© IJCIRAS | ISSN (O) - 2581-5334
November 2019 | Vol. 2 Issue. 6

FINANCIAL PERFORMANCE ANALYSIS OF SELECTED BANKS IN BANGLADESH: A STUDY ON ISLAMIC AND CONVENTIONAL BANKS

Md. Mukitul Hoque[1], Md. Parvez Hossain,[2] Nur Mohammad Bappy[3]

[1]Assistant professor, External Affairs, Kyungsung University, Busan, South Korea
[2]Student, Department of Business Administration, Kyungsung University, Busan
[3]Student, Department of Business Administration, Kyungsung University, Busan

Abstract

Conventional banking and Islamic banking era have two banking streams that are highly important to carry on banking business in Bangladesh. The objective of the research is to examine and compare the financial enactment of the Bangladeshi non-conventional (Islamic) and non-Islamic (conventional) banking and to sort out which banking system is executing better than others. In this research, a sample of 5 Islamic banks and 5 conventional banks were chosen. To conduct the study secondary data has been used. The secondary sources of data include scrutinizing the performance of Islamic and conventional banks in terms of the below three measurements: (1) profitability, (2) liquidity, and (3) solvency. The study findings would be a great help to the policy-makers, practitioners, researchers, academicians, and to other stakeholders. In addition, the analysis of the bank's financial performance can be a useful source of information for future researchers.

Keyword: Performance analysis, Financial ratios, Islamic banks, Conventional banks.

1. INTRODUCTION

The financial institution like banking institute is the back-bone of the any country's economy. The Bangladesh's banking sector is comparatively larger in terms of level of development and per capita income. Bangladesh banking sector is categorized by several types of Banks- Conventional, Islamic and specialized bank. The banking sector plays an important role for the improvement just as smooth running of the economy of any country on the globe. Since the 20th century, the global financial sector was running the interest based financial system which is controverting Islam and Muslims. The Muslims were at embarrassment with the existing method that directed to the improvement of Sharia's compliant banking system. The definition of Islamic bank, as approved by the General Secretariat of the OIC, is stated in the following manner. "An Islamic bank is a financial institution whose status, rules and procedures expressly state its commitment to the principle of Islamic Shariah and to the banning of the receipt and payment of interest on any of its operations"(Ali & Sarkar 1995, pp.20-25). However, in non-Islamic banks interest is considered to be the price of credit and reflecting the opportunity cost of money. As discussed banking sector is a vital part of the Bangladeshi economy. Hence, its successes or failures sturdily influence the progress of the financial system as well as its future outlook. According to this study, the financial development of the non-Islamic and non-conventional banks in Bangladesh is handy to different groups of interest such as the government, the central bank and society people.

In this research we have scrutinized the performance of both streams of- conventional and Islamic- bank in Bangladesh through financial ratios during 2012-2016. The selected banks have been analyzed from three measurements: 1) Profitability, 2) Liquidity, 3) Solvency.

2. LITERATURE REVIEW

Md. Nur Nabi, Md. Omar Faruque and Fatema-Tuj-Johara (2017) study on monetary performance and customer preference of the Bangladeshi non-conventional and commercial banks claimed that the banking stream is performing better than other. For this study, understanding and sound evaluation, key performance signs were distributed into peripheral bank factors-customer behavior and perception about both commercial and Islamic banks- and inner bank factors-evaluate the of enactment of two type of banks in terms of profitability, liquidity, credit risk , solvency.

Samina (2013) revealed her paper that, the performance of banks are reliant more on the ability of controlling the strategic plan and the effective execution of its strategies. Moreover, this research also found exact zones for each bank to work on which can confirm sustainable progress for these banks.

Rahman's (2016) paper on financial performance analysis of scheduled commercial banks in Bangladesh studied evaluation of financial performance has covered mainly publicly traded commercial banking companies in Bangladesh, and therefore has raised the issue of generalization of the results. The research findings revealed the significant correlation between Economic value added (EVA) and profitability ratio; EVA and market ratio and termed EVA as an independent measure of performance.

Sarker et al. (2017) reported that the empirically investigate the performance and efficiency level of Al-Arafa Islami Bank Ltd following Islamic shariah (Law).

Ahsan (2016) expressed the performance analysis of selected non-conventional banks in Bangladesh based on CAMEL. In doing so a performance analysis has been estimated the strong position on bank's composite rating system.

Getahun (2015) argued that, the analysis of financial performance of Ethiopian commercial banks using CAMEL approach to examine the relationship between selected CAMEL factor measurements with the profitability measures.

Ibrahim (2015) study on the performance analysis of two UAE based non-conventional and conventional banks claimed that, the main ratios are important to focus on the banks liquidity, profitability, management capacity, capital structure and share performance as sensible indicators of a bank performance. This paper also stated to highlight the overall stability of each bank.

Jaba, Farzana and Rabbany (2015) argued that, to conduct all banking and investment activities on the basis of interest free for the people of Bangladesh for doing banking transactions what is prescribed by Islam. That is why, it is shown various operation activities can be used to scrutinize of operation of Islami Bank Bangladesh Ltd.

According to Dr. Haque (2014) expressed that, The sound financial health of bank not only depends on depositors but also equally depends on shareholders, employees and the entire economy to evaluate the performance of different banks scrutinizing their financial position and effective management.

Islam (2014) stated in his paper that, the banking performance depends on management's ability in formulating strategic policies and improving performance. Furthermore, this study evaluated the bank performance by using financial ratios to show the bank financial compare to past year performance.

Skender,Arta & Alshiqi (2014) study on the financial performance analysis in the banking system in Kosovo to measure the quality of financial indicators which help to meet all regulatory requirements.

Noh Mi Hyun (2012) stated in his paper that, the difference in financial performance was analyzed by the profitability, the cost efficiency, the capital quality, the liquidity and the loan quality according to banking industry classification and the presence of the holding company.

Akram (2012) suggests that, improving monetary performance will conduct to progress tasks and deeds of the enterprises. Moreover, monetary performance has been tested by using different indicators like internal, market and economic indicator.

3. OBJECTIVE OF THE STUDY

The main objectives of this research paper are as follows:

1. To measure the comparative performance analysis of Islamic and Conventional banks in Bangladesh.

2. To scrutinize the financial stability of selected banks in Bangladesh.

4. METHODOLOGY OF THE STUDY

The ratio analysis is the best way to get the performance of the Bangladeshi Banks. Though the methodology of the ratio analysis is simple that is why it has been commonly used by the previous scholars. In other to fulfill the objective of the study we selected period from 2012 to 2016 including 5 conventional and 5 Islamic banks. Mainly, this research works is based on secondary data which have conducted the combination of financial statement analysis of two type of banking practice in Bangladesh. To scrutinize the study we have measured necessary ratio analysis and have used important mathematical and numerical term to observe the performance of the Bangladesh Banking sector. In this study three measurements have been done such as profitability, liquidity and solvency. Profitability measurement comprises return on assets, returns on equity, and cost to income ratio; liquidity dimension includes cash ratio, quick ratio, and current ratio and finally solvency dimension includes debt to equity ratio, equity ratio.

5. DISCUSSION

A common way to evaluate financial statement is through ratio analysis. "A financial ratio is a measure of the relative magnitude of two selected numerical values taken from a company's financial statements" (Henry and David, 2014).

