

## ARTICLE

# Comparative Financial Analysis of Conventional and Islamic Banks of Developing Countries

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### ARTICLE INFO

#### *Article history*

Received: 10 October 2020

Accepted: 23 October 2020

Published Online: 31 October 2020

#### *Keywords:*

Capital adequacy

Asset quality

Management quality

Earnings ability

Liquidity

Bank

Financial performance

### ABSTRACT

This study investigated the financial performance of Bangladesh's State-Owned Commercial Banks, Islami Shariah Based Private commercial Banks and Conventional Private Commercial Banks over 12 years from 2006 to 2017. The objective of this study is to find out the financial performance of a bank based on CAMEL indicators. The finding of this study is that Islami Shariah Based Private commercial Banks and Conventional Private Commercial Banks has a good position than State-Owned Commercial Banks. Specific, Pubali Bank Limited, Standard Bank Limited, Prime Bank Limited, City Bank Limited and Al-Arafah Islami Bank Limited are in the best position in Bangladesh under this study. We also found that the performance of State-Owned Commercial Banks is not good. This study gives a policy implementation according to results. 1. State-Owned Commercial Banks should restructure the infrastructure. 2. It needs more emphasis on efficiency and effectiveness to control the cost and loan investment. 3. It will be required to pay more in insurance premiums. 4. It should be born in mine, for higher rating banks. We suggest to a higher number of rating banks that it's hinders a bank's ability to expand by investing, consolidating, or adding more branches. We also suggest to all lower rating banks. The institutions with a poor rating will be required to pay more in insurance premiums.

## 1. Introduction

Financial institutions took a superfluous risk during the period of the world financial crisis 2008-2009. The banking sector plays a significant role in sustaining financial markets and has an impact on the success of the economy. The banking division is performing a significant role in economic development. Banking activities are necessary for strong economies that eventually become the motive to be involved in the

grade of developed nations. Job and commercial activities enlarged in the 18th century throughout the industrial revolution by the beginning of large scale production. To increase commercial operations got importance and became an essential facility. In today's global market, customer satisfaction and product quality may enhance the performance of banks for the wealthy remnant. Globalization has attracted the attention of all parties, with increasing integration, economic growth, rules, and

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competition among banks, and uninterrupted innovation to provide financial benefits that are appropriate under Islamic guidelines and traditions. It should be of concern about the widely critical assumptions of Islamic banks. Conventional banks get their earnings from the difference between the interest rate from debtors and the interest rate given to depositors. Islamic banking does the same task in this scheme, and interest is severely prohibited. In that way, they cannot accept a fixed rate from debtors and do not pay a fixed interest rate to the investors. It earns based on the profit-sharing contracts with the depositors and with the debtors. However, some fee-based banking services are the same as conventional banks do. Hence, Islamic banking is a banking system as it provides profit-sharing and disallows interest. This profit-sharing depends on the degree of the risk involvement of the parties. Its conduct on Quranic instructions and as It explained using Shariah philosophies<sup>[4]</sup>. Reliability is an issue in any financial division. One of the dealings of economic development and financial progress of a nation has been the reliability of its banks. The soundness of the banking division is identical based on producing, efficiency, stability, profitability, and a shock-free atmosphere. Attaining constancy in banking is only the foundation of a sound banking scheme. The main objective of banks today is to sustain stability and make sure they are resistant to outside shocks while at the same time it being internally sound and practical<sup>[15]</sup>.

Performance appraisal of the banking division is an effective and efficient measure and a pointer to check the soundness of economic events of an economy<sup>[13]</sup>. The sound financial health of a bank is the security for not only its depositors but also is similarly significant for the shareholders, stakeholders, and the whole economy as well. For this day by day, it made to measure the financial position of Islamic banks and Conventional banks and manage it effectively and efficiently. In developing countries like Bangladesh, banking industries play a vital role in economic development. It is true, as stock and bond markets are typically underdeveloped. Besides, the development of the banking system and enhancing its financial performance connected to the higher economic growth of any country. Specific, commercial banks contribute to economic growth and other development through their financial role in Bangladesh. The healthy performance of banking industries is the first condition for product innovation, product development, diversification, and effectiveness of the commercial banks. In any country, the development of economic growth and other system deepens on the stability of the banking industry and the better financial performance of

