



Performance Evaluation of Islamic Banking Sector: Iranian View

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Abstract: The aim of this study is to investigate the level of efficiency for the private banks in Iran during 2011-2013. Listed private banks on the Tehran Stock Exchange are used as the sample for this study. Efficiency measures for the data are estimated employing methods including data envelopment analysis and Malmquist index data. The results indicate that 23 out of the 24 branches included in the sample show growth in the productivity, versus only one branch by (2816) code showing decreases in its productivity due to the inefficient investment and use of banking technology. To the best of our knowledge, this research is the first study that attempts to measure the efficiency performance of Iranian private banks.

JEL: G20; G21

Key words: Islamic Banking, Iran, data envelopment analysis, efficiency

1. Introduction

In developing countries, economic development depends on improved efficiency and productivity of a country's economic and social sectors. Besides, efficiency and productivity are very important factors affecting the competitive advantage of each country, which also contributes to the economic development. Banking operations are considered as one of the most important economic activities done inside every economic system (Enoch et al., 2001). These activities require capital and financial resources provided by banks and