5.1. Profitability Dimension

Profitability ratio is the kind of financial metrics that are used to compare different expenses to revenue and analyze how well the assets of a company have been used to generate revenue. Following three profitability ratios used to depict banks overall performance and efficiency:

- ***Return of Assets (ROA):*** Return on asset is a financial ratio that is analyzed as net income divided by total assets. This profitability ratio shows the percentage of profit of a company earns in relation to its overall resources. The formula of ROA is:

Net Income / Total assets

- ***Return of Equity (ROE):*** Return on equity is a financial metrics that is scrutinized as net income divided by total equity. This financial ratio tells the amount of net income retuned as a proportion of shareholders equity. Return on equity is considered using the following formula:

Net Income / Total Equity

- ***Cost to income ratio:*** Cost to income ratio shows a company's costs in relation to its income. Cost to income ratio can be defined as total cost is divided by total income. Cost to income ratio can be expressed by the following formula:

Total Cost / Total Income

5.2. Liquidity Dimension:

Henry and David said, Liquidity is the ability of a corporation to satisfy demands for cash as they arise in the near-term (such as payment of current liabilities). Liquidity of bank is the parameter of banking risk which try to achieve the financial obligations as and when due. The below liquidity ratios were applied to meet the liquidity performance.

- ***Cash ratio:*** Cash ratio is a type of ratio which analyzes a firm's capability to pay off its current liability with only cash and cash equivalents. Cash ratio is calculated using the following formula:

(Cash+ Cash equivalents) **/** Current Liabilities

- ***Quick ratio:*** Quick ratio is also well-known as acid test ratio. How well a company can meet its short term financial liabilities expressed as quick ratio. The formula of quick ratio is:

(Current assets **–** Inventory**)** **/** Current Liabilities

- ***Current ratio:*** Current asset is divided by the current liabilities known as current ratio. Current ratio can be expressed by the following formula:

Current assets**/** Current Liabilities

5.3. Solvency Dimension:

To scrutinize the company's capability to meet its debts and other obligations, this financial dimension of ratio analysis plays key role. It shows that company's cash flow is sufficient to meet up its short-term and long term liabilities and obligations. The following formulas are useful to analysis the bank's solvency:

- ***Debt to equity ratio:*** Debt to equity ratio is a type of financial ratio which is measured by dividing a company's total liabilities by its stockholders equity. The debt to equity ratio tells how much debt a company is using to invest its assets relative to the value of shareholders equity. The formula of D/E ratio is shown below:

  Total liabilities / Shareholders Equity

- ***Equity ratio:*** Equity ratio is calculated by dividing total equity by total assets. This ratio shows potential creditors that the company is more sustainable and less financing and debt service costs than companies with lower ratios. Equity ratio can be expressed by the following formula:

  Total Equity / Total Assets

6. RESULT AND ANALYSIS

In this part result and analysis are divided into 2 sections. In section one financial analysis of conventional banks are presented while in second section financial analysis of Islamic banks are shown.

6.1. Analysis of Conventional Banks

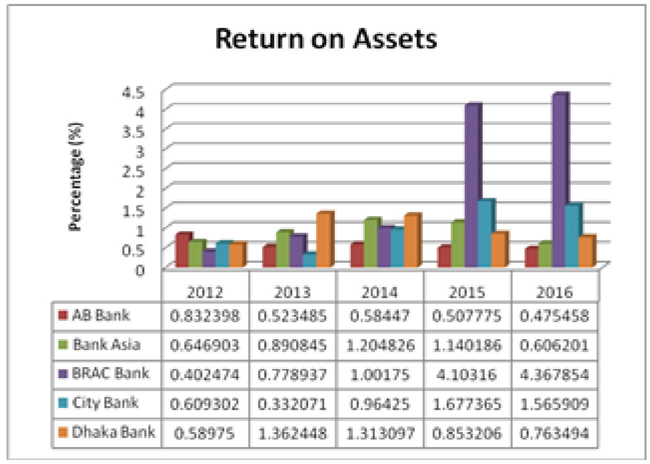
Results of financial analysis of conventional banks are revealed in different figures and tables covering 3 dimensions such as profitability, liquidity and solvency. These are presented below:

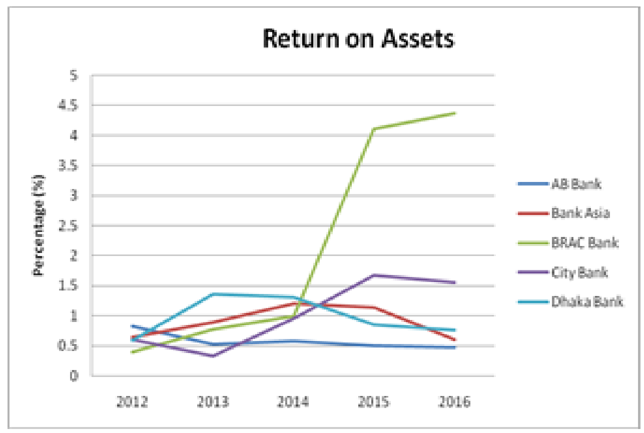
6.1.1. Profitability Dimension

To scrutinize profitability of conventional banks by using following techniques:

- ***Return on Assets (ROA)***

Figure-1 Return on Assets of selected Bangladeshi Conventional Banks





Source: Author's Compilation, 2018

Table-1 Average Return on Assets of selected Bangladeshi Conventional Banks

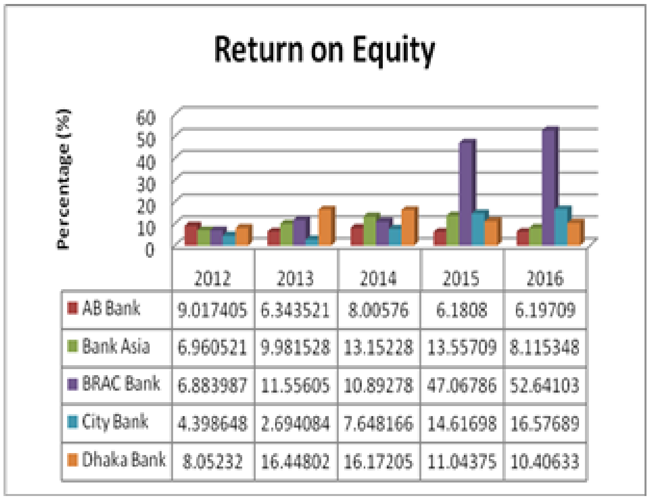
ROA	Mean (%)
AB Bank	0.584717
Bank Asia	0.897792
BRAC Bank	2.130835
City Bank	1.02978
Dhaka Bank	0.976399

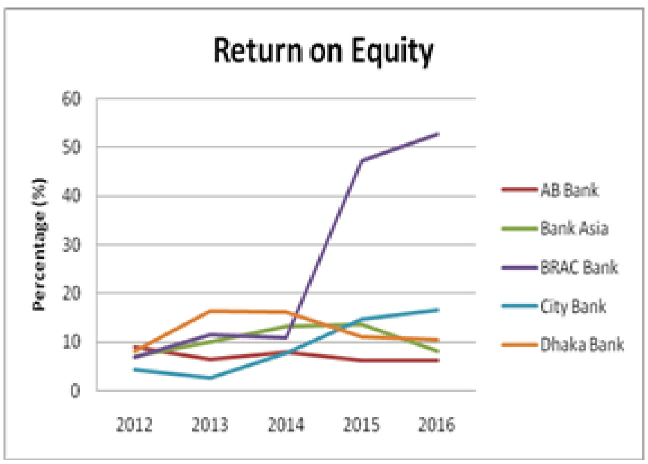
Source: Author's Compilation, 2018

The return on assets ratio reflects how efficient a management is at using its assets to generate earnings. From the above Figure-1 indicates that the return on assets ratio of Brac bank in 2016 is highest among the year. Table-1 reveals that Brac Bank was able to generate highest average ROA during the year with an average of 2.130835% while City Bank having the second highest average ROA of 1.02978%. AB Bank, However, had the lowest average return on assets.