banking industries. The organized banking industry can absorb the risk level of an economy. In a small country like Bangladesh, the number of government and private banks is increasing year after. The local bank faced with competition. As a result of regulatory requirements as well as financial and technological innovation, and new entry of foreign banks in the local banking environment and make contests of the current global financial crisis in Bangladesh. These particular changes affected the present financial performance of the commercial banks in Bangladesh. The study does analyze the financial performance of conventional banks and Islamic banks in Bangladesh based on CAMEL. It (CAMEL) uses as a performance measuring tool as well as to provide some recommendations for betterment in performance in banking industries in Bangladesh. The evaluation of the financial performance of the banking industry is essential for some reasons. CAMEL rating is a controlling rating system initially advanced in the (U. S.) in 1979-80 to classify a Bank's inclusive position. It is practical to every bank and credit union in the U. S. and also applied outside the U. S. by several banking managerial regulators. The term "CAMEL" rating, it recognized by the federal financial organization examination council on November 13, 1979. And then later by the national credit union administration in October 1987. The scores are given based on the ratio investigation of the financial report.

It used to be an active internal controlling tool for assessing the soundness of a financial firm, based on recognizing those institutions demanding special consideration or concern. Uniform Financial Institutions Rating System 1997. Bangladesh Bank announced CAMEL Rating System in 1993 as a vital part of the Off-site Regulation System. It uses for evaluating bank performance. It is a model for the level of the banks. CAMEL is an abbreviation for the five components of banks' safety and soundness.

- (1) Capital adequacy
- (2) Asset quality
- (3) Management quality
- (4) Earning abilities
- (5) Liquidity

In the current study, an effort to assess the financial performance of the particular banks in Bangladesh. The remaining sections of this paper are 2. Literature review, 3. Research methodology, 4. Analysis and result discussion, 5. Conclusion and policymaking.

## **2. Literature Review**

The performance of the bank & all other financial

industries signifies the real picture of any nation of the world. So focusing on this industry must be the strategy of any well developed and other developing countries. Many studies do see banking performance through various performance measuring tools. CAMEL variables are considered a tool for measuring weapons. They conducted a study that the CAMEL components had a positive effect on the performance of commercial banks as well as Islamic banks in financially. The research determines that strengthening CAMEL mechanisms can raise the safety of commercial banks and Islamic banks in Bangladesh<sup>[9]</sup>. They found that the productivity of both categories of banks displays inverse outcomes. But Islamic banks are marginally superior in terms of loss as compared to conventional banks. The main motive is that both types of banks designated are new entrants to the market So that they are incapable of control their operating expenses. Islamic banks are showing improved results in a loan to deposit ratio and loan to asset ratio. Whereas, Conventional banks are presenting slightly decent results in terms of cash & portfolio to deposit & borrowing<sup>[16]</sup>.

They tried to find out the result of company governance on the money stability of deposit cash banks in the African countries. The population of the study comprised the twenty-one listed deposit banks on the Nigerian exchange as of September 2016<sup>[3]</sup>. It completes that company governance encompasses a vital result in money stability. Financial performance influence by the administration behavior of the banking industry<sup>[10]</sup>.

They showed the constructive behavior of the financial position for Erbil Banks, and some of their economic factors variable impact the performance for the banks. They found that the whole financial performance of Erbil Banks is enlightening in case of assets quality ratios, liquidity ratios, or credit performance, profitability ratios (NPM, ROA, and ROE)<sup>[1]</sup>. This paper scrutinize whether the Islamic banks accomplish better in terms of risk and return as associated with conventional banks. The financial performance measures assessed using ROA and ROE ratios<sup>[20]</sup>.

They made an evocative analysis established that, during the war, post-war private banks had high financial performance than state banks. State banks need to focus on their financial performance to compete and persist effectively in the existing world and also private commercial banks' effort to attain their goal financial performance for their extended survival<sup>[23]</sup>.

They observed the link between the rate of interest, financial process, and banks loaning in the African country. The study utilized a standard statistical method

(OLS) technique to research knowledge. The study found that the rate of interest had a negative relationship with banks loaning in the African country. The economic process had a direct correlation with banks loan in African countries<sup>[22]</sup>. On the other hand, they found the results of the study indicated that credit risk and liquidity risk had a positive impact on come back on quality. Whereas, capital adequacy risk had a negative and insignificant effect on coming back on quality. The study complete that risk management/concentration affected the performance of banks in the Federal Republic of Nigeria<sup>[12]</sup>.

