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## Efficiency, stability and asset quality of Islamic vis-a-vis conventional banks Evidence from Indonesia

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### Abstract

Purpose - This paper aims to examine how Indonesian Islamic banks differ from conventional banks in terms of their business model, asset quality, stability and efficiency.

Design/methodology/approach - Based on data from 2008 to 2012, the authors use t-test, z-score and data envelopment analysis (DEA) to assess the business model, as well as the asset quality, stability and efficiency of both the Islamic and conventional banks.

Findings - The results indicate that there are significant differences between the two - Islamic banks appear to not follow the conventional business model. Secondly, Islamic banks seem to have better asset quality and to be more stable than their conventional counterparts.

Originality/value - Finally, the DEA results also indicate that Islamic banks are relatively more efficient than conventional banks, as shown by their higher overall efficiency, as well as technical efficiency.

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