Testing the Efficiency of the Investment Sector in Kuwait

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Abstract

This paper investigates the efficiency of the investment sector in Kuwait. The data set covers 40 investment companies that listed in the stock markets of Kuwait for the years 2006–2010. In this study, we use two stage approaches. In the first stage, we use nonparametric Data Envelopment Analysis (DEA) to estimate investment companies’ efficiency in Kuwait. According to the DEA, we investigate whether the technical efficiency of those companies improved between 2006 and 2010. Findings of the first show that investment sector’s efficiency had been improved throughout the period of the study with the exception of year 2008 due to the financial crisis. Using different specifications, findings of the second stage suggest that years of 2008, 2009, and 2010 have had a negative impact on the firms’ efficiency in Kuwait. The result confirms the substantial influence of the 2008 global financial crisis on the investment sector in Kuwait. Also, results show that factors affecting the production efficiency in the investment sector in Kuwait include firm’s sales, firm’s size, the operational structure for the firm whether Islamic or non-Islamic structure, and government participation.