They found that IBs yield additional liquidity per unit of assets than Commercial banks. On the other hand, Islamic bank liquidity creation doesn't<sup>[6]</sup>. The Islamic banks square measure less risky and a lot of solvents as well as economical than standard banks. However, there's not a lot of distinction seen in terms of profit. In respect of the analysis record of Islamic banks discovered sensible positive trends as compared to standard banks. The results of the study would be useful to the current management of Islamic banks to enhance their performance additionally as potential stakeholders<sup>[6]</sup>.

They found that (1) minor Islamic banks tend to be financially sturdier than commercial banks. (2) Large commercial banks tend to be financially sturdier than large Islamic banks. (3) Islamic banks tend to be financially stouter than large Islamic banks. That may imitate trials of credit risk supervision in large Islamic banks. They also found that the marketplace share of Islamic banks does not have a substantial impact on the financial forte of other banks<sup>[9]</sup>.

Z-score analysis is the pointer of bank stability. Using the Z-score as a pointer of banks constancy, a regression study (covering a matched sample of 34 Islamic Banks (IBs) and 34 Conventional banks (CBs) from 16 countries) demonstrations that there is no difference in terms of the effect of the financial disaster on the reliability of IBs and Commercial banks. This conclusion discloses that IBs are deviating from their hypothetical business model that would have permitted them to keep a similar level of accuracy even throughout the crisis<sup>[7]</sup>.

Islamic banking is interest-free banking that marks it essential for monotheism banks to necessitate active half within the procedures of the business, i. e. share profits likewise as losses. Banks composed of Islamic banks favor taking minimum risk. On the other hand, Islamic banks should face a lot of problems. It can have a lot of unstable or maybe adverse yields on their assets<sup>[11]</sup>.

Islamic banking is rising at a fast pace in frugality.

And, it is the winners of entrepreneurship and counters the interest-based financial system. Presently, Islamic banks have touched \$1 trillion and is rising around at 20% yearly. Yet, this rapid growth did not restrict the Muslim countries, but the merchandises of Islamic institutions are finding standing in non-Muslim nations. The drive of this study is to comprehend the main alterations in Islamic and Conventional Banking in Pakistan based on cost. And it benefits inquiry, assessment of the lending structure, and comparison of risk administration in the context of the current period<sup>[5]</sup>.

They found that by associating the failure risk for both bank's categories, Islamic banks have an expressively lesser risky of failure than that of their conventional banks. Our findings specify that the plan and application of early warning systems for banks failure should identify the distinct risk shapes of the two bank types<sup>[18]</sup>.

### 3. Research Methodology

The study period of this paper is from 2006 to 2017. All data collected from bank-scope data based. It covers the 32 banks of Bangladesh including, 4 State-Owned Commercial Banks, 6 Islamic shariah based private commercial banks, and 22 conventional private commercial banks. Type-1, Type-2, and Type-3 are representing Government commercial banks, Islamic sharia-based commercial banks, and Conventional Private Commercial Banks. We consider zero when we found missing value. This study conducts only CAMEL parameters.

**Table 1.** List of banks of this study

Type-1 State-Owned Commercial Banks (SOCBs)	
1	Rupali Bank Ltd.
2	Agrani Bank Limited
3	Janata Bank Limited
4	Sonali Bank Limited
Type-2 Islami Shariah Based Private commercial Banks (PCBs)	
1	Social Islami Bank Limited (SOIBL)
2	Al-Arafah Islami Bank Limited (AIBL)
3	EXIM Bank Limited
4	Shahjalal Islami Bank Limited (SIBL)
5	Islami Bank Bangladesh Limited (IBBL)
6	First Security Islami Bank Limited (FSEIBL)

Type-3 Conventional Private Commercial Banks (PCBs)	
1	Standard Bank Ltd.
2	Southeast Bank Limited
3	IFIC
4	Uttara bank
5	AB Bank Limited
6	BRAC
7	The City bank
8	Dutch Bangla Bank Limited (DBBL)
9	Eastern Bank Limited
10	Mercantile Bank Limited
11	Dhaka Bank Limited
12	National Bank Ltd.
13	National Credit and Commerce Bank Limited (NCC)
14	Prime Bank Limited
15	Pubali Bank Limited
16	Trust Bank Limited
17	Jamuna Bank Limited
18	United Commercial Bank Limited
18	Mutual Trust Bank Ltd.
20	One Bank Limited
21	Premier Bank Limited
22	Bank Asia Limited

### Camel Parameters

**Capital Adequacy Ratio:** Capital adequacy ratio is an essential factor to help the bank understand the attractive potential of shock during risk. Capital adequacy enables a bank to meet any financially unforeseen conditions due to FX risk, market risk, credit risk, interest rate risk. It protects the interest of depositors in a bank.

