

ABSTRACT

The development of digitalization in the last decade in Indonesia has caused people's behavior to change drastically and transaction activities are demanded to be mobile, fast, secure, and efficient through various platforms. The COVID-19 pandemic has also made people reduce their use of cash. Changes in people's behavior are also driven by security and convenience factors in conducting transactions in a pandemic using the contactless method. Currently, people are switching to digital services such as the use of ATM (Automated Teller Machines), m-banking, internet banking, electronic money and others, increasing digital activities carried out by the community to facilitate transactions. Of course, commercial bank business activities must also continue to increase innovation in the use of technology through products, services and operational activities so that productivity banks can continue to increase.

This study was conducted to measure and compare the productivity level of conventional and islamic commercial banks in Indonesia during the COVID-19 pandemic, the period March 2020 to June 2021 using the Malmquist Productivity Index (MPI). The method used is quantitative with descriptive research purposes. The input variables used for conventional banks are interest expense and non-interest expense, and islamic banks use input variables in the form of profit paid on deposits and operating expense. While the output variables used by conventional banks are interest income and non-interest income, islamic banks use output variables in the form of income from investment and non-investment income. The sample used in this study is commercial banks that do not merge, commercial banks not the result of a merger, and use their input in the period March 2020 to June 2021. So 105 banks are consisting of 95 conventional banks and 10 islamic banks. Data to measure productivity obtained from the monthly financial statements of each bank.

The results showed that conventional banks are not productive with TFPCH below 1 which is 0,998 driven by efficiency changes (EFFCH). This means that although conventional banks are not productive, conventional banks are already efficient in managing their inputs and outputs. On the other hand, conventional banks have not been optimal in using and utilizing technology in their operational activities. While islamic banks are productive with TFPCH values above 1 which is 1,001 driven by technological changes (TECHCH). This means that islamic banks are optimal in using and utilizing technology in their operational activities. Although islamic banks are productive, but islamic banks are not efficient in managing their inputs and outputs. The results of different tests showed that there was no significant difference between the productivity of conventional and islamic banks.

Keywords: *Performance, Productivity, Malmquist Productivity Index, Conventional Banks, Islamic Banks.*