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MEASURING THE PERFORMANCE OF ASEAN ISLAMIC BANK

A Non-Parametric Approach:

Data Envelopment Analysis (DEA)

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TABLE OF CONTENTS

CONTENT	PAGE
DECLARATION OF ORIGINAL WORK	i
LETTER OF SUBMISSION	ii
ACKNOWLEDGEMENT	iii
TABLE OF CONTENTS	iv
LIST OF TABLES	v
LIST OF FIGURES	vi
ABSTRACT	vii
CHAPTER 1: INTRODUCTION	
1.0 Introduction	1
1.1 Background of the Study	2 - 3
1.2 Problem Statement	4
1.3 Objectives of the Study	5
1.4 Significant of the Study	6
1.4.1 Researcher	6
1.4.2 UiTM	6
1.4.3 Islamic Bank/Investor	6
1.5 Definition of Terms	7
1.5.1 Islamic Bank	7
1.5.2 Efficiency	7
1.5.3 Decision Making Units (DMU)	7
1.5.4 Data Envelopment Analysis (DEA) Approach	8
1.5.5 Technical Efficiency	8
1.5.6 Pure Technical Efficiency	8

1.5.7 Scale Efficiency 9

1.6 Limitation 10

1.6.1 Methodology 10

1.6.1.1 Lack of Data 10

1.6.1.2 Technical Method 10

1.6.2 Researcher 11

1.6.2.1 Lack of Experience 11

1.6.2.2 Time Constraint 11

1.7 Scope of the Study 12

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction 13

2.1 Islamic Banking 13 - 14

2.2 Efficiency 14 - 17

2.3 Data Envelopment Analysis (DEA) Approach 18 - 20

2.4 Inputs and Outputs 21

CHAPTER 3: RESEARCH METHODOLOGY

3.0 Introduction 22

3.1 Model – Data Envelopment Analysis (DEA) 22 - 26

3.2 Inputs and Outputs Variables 26 - 27

3.3 Data Collection 27 - 28

3.3.1 Descriptive Statistics for Inputs and Outputs 2004 – 2010 29 - 30

ABSTRACT

The Islamic banking environment has grown tremendously over the past several years and will continue to grow to allow better growth of economy. The study is to identify the efficiency change or improvement of Islamic Bank's performance during the period of 2004-2010. Specifically, the purpose of the study is to measure the efficiency of Islamic Bank's performance in ASEAN country. The data consists of 21 Islamic banks in ASEAN; Malaysia, Indonesia, Singapore & Brunei Darussalam. The efficiency of the Islamic bank's performance is measured by using Data Envelopment Analysis (DEA) approach with a specification of input and output variables. The finding suggest that during the period of study, scales inefficiency dominates pure technical inefficiency in the ASEAN Islamic banking sector. We found that the Islamic banks have exhibited higher pure technical efficiency compare to its technical efficiency. The results seems to suggest that the technical efficiency tend to be much more sensitive to the economy factors.

Key words: ASEAN Islamic bank, efficiency, Data Envelopment Analysis (DEA).