Capital adequacy ratios (CAR) are an assessment of the amount of a bank's core capital stated as a % of its risk-weighted asset. Capital adequacy ratio defined as

$$CAR = (\text{Tier 1 Capital} + \text{Tier 2 Capital}) / \text{Risk weighted Assets} \times 100$$

TIER 1 CAPITAL - Tier 1 capital comprises a bank's stockholders' equity and retained earnings. Risk-weighted



assets are a bank's assets weighted in response to their risk exposure. For instance, cash carries zero risks, but actually, numerous risk weightings keep on to specific loans like mortgages or commercial loans. The risk premium is a percentage that's practical to the consistent loans to attain the total risk-weighted assets. To estimate a bank's tier 1 capital ratio, divide its tier 1 capital by its total risk-weighted assets.

**TIER 2 CAPITAL** - (1). Unrevealed Reserves, (2). General Loss reserves, (3). Hybrid debt capital instruments and subordinated debts where risk can also be weighted assets or the particular national regulator's least total capital obligation. When using risk-weighted assets,

$$CAR = [(T1 + T2) / a] \geq 10\%$$

Percent threshold differs from banks to banks (10% in this case, an obligation for regulators compatible with the Basel treaties) is set by the national banking controller of various countries. <sup>[17, 2, 19]</sup>

**Asset Quality:** To interpretation for the degree of Non-Performing loan in the portfolios of the banks and the degree of damage this specific asset class may have on the financial performance. Asset quality measure by impaired loan to the gross loan <sup>[19]</sup>. This measurement of CAMEL analysis takes the portfolio risk the banks are exposed to and the effects it could have on the general presentation of the banks.

**Management Quality:** The management aspect in CAMEL investigation has supposed much significant position like not ever before. To capture the potential dynamics of management effectiveness affecting the financial performance of the bank's subsequent ratios that reflected the Operating expense as a percentage of total assets <sup>[2, 17, 19]</sup>.

**Earnings Quality:** It helps to focus on the gripping power of the loss, determines the level of its earnings and earnings, and the funds available to reward its shareholders. This paper employs two functional measures to measure the profitability of banks like ROA and ROE <sup>[17, 2, 19]</sup>.

**Liquidity:** Liquidity management in banks has a supposed significance due to competitive pressure and the relaxed flow of external capital in the local markets. The influence of liquidity emergency in the banks can badly influence the financial performance of the banks. The incapability of the banks to accomplish its short term liquidity liabilities and loan obligations can badly impact the performance of the banks by significantly increasing its cost of fund and over disclosure to the unrated asset class. Also, the cash flow from principal and interest expenses could vary for the sorts of loans on the balance sheet effect the liquidity situation. The higher average

value of the ratios becomes ranked greater. The liquidity ratio calculates at a net loan to the total asset <sup>[17, 2]</sup>.

**Table 2.** CAMEL parameters and their calculation method

Variables	Formula
Capital Adequacy	Self-Owned Capital / Risk-Weighted Assets*100%, Self-Owned Capital = Tier1 Capital+ Tier2 Capital
Asset Quality	Impaired loan / Gross loan
Management Quality	Operating expenses / Total asset
Earnings Ability	i. ROA = Net profit / total asset ii. ROE = Net profit / total equity
Liquidity	Net loans / Deposits and short term funding

Sources: <sup>[17, 2, 19]</sup>

**Table 3.** Shows rating and composite range

Rating	Composite Range	Comment
1	1.00-1.49	Strong
2	1.50-2.49	Satisfactory
3	2.50-3.49	Fair
4	3.50-4.49	Marginal
5	4.50-5.00	Unsatisfactory

Sources: <sup>[14, 2]</sup>

**Table 4.** Describe the rating value

Rating	Interpretation
1	Define performance.
2	Indicates average performance that means sound and slightly safe operation.
3	Represents that performance flawed to some degree
4	Sign for unsatisfactory performance. It could be a threaten to solvency for banking operations.
5	Sign for very unsatisfactory performance. That means Banking companies need immediate remediation to survive.

