

Independent Study Title	A COMPARISON OF PERFORMANCE AND COMPETITIVENESS OF ISLAMIC BANKS WITH CONVENTIONAL BANKS IN ASEAN COUNTRIES
Author	Mr. Mohamd Sharah
Degree	Master of Science (Finance)
Major Field/Faculty/University	Master of Science Program in Finance (International Program) Faculty of Commerce and Accountancy Thammasat University
Independent Study Advisor	Assistant Professor Suluck Pattarathammas, DBA.
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ABSTRACT

This paper studies and compares efficiency and competitiveness of Islamic banks with conventional banks in ASEAN countries. DEA and MFA is used to calculate gross efficiency, net efficiency (efficiency arising from managerial competency) and type efficiency (efficiency arising from *modus operandi*). The random effect estimation model is used to analyse the effect of bank and macro level variables on efficiency of banks. The Lerner Index is used to calculate competitiveness of the banks. Analysis shows that Islamic banks have increased efficiency over the period 2006 to 2014, while conventional banks' efficiency has deteriorated during this period. DEA technique shows that there is no significant difference in gross efficiency between Islamic and conventional banks, while MFA shows that there is no significant difference in net and type efficiency (if comparing equal sized banks). Random effect estimation shows no significant difference in gross efficiency while net efficiency is higher and type efficiency is lower for Islamic banks. Interestingly, Islamic banks are becoming more competitive compared to conventional banks, which needs to be assessed in a detailed manner.

Keywords: Islamic Banking, ASEAN countries, Efficiency, DEA, MFA