- ***Return on Equity (ROE)***

Figure-2 Return on Equity of selected Bangladeshi Conventional Banks





Source: Author's Compilation, 2018

The return on equity presents the ability of company to generate profit without needing as much capital. In the above Figure-2, it is found that return on equity ratio is well and increasing over the years. The ROE of Brac bank was 6.883987% which was increased to 52.64103% in 2016. Besides, the percentage of ROE of city bank, Dhaka bank and Bank Asia were increased.

Table-2 Average ROE of selected Bangladeshi Conventional Banks

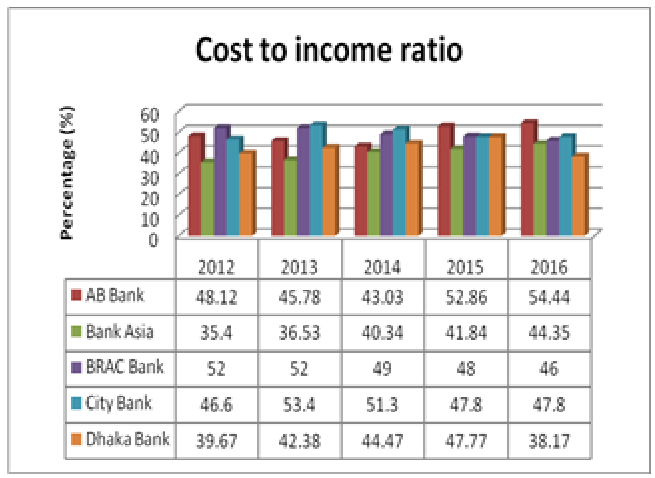
ROE	**Mean (%)**
AB Bank	7.148915
Bank Asia	10.35335
BRAC Bank	25.80834
City Bank	9.186953
Dhaka Bank	12.42449

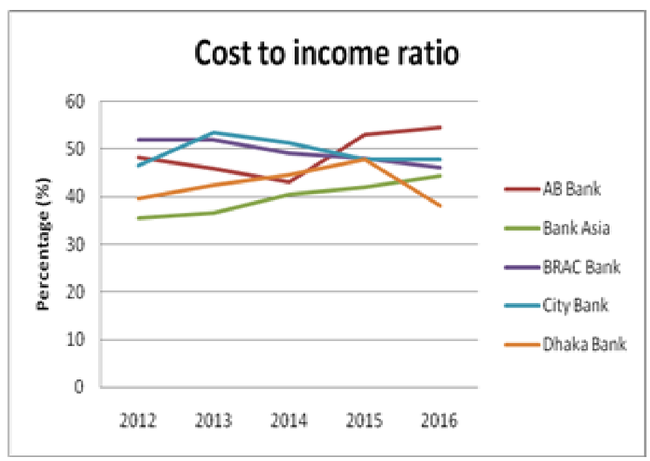
Source: Author's Compilation, 2018

According to the above Table-2 reveals the average percentage of ROE of Brac bank was highest during the years with 25.80834% while Dhaka bank having second position of 12.42449%. However, AB bank unable to maintain the good ROE over the years.

- ***Cost to income ratio***

Figure-3 Cost to income ratio of selected Bangladeshi Conventional Banks





Source: Author's Compilation, 2018

Table-3 Average Cost to income ratio of selected Bangladeshi Conventional Banks

Cost and income ratio	Mean (%)
AB Bank	48.846
Bank Asia	39.692
BRAC Bank	49.4
City Bank	49.38
Dhaka Bank	42.492

Source: Author's Compilation, 2018

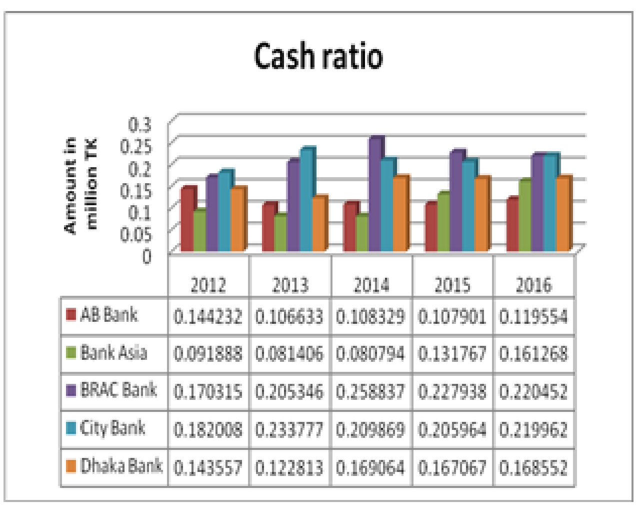
The cost to income ratio reflects how efficiently the firm is being run. According to the Figure-3 AB bank had highest cost and income ratio (54.44%) compared to the other banks under the research during the periods. Moreover, above Table-3 reveals that the Brac bank average percentage of cost to income ratio was highest (49.4%), after that city bank in the second rank with a mean cost to income ratio with 49.38%. Bank Asia had lowest average cost to income ratio.

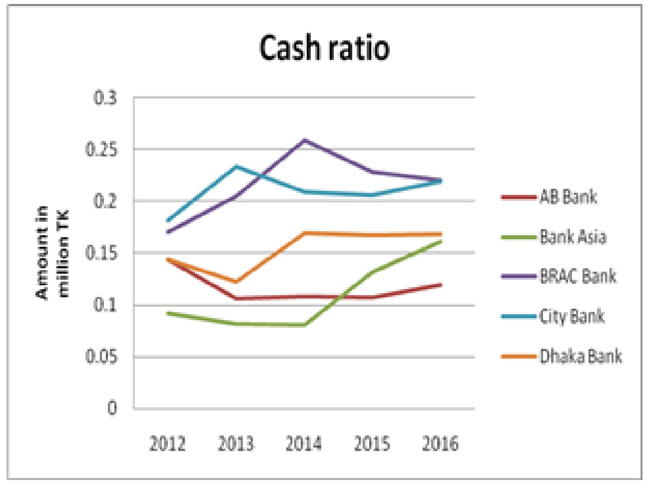
6.1.2. Liquidity Dimension

Liquidity dimension can be analyzed by the following ways:

- ***Cash ratio***

Figure-4 Cash ratio of selected Bangladeshi Conventional Banks





Source: Author's Compilation, 2018

Table-4 Average Cash ratio of selected Bangladeshi Conventional Banks

Cash Ratio	Mean (Amount in million TK)
AB Bank	0.11733
Bank Asia	0.109425
BRAC Bank	0.216578
City Bank	0.210316
Dhaka Bank	0.15421

