



اَوْبُوْرَسِيْتِي تِيْكُوْلُوْجِي مَارَا

**UNIVERSITI TEKNOLOGI MARA
CAWANGAN KELANTAN**

**“A STUDY ON TECHNICAL EFFICIENCY OF ISLAMIC BANKS
BEFORE AND AFTER FINANCIAL CRISIS USING DATA
ENVELOPMENT ANALYSIS (DEA): EVIDENCE FROM MENA
COUNTRIES”**

PREPARED FOR:

MADAM NOR HALIDA HAZIATON MOHD NOOR
FIRST EXAMINER PROJECT PAPER

ASSOCIATE PROFESSOR MOHAMMAD JAIS BIN ATAN
SECOND EXAMINER PROJECT PAPER

PREPARED BY:

MOHAMAD ILHAM BIN MOHAMMAD ROSDI	2012860972
NOOR ADILAH BINTI NAWAWI	2012285554

BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA KELANTAN

JUNE 2014



اَوْبُوْرَسِيْتِيْ، تِيْكَوْنُوْ لُوْ كِيْ مِيْاْرَا
UNIVERSITI TEKNOLOGI MARA
CAWANGAN KELANTAN

BACHELOR OF BUSINESS ADMINISTRATION (HONS) (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA

DECLARATION OF ORIGINAL WORK

MOHAMAD ILHAM BIN MOHAMMAD ROSDI (911207-03-5997)

NOOR ADILAH BINTI NAWAWI (910620-08-5598)

Hereby, declares that:

- This work has not previously been accepted in substances for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- This project paper is the result of our independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature : _____

Signature : _____

Date : _____

Date : _____

ACKNOWLEDGEMENT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

“In the name of Allah, The Most Gracious and Peace be upon His Messenger,
The holy Prophet Muhammad SAW”

Glory to Allah S.W.T., the most gracious, the most merciful and peace to upon his messenger Holy Prophet Muhammad SAW the adoration belongs to only Allah S.W.T.

Alhamdulillah, we are overwhelmed to complete this report. It has been the most lucrative and profitable experience to have been talented to do this research. We would foremost extend our sincere gratitude to all those efforts, which facilitated the completion of this project paper.

First and foremost, we would like to offer our sincerest gratitude to our advisor, **Madam Nor Halida Haziaton Bt. Mohd Noor** and **Associate Professor Mohammad Jais Bin Atan** for their guidance, critique, support and encouragement during the course of this study. It is impressively prosperous for us to work with them, their technical expertise was indispensable and their patient during the learning process is greatly appreciated.

Last but not least, our group members are blessed and many wishes to our parents who give fully support for our future undertaking. In addition, my deepest thanks to all of my friends, who have directly and indirectly, helping us in completing this research.

Our hope is that this research is expedient and advantageous, as for guidelines for us and future generation.

Thank you.

Mohamad Ilham Bin Mohammad Rosdi

Noor Adilah Binti Nawawi

June 2014

UiTM Kampus Kota Bharu, Kelantan

TABLE OF CONTENTS

DECLARATION OF WORK	i
LETTER OF TRANSMITTAL	ii
ACKNOWLEDGEMENT	iii
TABLE OF CONTENTS	iv-vi
LIST OF TABLES	vii-viii
LIST OF FIGURES	ix
ABSTRACT	x

CHAPTER 1: INTRODUCTION

1.1	Introduction and Background of Study	1
1.2	Problem Statement	5
1.3	Research Objective	7
1.4	Scope of Study	8
1.5	Significant of Study	10
1.6	Definition of Terms	12
1.7	Theoretical Framework	15
1.8	Research Questions	17

ABTRACT

Purpose- The purpose of this study is to examine the technical efficiency of the Islamic bank in MENA countries before and after financial crisis using Data Envelopment Analysis (DEA). The study measures and compares the level of efficiency of the Islamic Banks in MENA countries in experiencing before and after financial crisis from the 2004 to 2010.

Design/ Methodology/ Approach- There are 14 countries to be measure in MENA. The study uses data envelopment analysis (DEA) to measure the relative efficiency of the selected banks in intermediating inputs into outputs. The study the analyses the difference in the average efficiency score of the before and after financial crisis which is 2004 until 2006 are before financial crisis while 2007 until 2010 are after financial crisis.

Finding- This study found that the performance of Islamic Banks in MENA countries is outperformed in technical and pure technical efficiency measures.

Research limitations/Implications- This study may be extended in various ways. Since, this study only covers a sample period of seven years which are 2004 to 2010, thus future research might cover more sample periods. Further studies could also take a bigger sample size by including broad sample size such as Asia countries.

Originality/values- This study identified the most and least efficient of 14 countries in MENA regions before and after financial crisis and the finding could be useful to regulators and the banks as a benchmark in operating the financial industries. This study may also improve the awareness among the least efficient banks to initiate the proactive measures in order to be sustainable in the industry.