

Efficiency of Kuwaiti Banks: A Comprehensive X-Efficiency Framework

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This study tracks the nonparametric X-efficiency based measures and compares the efficiency dynamics of conventional and Islamic Kuwaiti banks over the period 1996-2010. The findings show that, in terms of all efficiency measures, Kuwaiti banks kept losing efficiency: a trend that started in 2004 and worsened after the 2008 economic crisis. However, two efficiency stages can be noted: The first trend is indicated for the period 1996-2003, during which conventional banks had clear efficiency superiority over Islamic banks. The second trend, from 2004 until 2010, shows Islamic banks having superiority over conventional banks. This superiority of Islamic banks was mainly due to the loss of efficiency in conventional banks and not to any gained efficiency in Islamic banks.

Field of Research: banks efficiency, data envelopment analysis