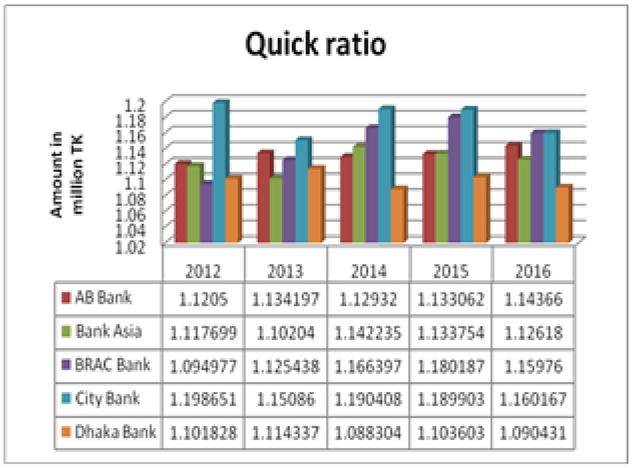
Source: Author's Compilation, 2018

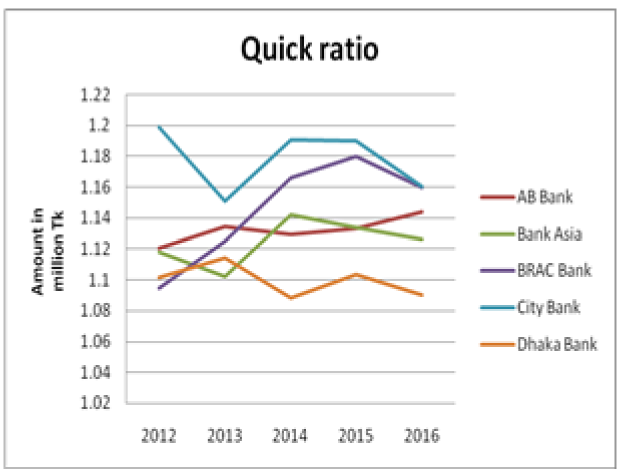
The cash ratio indicates company's ability to repay the short term debt and can quick liquidate assets. From above Table-4 it is clear that, the average cash ratio of Brac bank is highest in maximum year. It is too much good scenario for the Brac bank, followed by city bank, Dhaka bank, AB bank and finally Bank Asia.

- ***Quick ratio***

The quick ratio is a liquidity ratio that measures company's ability to convert its current assets within short-term. From Figure-5, the city bank quick ratio was 1.198651 million tk in 2012 which was decreased to 1.160167 million tk in 2016. But it was the highest ratio than the other banks quick ratio. Table-5 clearly shows that City bank has the strongest liquidly position based on average quick ratio (1.177998 million tk), followed by Brac bank (1.145352 million tk) in second rank. The lowest quick ratio (average) of Dhaka bank is 1.099701 million tk over the years under research.

Figure-5 Quick ratio of selected Bangladeshi Conventional Banks





Source: Author's Compilation, 2018

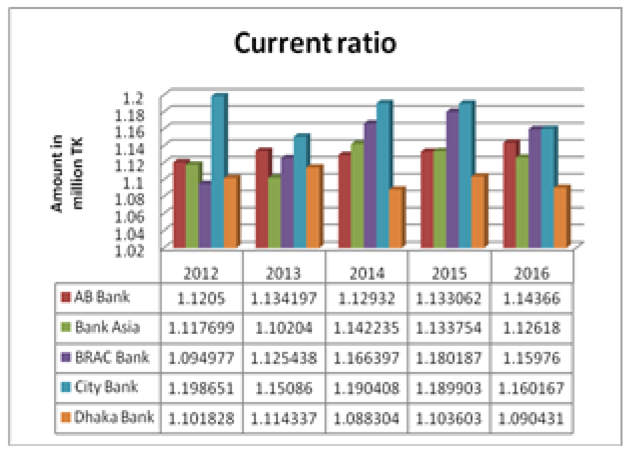
Table-5 Average Quick ratio of selected Bangladeshi Conventional Banks

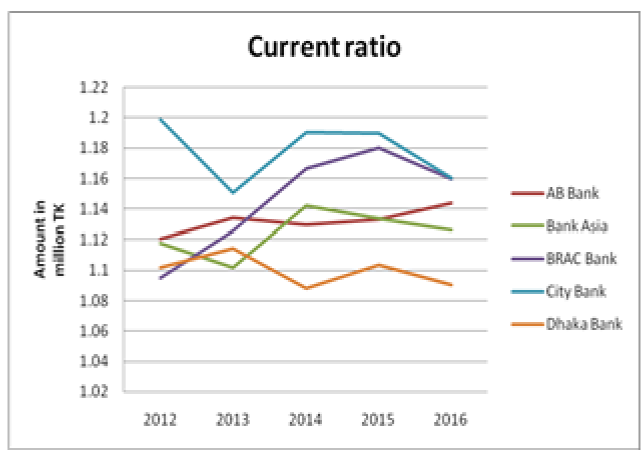
Quick Ratio	Mean (Amount in million TK)
AB Bank	1.132148
Bank Asia	1.124382
BRAC Bank	1.145352
City Bank	1.177998
Dhaka Bank	1.099701

Source: Author's Compilation, 2018

- ***Current ratio***

Figure-6 Current ratio of selected Bangladeshi Conventional Banks





Source: Author's Compilation, 2018

Table-6 Average Current ratio of selected Bangladeshi Conventional Banks

Current Ratio	Mean (Amount in million TK)
AB Bank	1.132148
Bank Asia	1.124382
BRAC Bank	1.145352
City Bank	1.177998
Dhaka Bank	1.099701

Source: Author's Compilation, 2018

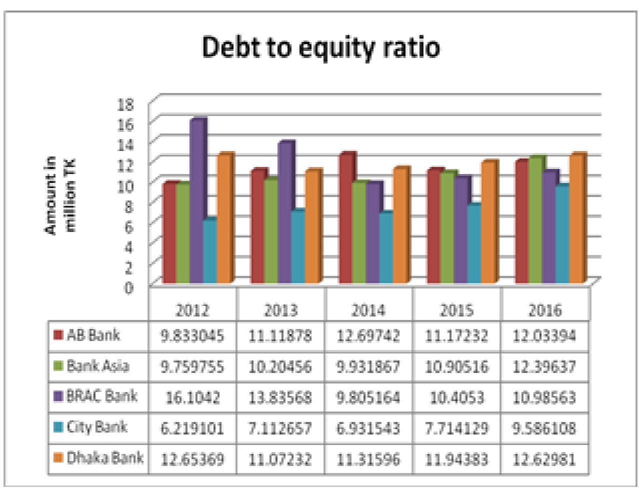
Current ratio indicates a bank's liquidity position. According to the Figure-6, In 2014 the current ratio of City bank, Brac bank and Bank Asia peaked at 1.190408, 1.66397, 1.142235 million tk respectively. But in 2014 the ratio was decreased of these three banks. From Table-6 indicates that City bank had the highest average ratio (1.177998 million tk) with Dhaka bank (1.099701 million tk) in the bottom during years under study.