Sources: <sup>[21, 2]</sup>

Below the "1", it defines the poor performance of bank.

## 4. Analysis and Result Discussion

In table 5, shows the capital adequacy ratio that measures by Self-Owned Capital / Risk-Weighted Assets\*100%. The Islamic bank performs better performance (11.83%) than the other two type's bank. Commercial bank does better (11.66%) than the government state-owned bank (8.77%). So, Bangladesh's State-owned commercial bank shows poor performance (8.77%) among the four banks. The result suggested that Bangladesh's State-owned commercial bank is unable to meet unexpected financial

risks like credit risk, market risk, and interest rate risk.

**Table 5.** Capital Adequacy Ratio ( % ) Mean (consolidated )

Type	Type-1	Type-2	Type-3
Capital Adequacy	8.77	11.83	11.66

In table 6, shows the quality of the asset determined by impaired loan to gross loan. State-owned commercial bank displays poor performance (17.06%) from the other two type's bank. Islami bank performs (3.22) better among the other types bank. The higher the rate that it indicates higher the amount of the banks impeded loan, the higher the risk of the bank. It further refers that Bangladesh's State-owned commercial bank is at the highest risk.

**Table 6.** Asset Quality Ratio ( % ) Mean (consolidated)

Type	Type-1	Type-2	Type-3
Asset Quality	17.06	3.22	4.11

In table 7, this step of performance will shed light on the excellence of management. It is to ensure that banks manage easily and decently. The superiority of banks is decided by efficiency and effectiveness in controlling costs and increasing productivity, ultimately achieving higher profits. The result suggests that the cost increase of conventional commercial bank (type-3) rather than type-1 and type- 2.

**Table 7.** Management Quality Ratio ( % ) Mean (consolidated)

Type	Type-1	Type-2	Type-3
Management Quality	1.76	1.65	2.44

In table 8, it helps to focus on the gripping power of the loss, determines the level of its earnings and the funds available to reward its shareholders. This paper employs two functional measures the profitability of banks like ROA and ROE. Type-3 bank achieved the highest profit during the study period. The overall performance of type-2 bank is slightly lower than type-3 bank. Whereas type-1 bank earned low-income form the other two types of bank.

**Table 8.** Earnings Ability (ROA) Ratio ( % ) Mean (consolidated)

Type	Type-1	Type-2	Type-3
Earnings Ability (ROA)	1.04	1.38	1.44

In table 9, ROE contributes to the understanding of

the management's work about the earnings or income received from the owner's equity. Return on Equity (ROE) reveals how much a bank can earn compared to the total amount of equity held by the shareholders on the balance sheet. Any bank that expresses higher returns on equity is able to generate more cash internally, while having higher returns on equity. The result suggests that the type-1 bank shows the better earning ability from the type-2 and type-3 bank.

**Table 9.** Earnings Ability (ROE) Ratio ( % ) Mean (consolidated)

Type	Type-1	Type-2	Type-3
Earnings Ability (ROE)	18.24	14.75	15.74

**Table 10.** Liquidity Ratio ( % ) Mean (consolidated)

Type	Type-1	Type-2	Type-3
Liquidity	56.90	86.60	79.85

In table 10, the liquidity ratio of a bank measures its performance to repay its current liabilities. If a bank faces a liquidity crisis, the bank cannot meet its short-term obligations. It needs a sufficient liquidity ratio to run a bank operation soundness. The result suggests that the type-2 bank shows (86.60%) the better earning ability from the type-3 (79.85%) and type-1 (56.90%) bank.

From table 11, based on composite rating value, the researcher found that the performance of type-1 (state-owned) banks like Rupali (5), Agrani (5), Janata (8), Sonali (7) time show poor performance over the study period.

We also found that the performance of type-2 banks like First Security Islami Bank Limited (6), Social Islami Bank Limited (1), Shahjalal Islami Bank Limited(1), Islami Bank Bangladesh Limited(1) time show poor performance during the study period. Whereas, Al-Arafah Islami Bank Limited and EXIM Bank Limited display zero time poor performance under the study period.

We further found that the performance of type-3 banks like Uttara bank (4), One Bank Limited (4), Mutual Trust Bank Ltd (2), Trust Bank Limited (1) time show poor performance during the study period. Other banks in type-3 show one (1)-time poor performance during the study period. On the other hand, Pubali Bank Limited, Prime Bank Limited, The City Bank, AB Bank Limited, and Standard Bank Ltd show zero time poor performance during the study period.

