced by the macroeconomic situation. In the other side, there are several variables too that effect banking performance [2]. Therefore, this research will present a summary of the strategy and evaluation of the performance of various Islamic banking in dealing with these phenomena. For this reason, the method used is a literature review, with 4 research material sources sorted by year of research.

First, Putri Monica Sari et al [3] titled “Studi Komparatif Analisis Efisiensi Kinerja Perbankan Syariah di Indonesia antara metode Data Envelopment Analysis (DEA) dan Stochastic Frontier Analysis (SFA)”. The purpose of this research is to determine the

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efficiency of Islamic banking performance in Indonesia in 2014-2018 and to understand the Islamic perspective on efficiency. The method used is the quantitative method with a population of foreign exchange Islamic banks as many as 4 out of 5 banks. The data analysis method used is the DEA and SFA methods.

Second, Akhmad Fajar et al [1] titled “Analisa efisiensi relative pada PT. Bank Syariah X periode 2018”. The purpose of this research is to determine the relative efficiency level of the PT. BSX branch office in 2018. The method used is quantitative with the DEA approach.

Third, Muhammad Arasy Mi’raj [4] titled “ Analisis Efisiensi Bank Umum Syariah di Indonesia pada periode 2016-2020 dengan Metode Data Envelopment Analysis (DEA)”. The purpose of this research to find out how the efficiency level of Islamic Commercial Banks (BUS) in Indonesia in the 2016-2020 period and also to find out how the target of improving inefficient companies to become efficient. The method used is quantitative with the DEA approach.

Forth, Adristy Prily Auliani, et al [5] titled “ Efisiensi Teknis Bank Syariah di Indonesia Selama Pandemi Covid-19 : Pendekatan Data Envelopment Analysis”. The purpose of this research to analyze banking efficiency at Islamic Banks in Indonesia from March 2020 to March 2022. The method used is quantitative with the DEA approach.

This research will summarize the various strategies of Islamic banking in Indonesia from 2014-2022 in achieving efficiency, with conclusions in the form of influencing factors. The method used is literature review.

2 Method

The research method used is a qualitative method with a library research approach. Literature review is a method that searches for references that are relevant to the problems found. Literature studies describe theoretical analyses, scientific studies, references and literature related to local community habits, norms and values that are built in the observed field conditions. The data used are secondary data, namely data sourced from existing literature or references, such as those contained in scientific journals and papers, encyclopedias, literature, and other data sources related to the research topic. The analysis technique in this study uses a technique where studies of data sources are studied so as to produce actual conclusions in accordance with research topic [6].

This method is used to find out how factors affect the efficiency of Islamic banks in Indonesia by collecting several sources of literature. In the title it has been explained that this research is to review several studies and then draw conclusions about these factors [7].

3 Result and Discussion

Results and discussion can be made as a whole that contains research findings and explanations. The results of this research are how the factors affect the efficiency of Islamic banks in Indonesia during 2014-2022. Table 1 explaining the results of this research.

Table 1. Summary of Efficiency Factors

Pub-lish year	Author	Method	Result	Efficiency Factor
2020	Putri Sari, Monica Bahrudin, Moh. Nur-malia	Quantita-tive, DEA and SFA	(2014-2018, 4 Banks) DEA → Two Banks has an efficiency value <81% . Bank Mega Syariah 2014 (ineefficient) and Bank Muama-lat 2018 (medium efficiency) SFA → three inefficient Banks, one efficient bank namely Bank Muama-lat	Inefficiency Fac-tors: - Input higher than output - Output didn't reach target
2020	Akhmad Fajar, Tettet Fitrijanti, Citra Sukmadilaga	Quantita-tive, DEA	2018, Bank Syariah X, 91 brances from 518 January to august period there are 8 brances that have relative efficiency per month eventhough the average value does not meet the effi-ciency score because it is still below 1. The best branch office with the highest efficiency because the costs involved in variable inputs can pro-duce good output.	Costs on variable inputs produce good output
2022	Muhammad Arasy Mi'raj	Quantita-tive Method, DEA	2016-2020, 3 banks From 2016-2020 based on the calcu-lation results, there was one ineffi-cient bank in 2018, namely BRI Sya-riah.	Input resources should be reduced by adjusting the target
2023	Adristi Prily Auliani, Winny Perwithosuci	DEA	2020-2022, 11 Banks (6 BUS, 5 UUS) Technical efficiency in BUS in the quarter period March 2020 – March 2022 there are only 4 periods in which all BUS experiences efficiency. The only bank that experienced efficiency throughout the period was Bank Sya-riah Indonesia. In UUS there are three UUS that are always efficient in each period.	The government is expected to work together to create efficiencies and improve technolo-gies such as fintech and digitalization to support banking operations.

Table 1 shows that the first to forth researchers have the same method, namely the quantitative method. Each researcher has the same method used, namely DEA. From these similarities produce several different results.

The results of this research indicate that there are several factors that affect the efficiency of Islamic banks in Indonesia during the 2014-2022 period. There are Factors that cause efficient and inefficient. ROA (Return on Asset) significantly affects the level of efficiency. Input resources should be reduced by adjusting the target to become efficient. Meanwhile, small bank size, and the input is higher than output, causing the bank to be inefficient and The Need for Government and Banking Cooperation to Improve Technology and Digitalization.

The results of the research are a summary of several researches and from the 2014-2022 period. This research is a new thing for Islamic banking in terms of knowledge related to factors that affect efficiency. There are different results and there are also similarities in several studies that show a pattern that needs to be known. These results

are expected to become knowledge in maintaining Islamic banks in Indonesia to achieve efficiency targets.

4 Conclusion

This research will summarize the various strategies of Islamic banking in Indonesia from 2014-2022 in achieving efficiency, with conclusions in the form of influencing factors. The Method used is literature review. The results of this research indicate that there are several factors that affect the efficiency of Islamic banks in Indonesia during the 2014-2022 period. There are Factors that cause efficient and inefficient. ROA (Return on Asset) significantly affects the level of efficiency. Meanwhile, small bank size, and the input is higher than output, causing the bank to be inefficient. Input resources should be reduced by adjusting the target to become efficient. And The Need for Government and Banking Cooperation to Improve Technology and Digitalization.

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