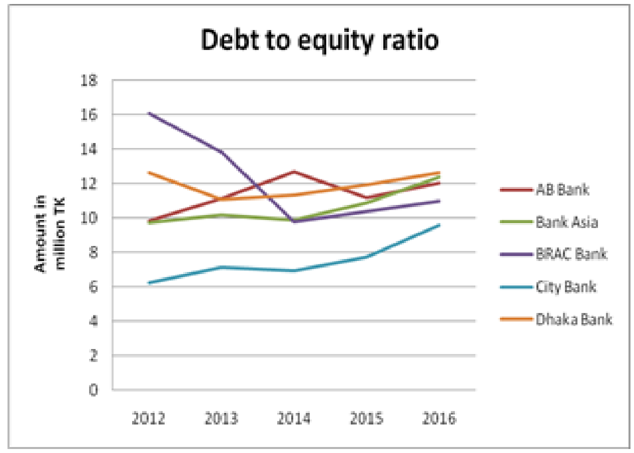
6.1.3. Solvency Dimension

To analysis solvency of conventional banks by using following techniques:

- ***Debt to equity ratio***

Figure-7 Debt to equity ratio of selected Bangladeshi Conventional Banks





Source: Author's Compilation, 2018

Table-7 Average Debt to equity ratio of selected Bangladeshi Conventional Banks

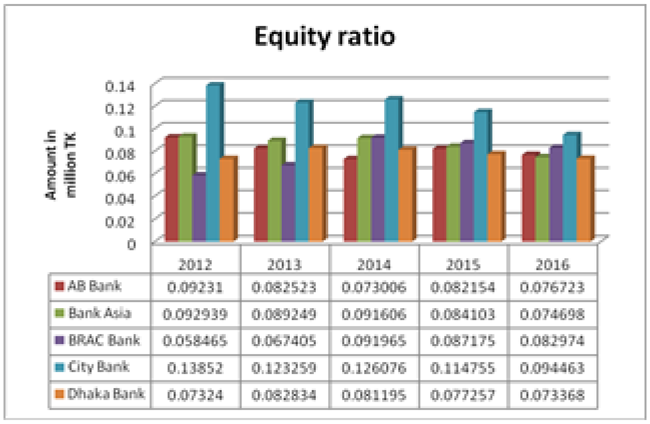
Debt to equity ratio	Mean (Amount in million TK)
AB Bank	11.3711
Bank Asia	10.63954
BRAC Bank	12.22719
City Bank	7.512708
Dhaka Bank	11.92312

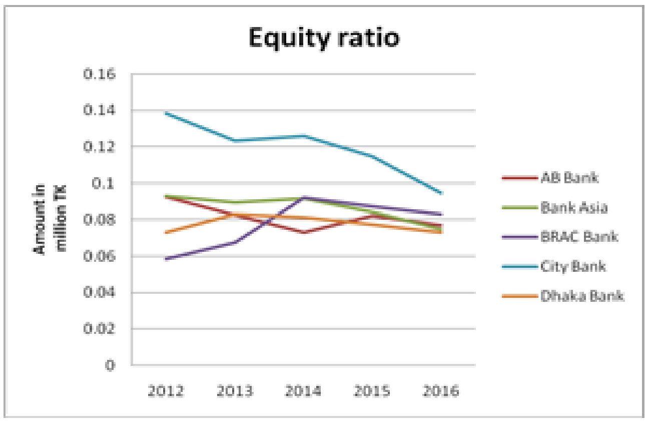
Source: Author's Compilation, 2018

The debt to equity is measuring a company's financial leverage. It generally indicates that company has been aggressive in financing its growth with debt. According to the above Table-7, Brac bank has the utmost mean D/E ratio compared to the other banks over the period under the research while Dhaka bank in the second position. The average D/E ratio of City bank was lowest during the year 2012 to 2016.

- ***Equity ratio***

Figure-8 Equity ratio of selected Bangladeshi Conventional Banks





Source: Author's Compilation, 2018

Table-8 Average Equity ratio of selected Bangladeshi Conventional Banks

Equity ratio	Mean (Amount in million TK)
AB Bank	0.081343
Bank Asia	0.086519
BRAC Bank	0.077597
City Bank	0.119415
Dhaka Bank	0.077579

Source: Author's Compilation, 2018

The Equity ratio is a financial ratio which is used to measure the prospective solvency position of the business. A higher equity ratio gives a freer access to capital at lower interest rates. From Table-8, it is clearly revealed that, City bank has the highest average equity ratio (0.119415 million tk) compared to the other banks over the period under the research while Bank Asia (0.086519 million tk) in the second position. The average equity ratio of Dhaka bank (0.077579 million tk) was lowest during the year 2012 to 2016.

6.2. Analysis of Islamic Banks

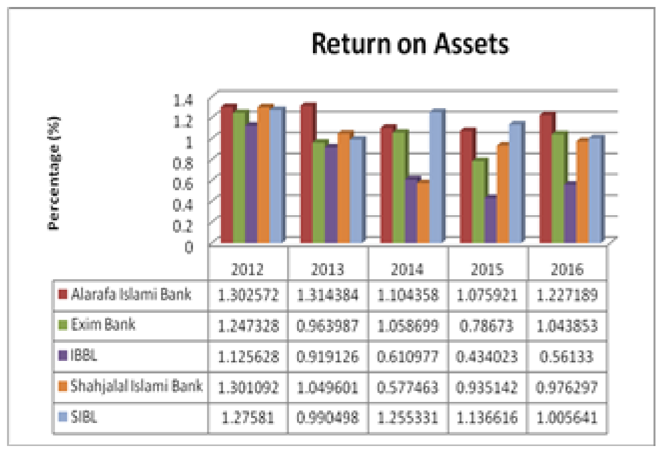
Results of financial analysis of Islamic banks are also exposed in different figures and tables covering 3 dimensions such as profitability, liquidity and solvency. These are shown below:

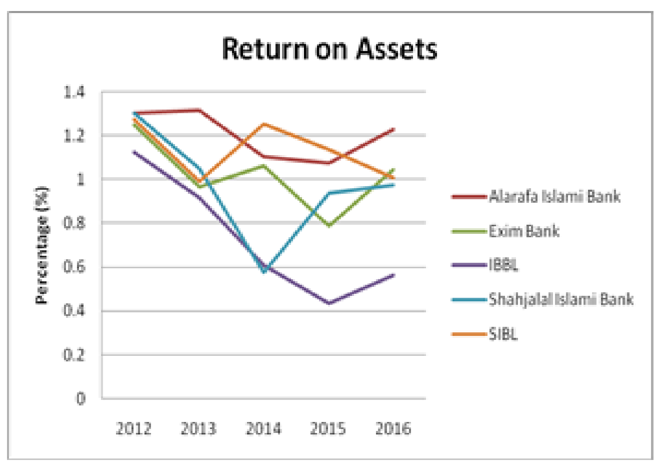
6.2.1. Profitability Dimension

To analysis profitability of Islamic banks by using following techniques:

- ***Return on Assets (ROA)***

Figure-1 Return on Assets of selected Bangladeshi Islamic Banks





Source: Author's Compilation, 2018

Table-1 Average Return on Assets of selected Bangladeshi Islamic Banks

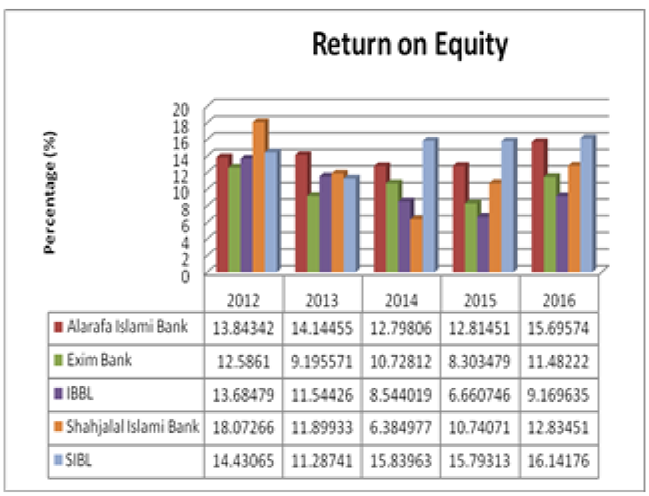
ROA	Mean (%)
Alarafa Islami Bank	1.204885
Exim Bank	1.020119
IBBL	0.730217
Shahjalal Islami Bank	0.967919
SIBL	1.132779