Our result suggests that a higher number of ratings hinders a bank's power to expand by investing,

**Table 11.** Consolidated Rating value and Composite value

Bank	Rating (mean)	Composite value(mean)	Description			
Type-1			Strong	Satisfactory	Fair	Poor
Rupali Bank Ltd.	0.67	1.20	6	1	0	5
Agrani Bank Limited	0.83	1.27	5	1	1	5
Janata Bank Limited	0.33	0.74	4	0	0	8
Sonali Bank Limited	0.42	0.92	5	0	0	7
<b>Type-2</b>						
Social Islami Bank Limited	1	1.13	10	1	0	1
Al-Arafah Islami Bank Limited	1	1.31	12	0	0	0
EXIM Bank Limited	1.25	1.33	9	3	0	0
Shahjalal Islami Bank Limited	0.92	1.23	11	0	0	1
Islami Bank Bangladesh Limited	0.92	1.11	11	0	0	1
First Security Islami Bank Limited	0.50	1.05	6	0	0	6
<b>Type-3</b>						
Standard Bank Ltd.	1	1.23	12	0	0	0
Southeast Bank Limited	0.92	1.08	11	0	0	1
IFIC	0.92	1.09	11	0	0	1
Uttara bank	0.67	0.98	8	0	0	4
AB Bank Limited	1.08	1.26	11	1	0	0
BRAC	0.92	1.24	11	0	0	1
The City bank	1	1.23	12	0	0	0
Dutch Bangla Bank Limited	0.92	1.11	11	0	0	1
Eastern Bank Limited	0.92	1.29	11	0	0	1
Mercantile Bank Limited	0.92	1.36	11	0	0	1
Dhaka Bank Limited	0.92	1.14	11	0	0	1
National Bank Ltd.	1	1.20	10	1	0	1
NCC Bank Limited	0.92	1.20	11	0	0	1
Prime Bank Limited	1	1.22	12	0	0	0
Pubali Bank Limited	1	1.19	12	0	0	0
Trust Bank Limited	0.83	1.13	10	0	0	2
Jamuna Bank Limited	0.92	1.07	11	0	0	1
United Commercial Bank Limited	0.92	1.12	11	0	0	1
Mutual Trust Bank Ltd	0.83	1.09	10	0	0	2
One Bank Limited	0.67	0.96	8	0	0	4
Premier Bank Limited	0.92	1.16	11	0	0	1
Bank Asia Limited	0.92	1.18	11	0	0	1

Source: Authors Calculation

consolidating, or adding more branches. So, it should be concerned about this matter. Our result also suggests that those banks show poor performance during the study period. Especially, type-1 banks are not good performance under the study period. That's mean it can't reach the minimum composite rate. So, it should need an immediate step to overcome this situation. We suggest to all lower rating banks. The institutions with a poor rating will be

required to pay more in insurance premiums.

## 5. Conclusion and Implementation

This study investigated the financial performance of Bangladesh's State-Owned Commercial Banks, Islami Shariah Based Private commercial Banks and Conventional Private Commercial Banks over 12 years from 2006 to 2017. The objective of this study is to

find out the financial performance of the bank based on CAMEL indicators. The finding of this study is that Islami Shariah Based Private commercial Banks and Conventional Private Commercial Banks has a good position than State-Owned Commercial Banks. Specific, Al-Arafah Islami Bank Limited, Standard Bank Limited, Prime Bank Limited, Pubali Bank Limited, and City Bank Limited are in the best position in Bangladesh under this study. We also found that the performance of State-Owned Commercial Banks is not good. We recommended to future researches to use cost efficiency and Z-Scores variables that are the pointer of performance measurement. This study gives a policy implementation according to results. (1) State-Owned Commercial Banks should restructure the infrastructure. (2) It needs more emphasis on efficiency and effectiveness to control the cost and loan investment. (3) It will be required to pay more in insurance premiums. (4) It should be born in mine, for higher rating banks. A higher number of ratings hinders a bank's ability to expand by investing, consolidating, or adding more branches. Finally, the study recommends that the mutual participation of the Central Banks of Bangladesh could involve the International Monetary Fund and World Banks professionals in designing improved legislative rules. And, it looks for extending reserves injection that will help in increasing the growth and operation of both conventional and Islamic banking institutions. We also suggest to all lower rating banks. The institutions with a poor rating will be required to pay more in insurance premiums.

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