

ABSTRAK

**EFFICIENCY OF ISLAMIC BANKS AS COMPARED TO CONVENTIONAL
BANKS:**

A CASE STUDY OF THE UNITED ARAB EMIRATES (UAE)

By

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ABSTRACT

The motivation for this study was based on the need to assess the efficiency of banks in general and the Islamic banks in particular. This becomes pertinent consequent to the current financial crisis and its relative impact on both the conventional and Islamic banking industry. While the latter was mildly affected by the crisis, the former was adversely affected. Would this, therefore, imply efficiency in the Islamic banks? A gap exists in the extant literature to provide answer to this question. In this regard, this study was aimed at assessing and comparing the relative efficiency among the conventional and Islamic banks in the United Arab Emirates (UAE). Requisite data covering the period 2000 to 2008 was obtained from the Emirates Bank Association and subjected to analysis using the data envelopment analysis (DEA). The results show that the conventional banks are more efficient than the Islamic banks in absolute terms. However, no statistical significant differences were found based on the efficiency scores. Also, the study revealed that while the Islamic banks are revenue and profit efficient, they are relatively cost inefficient when compared to the conventional banks. The result was not different even when the data was decomposed into regional and yearly efficiency scores. Recommendations based on findings were offered,

ABSTRAK

Motivasi untuk menjalankan penyelidikan ini adalah berdasarkan keperluan bagi mengkaji keberkesanan bank secara amnya dan khususnya ke atas bank islam. Kajian ini penting sebagai rangsangan kepada krisis kewangan yang sedang meruncing dan kesannya kepada institusi perbankan konvensional dan industri perbankan islam. Terdahulu, krisis kewangan yang melanda dunia telah memberi kesan kepada sektor ini, namun satu persoalan perlu diberi perhatian iaitu samada kesan yang sama berlaku kepada perbankan islam. Terdapat jurang di dalam ulasan-ulasan karya terdahulu dalam mengenalpasti dan menyelesaikan masalah ini. Bertitik tolak dari kekurangan tersebut, kajian ini telah dijalankan bagi mengkaji perbandingan kecekapan antara perbankan konvensional dengan perbankan islam di dalam Negara Arab Bersatu (UAE). Maklumat diperolehi dari Emirates Bank Association dalam tahun-tahun 2000 hingga 2008 dan dianalisis menggunakan "*data envelopment analysis (DEA)*". Hasil kajian mendapati, terdapat perbezaan dalam aspek kecekapan di antara bank konvensional dan bank islam, namun ujian statistik lanjut membuktikan perbezaan yang wujud adalah tidak signifikan. Selain itu, kajian juga mendapati bahawa kecekapan menguruskan hasil dan keuntungan berpihak kepada bank islam. Namun, secara relatifnya, dalam aspek pengurusan kos, bank konvensional adalah lebih cekap berbanding bank islam. Hasil kajian juga mendapati tidak terdapat perubahan dalam keputusan ini walaupun setelah dikaji pada institusi perbankan tempatan dan skor kecekapan tahunan. Berdasar kepada hasil-hasil yang diperolehi, satu cadangan penambahbaikan telah disediakan.

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