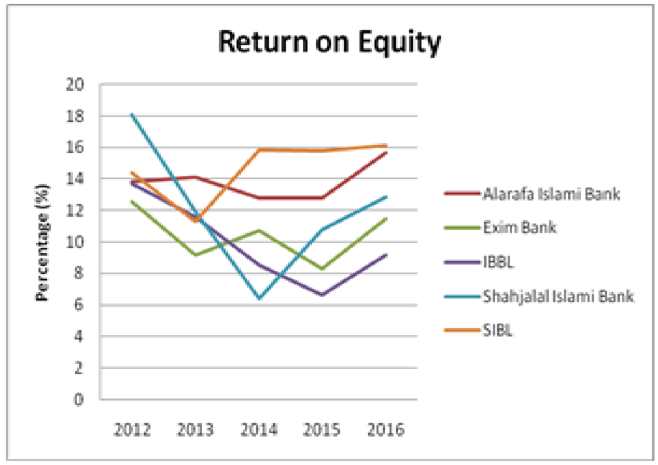
Source: Author's Compilation, 2018

From Table-1, it is clearly exposed that, Alarafa Islami bank has the to mean return on asset ratio (1.204885%) compared to the other banks over the period under the research while SIBL (1.132779%) in the second position. The average return on asset ratio of IBBL (0.730217%) was lowest during the year 2012 to 2016.

- ***Return on Equity (ROE)***

Figure-2 Return on Equity of selected Bangladeshi Islamic Banks





Source: Author's Compilation, 2018

Table-2 Average ROE of selected Bangladeshi Islamic Banks

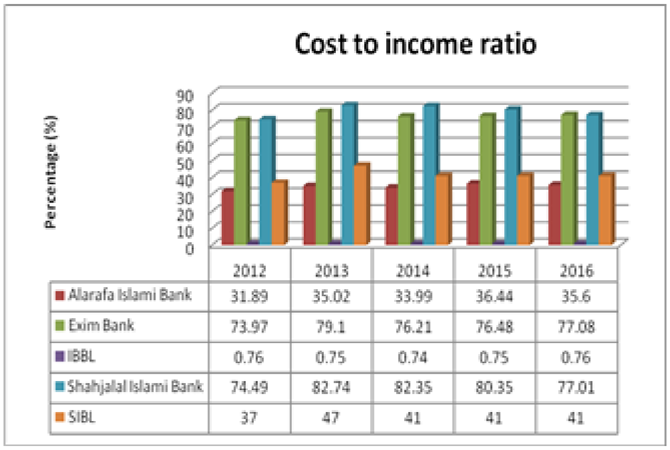
ROE	Mean (%)
Alarafa Islami Bank	13.85926
Exim Bank	10.4591
IBBL	9.92069
Shahjalal Islami Bank	11.98644
SIBL	14.69852

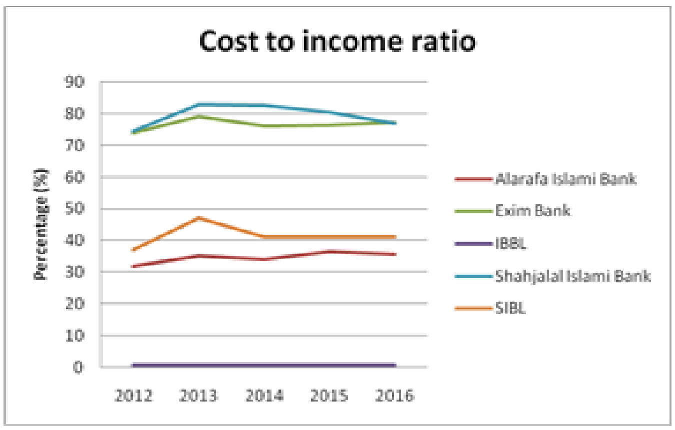
Source: Author's Compilation, 2018

According to the above Table-2, SIBL has the maximum mean ROE ratio compared to the other banks over the period under the research while Alarafa Islami Bank in the second position. The average ROE ratio of IBBL was lowest during the year 2012 to 2016.

- ***Cost to income ratio***

Figure-3 Cost to income ratio of selected Bangladeshi Islamic Banks





Source: Author’s Compilation, 2018

Table-3 Average Cost to income ratio of selected Bangladeshi Islamic Banks

Cost to income ratio	Mean (%)
Alarafa Islami Bank	13.85926
Exim Bank	76.568
IBBL	0.752
Shahjalal Islami Bank	79.388
SIBL	41.4

Source: Author’s Compilation, 2018

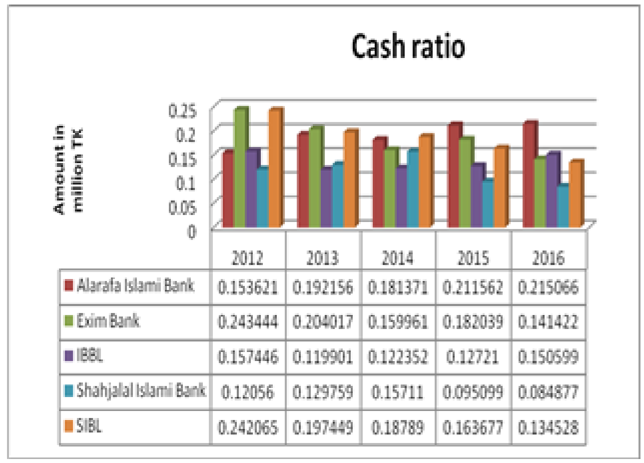
According to the Figure-3, In 2013 the cost to income ratio of Shahjalal Islami bank, Exim bank and SIBL peaked at 82.74%, 79.10%, 47% respectively. But in 2014 the ratio decreased in these three banks. From Table-3 reveals that Shahjalal Islami bank had the maximum mean ratio (79.388%) with IBBL (0.752%) in the lowest during sample years under research.

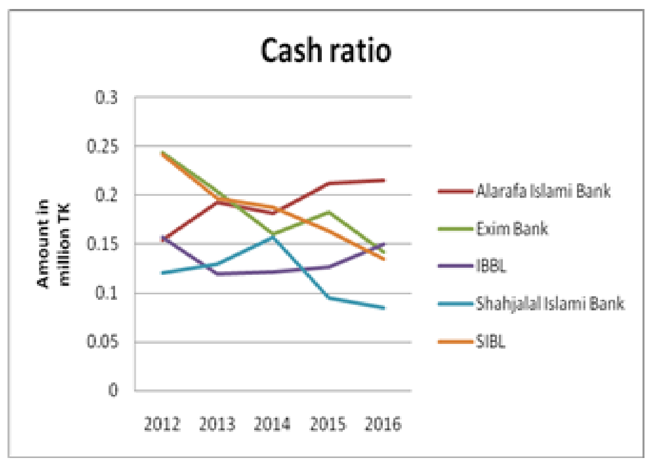
6.2.2. Liquidity Dimension

Liquidity dimension can be analyzed by the following ways:

- ***Cash ratio***

Figure-4 Cash ratio of selected Bangladeshi Islamic Banks





Source: Author’s Compilation, 2018

Table-4 Average Cash ratio of selected Bangladeshi Islamic Banks

Cash ratio	Mean (Amount in million Tk)
Alarafa Islami Bank	0.190755
Exim Bank	0.186177
IBBL	0.135502
Shahjalal Islami Bank	0.117481
SIBL	0.185122

