

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusion

Based on the data analysis above, the conclusions of this research is as follow:

1. The performance of sharia bank based on investment, loans, zakat, bills payable, fixed assets, and deposits and borrowing from other financial institution was relatively increasing every year on bills payable, fixed assets and deposits. It means, that every year sharia bank always increased its revenue. While in investment, loans, and zakat was relatively increasing every year. Thus, sharia bank had good performance because sharia bank input could support the output of sharia bank.
2. The performance of conventional bank based on investment, loans, CSR, bills payable, fixed assets, and deposits and borrowing from other financial institution was relatively increasing every year on bills payable, fixed assets, and deposits. It means, that every year conventional bank always increased its revenue. While in investment, advantages plus loan, and corporate social responsibility was relatively fluctuating every year. Thus, conventional bank had good performance, because conventional bank input could support the output of conventional bank.
3. The efficiency of sharia bank was relatively fluctuating every year. Sometimes, the efficiency of sharia bank was increasing but sometimes it

was decreasing. It depends on its bank performance and also macroeconomic factors.

4. The efficiency of conventional bank was relatively fluctuating every year. Sometimes, the efficiency of conventional bank was increasing but sometimes it was decreasing. It depends on its bank performance and also macroeconomic factors.
5. It can be concluded that there was no significant difference between efficiency of conventional bank and efficiency of sharia bank.
6. It can be concluded that inflation did not have any influence toward bank efficiency either sharia bank or conventional bank. The amount of inflation did not have any influence on bank efficiency. This happened because the bank management did not anticipate inflation. Thus, the interest rate were adapted sluggish. This makes the increasing of output was faster than the increasing of input. Therefore, inflation did not influence bank efficiency.
7. It can be concluded that the interest rate did not have any significant influence toward bank efficiency of conventional bank but had positive influence toward bank efficiency of sharia bank. It means that the changing of interest rate would not influence the changing of bank efficiency of conventional bank but it will influence toward bank efficiency of sharia bank. In theory, a unique feature that differentiates sharia bank from conventional bank is the profit loss sharing paradigm, which is sharia predominantly based on the mudarabah and musyarakah concepts of Islamic contracting. Under the PLS paradigm, the assets and liabilities, the assets

and liabilities of sharia banks are integrated in the sense that borrowers share profits and losses with the bank, which in turn share profits and losses with the depositors. It means logically, interest rate did not have any influence toward bank efficiency of sharia bank. But the result of this research was that interest rate had positive influence toward bank efficiency of sharia bank. According to Chong and Liu research (2007), sharia banks in Malaysia were not interest free. Thus, interest rate would have an influence toward bank efficiency of sharia bank because sharia bank had consideration about interest rate to determine profit loss sharing paradigm. The bigger interest rate would influence the decreasing of bank efficiency. This thing happened because, in general, in the normal condition volatility of interest rate was lower. Thus, it could give certainty of work for bank.

8. It can be concluded that exchange rate had positive influence toward bank efficiency in conventional bank. The higher exchange rate the higher bank efficiency. This thing happened because exchange rate reflected the balance of supply and demands toward local currency or US\$ currency. The depreciation of Rupiah showed the decreasing ability of Indonesian economy. Thus, the fundamental ability of a company would also decrease, and vice versa. The appreciation would increase bank efficiency. But based on the result of research, it can be concluded that the exchange rate did not have any significant influence toward bank efficiency in conventional bank. When the exchange rate of rupiah was decreasing, people would believe more on sharia bank toward conventional bank. This people's trust

happened due to the historical experience when the economic crisis happened in 1997. In that period, exchange rate of rupiah was very decreasing in Indonesia and made conventional bank face bankruptcy.

5.2. Recommendations

Based on the explanation above, the suggestions that can be given is as follow:

1. The higher competitiveness can make the banks more efficient. Thus, they can compete and make their business alive. Because of that, in the future bank regulation needs direct support for the competitiveness in banking section.
2. It is hoped that sharia bank and conventional bank can do monitoring in the level of bank efficiency by focusing on determinant factor that influences positively and negatively toward bank efficiency.
3. It is hoped that in the future, there will be further research in investigating the result of this research.