ABSTRACT

This research was conducted with the aim of analyzing the efficiency levels of Islamic general insurance companies in Indonesia. The research is motivated by the financial development of Islamic general insurance not being in line with the increasing number of Islamic general insurance companies that have ceased operations. Additionally, there is still a low interest in Sharia-compliant insurance, not commensurate with the growth of the Muslim population in Indonesia. One way to measure the competitive ability of each company is through efficiency. In this study, the input variables used include total assets, expenses, and claim payments, while the output variables include business revenue and tabarru' funds.

The method applied to measure the efficiency level is Data Envelopment Analysis (DEA) with the assumption of Variable Return to Scale (VRS) and an input-oriented approach. Efficiency assessment using the VRS assumption yields three efficiency indicators: Technical Efficiency (VRS), Economic Efficiency (CRS), and Scale Efficiency. After obtaining these efficiency values, a further analysis will be conducted to identify the root causes of inefficiency in less efficient Islamic general insurance companies. The next step is to set targets that Islamic general insurance companies should achieve to reach optimal efficiency. This study involved a sample of 12 Islamic general insurance companies, with observations spanning from 2018 to 2021.

The results of this study indicate that the Islamic general insurance sector still faces challenges in achieving efficiency. The average efficiency scores for all Decision Making Units (DMUs) during the study period show levels of efficiency that are not yet optimal. The average efficiency scores for all DMUs are 95.26% technically, 89.62% economically, and 93.92% in terms of scale. The inefficiency factor in the input variables mostly occurs in expenses, while in the output variables, it is predominantly in tabarru' funds.

Keywords*: Efficiency, Sharia General Insurance, DEA*