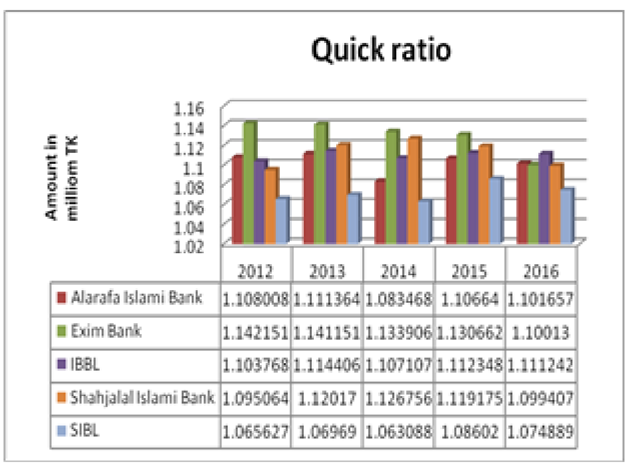
Source: Author's Compilation, 2018

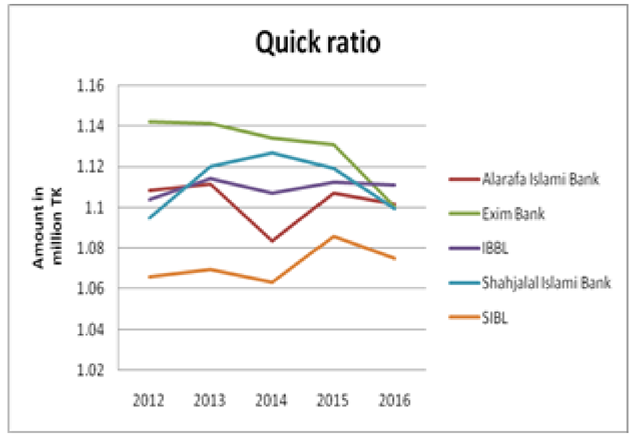
From Figure-4, the Alarafa Islami bank cash ratio was 0.153621 million tk in 2012 which was increased to 0.215066 million tk in 2016. Table-4 clearly shows that Alarafa Islami bank has the strongest liquidly position based on mean ratio of cash (0.190755 million tk), after that Exim bank (0.186177 million tk) in 2nd rank. Shahjalal Islami bank minimums the list with a mean ratio of cash is 0.117481 million tk over the years under research.

- ***Quick ratio***

From Table-5 it is clear that, the average quick ratio of Exim bank is highest over the years. It is too much good for the Exim bank, followed by Shahjala Islami bank, IBBL, Alarafa Islami Bank and finally SIBL.

Figure-5 Quick ratio of selected Bangladeshi Islamic Banks





Source: Author's Compilation, 2018

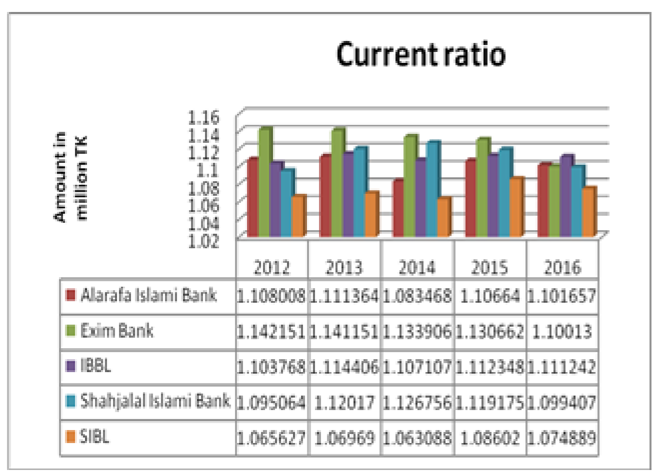
Table-5 Average Quick ratio of selected Bangladeshi Islamic Banks

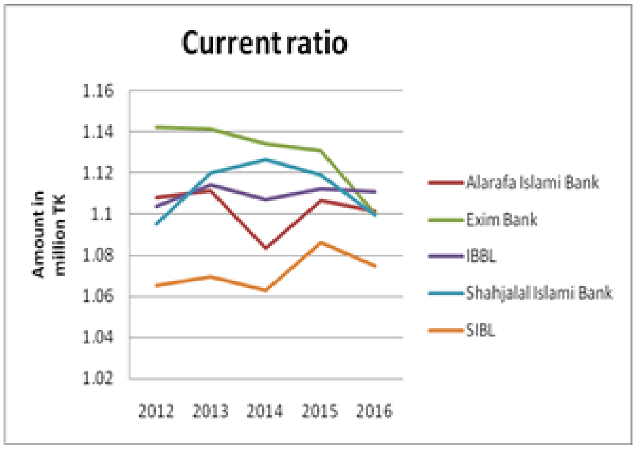
Quick ratio	Mean (Amount in million Tk)
Alarafa Islami Bank	1.102227
Exim Bank	1.1296
IBBL	1.109774
Shahjalal Islami Bank	1.112114
SIBL	1.071863

Source: Author's Compilation, 2018

- ***Current ratio***

Figure-6 Current ratio of selected Bangladeshi Islamic Banks





Source: Author's Compilation, 2018

Table-6 Average Current ratio of selected Bangladeshi Islamic Banks

Current ratio	Mean (Amount in million Tk)
Alarafa Islami Bank	1.102227
Exim Bank	1.1296
IBBL	1.109774
Shahjalal Islami Bank	1.112114
SIBL	1.071863

Source: Author's Compilation, 2018

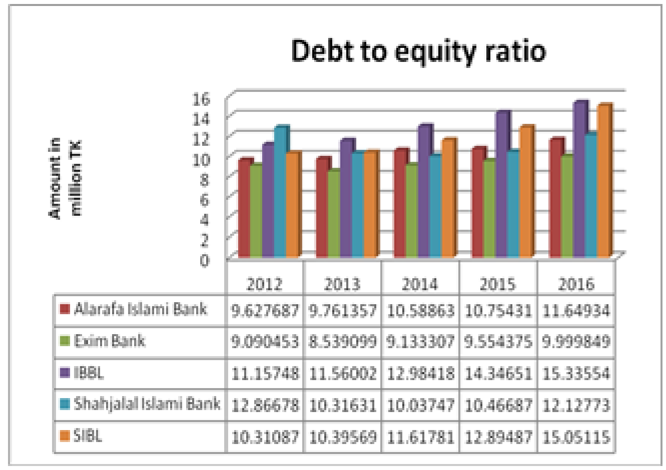
According to the Figure-6, In 2013 the current ratio of Shahjalal Islami Bank, IBBL and Alarafa Islami Bank peaked at 1.12017, 1.114406, 1.111364 million tk respectively under the research. Moreover, above Table-6 reveals that the Exim bank average current ratio was highest (1.1296 million tk), followed by Shahjalal Islami bank in second position with an average current ratio with 1.112114 million tk. SIBL had lowest average current ratio.

