

ABSTRACT

This study aims to analyze the influence of market structure, bank-specific factors, and macroeconomic variables on the efficiency of the banking industry in Indonesia and the United Arab Emirates (UAE) during the period 2018–2023. The research is motivated by global dynamics such as the COVID-19 pandemic, the rise of financial technology (fintech), digital transformation in financial services, and banking consolidation policies in both countries. A quantitative descriptive method is employed using Stochastic Frontier Analysis (SFA) to measure efficiency levels, along with panel data regression to examine the influence of each variable. The results indicate that the Concentration Ratio (CR) has a negative and statistically significant impact on efficiency, suggesting that higher market concentration tends to reduce banking efficiency. In contrast, the Herfindahl-Hirschman Index (HHI) does not have a significant effect. Bank size, measured by the natural logarithm of total assets, shows a positive and significant effect, highlighting the importance of economies of scale. Loan to Deposit Ratio (LDR), inflation, and Gross Domestic Product (GDP) do not show statistically significant effects, although they remain economically relevant. Simultaneously, all independent variables collectively influence banking efficiency in both countries. This study provides empirical insights into cross-country banking efficiency and serves as a valuable reference for regulators, industry practitioners, and academics in formulating strategies to enhance banking sector performance.

Keywords: Bank-Specific, Competition, Efficiency, Macroeconomics, Stochastic Frontier Analysis