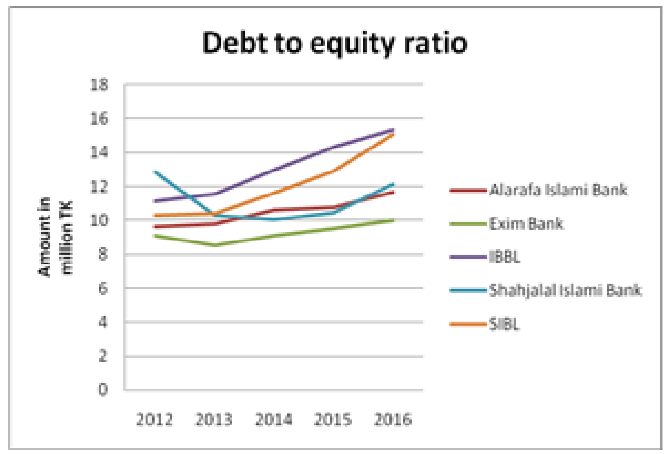
6.2.3. Solvency Dimension

To analysis solvency of conventional banks by using following techniques:

- ***Debt to equity ratio***

Figure-7 Debt to equity ratio of selected Bangladeshi Islamic Banks





Source: Author's Compilation, 2018

Table-7 Average Debt to equity ratio of selected Bangladeshi Islamic Banks

Debt to Equity ratio	Mean (Amount in million Tk)
Alarafa Islami Bank	10.47627
Exim Bank	9.263417
IBBL	13.07675
Shahjalal Islami Bank	11.16303
SIBL	12.05408

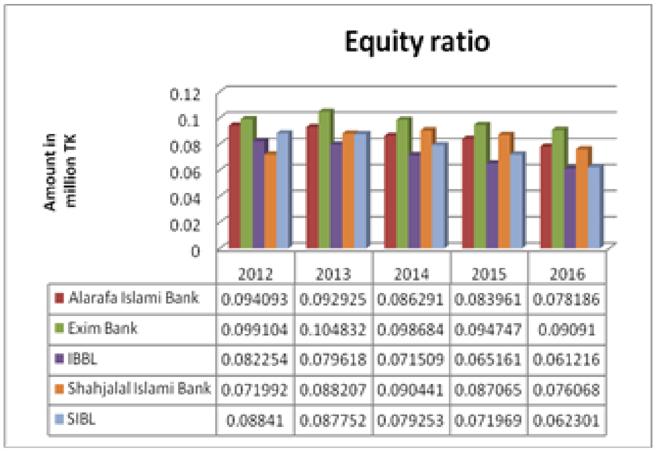
Source: Author's Compilation, 2018

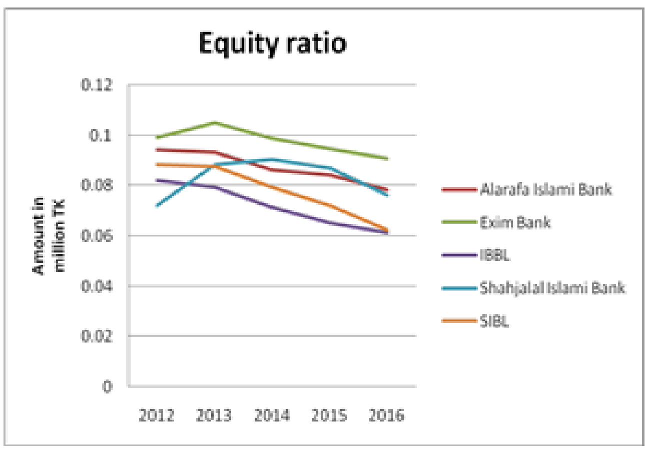
In the above Figure-7, it is found that D/E ratio of IBBL was 11.15748 million tk in 2012 which was increased to 15.33554 million tk in 2016. Besides, the D/E ratio of SIBL, Alarafa Islami Bank and Exim bank were increased. According to the above Table-7 reveals the average D/E ratio of IBBL bank was highest during the years with

13.07675 million tk while SIBL having second position of 12.05408 million tk. However, Exim bank maintains the lowest average D/E ratio over the years.

- ***Equity ratio***

Figure-8 Equity ratio of selected Bangladeshi Islamic Banks





Source: Author's Compilation, 2018

Table-8 Average Equity ratio of selected Bangladeshi Islamic Banks

Equity ratio	Mean (Amount in million Tk)
Alarafa Islami Bank	0.087091
Exim Bank	0.097655
IBBL	0.071952
Shahjalal Islami Bank	0.082755
SIBL	0.077937

Source: Author's Compilation, 2018

From the above Figure-8 indicates that the equity ratio of Exim bank is highest than the other banks under the study. Table-8 reveals that Exim Bank was able to generate highest average equity ratio during the year with an average of 0.097655 million tk while Alarafa Islami Bank having the second highest average equity ratio of 0.087091 million tk. However, IBBL had the lowest average equity ratio.

7. CONCLUSION

This investigation covers five years' time frame (2012-2016) and includes 5 conventional banks and 5 Islamic banks as a total population of banking sector of Bangladesh to examine the comparative performance of both conventional and Islamic banking stream. According to the result of this research in terms of profitability, liquidity and solvency, we can clearly understand that, the performance of conventional banks is better than the Islamic banking stream.

The practice of Islamic Banking is newly established in Bangladesh; that is why the market share of Islamic banking is very little compared to the non-Islamic banks. This could be the reason to maintain the less profitability, liquidity and solvency than the conventional banking stream. But Islamic banking stream is trying to create the awareness about Sharia compliance (interest free banking) idea which will give great advantages in the future to enhance the financial performance.

Financial sector is playing a vital role to uplift the growth of economy of a country. Thus, the efficient and smooth banking system definitely helps to reduce the financial risk. Hence, to judge the economic condition of a country by performance analysis of bank has always been source of interest for researchers, practitioners and academician. Lastly, it is hoped these two banking streams will enhance their financial performance in the future and earn a worldwide reputation by showing a profitable scenario.

REFERENCES

[1] Akkas,A.(1996).Relative Efficiency of the Conventional and Islamic Banking System in Financing Investment. *PhD Dissertation*, Dhaka University.

[2] Awan, A., (2009). Comparison of Islamic and Conventional Banking In Pakistan, Proceedings 2ndCBRC, Lahore, Pakistan, November 14, 2009.

[3] Cole, R. A., & Gunther, J. (1998).Predicting Bank Failures: A Comparison of On-And Off-Site Monitoring Systems. *Journal of Financial Services Research,* 13(2), pp. 103-117.

[4] Dar, H. A., & Presley, J. R. (2000). Lack of profit loss sharing in Islamic banking: Management and Control Imbalances.*International Journal of Islamic Financial Services,* 2(2), 3-18.

[5] Deyoung, R., Flannery, M.J., Lang, W.W.,& Sorescu, S.M. (2001).The Information Content of Bank Exam Ratings andSubordinated Debt Prices. *Journal of Money, Credit and Banking,*Vol. 33, No. 4, p.900-925.

[6] Doumpos, M., & Zopounidis,C. (2009). A Multicriteria Bank Rating System. *European Working Group "Multiple Criteria Decision Aiding",* Spring, Series 3, No 19, p.17-19.

[7] Godlewski, C. (2003). Bank"s Default Modelisation: An Application to Banks from Emerging Market Economies. *Journal of Social Science Research Network,* Vol.4, No.3, pp. 150-155.

[8] Gul, S., Irshad, F., &Zaman, K., (2011). Factors Affecting Bank Profitability in Pakistan. TheRomanian Economic Journal39.

[9] Iqbal, M., (2001). Islamic And Conventional Ban king In The Nineties: A Comparative Study.Islamic Economic Studies8: 2.

[10] Iqbal, M. J., (2012). Banking Sector's Performance In Bangladesh An Application Of Selected Camels Ratio*, Asian Institute of Technology, School of Management, Thailand*.

[11] Jaffar, M., & Manarvi, I. (2011). Performance Comparison of Islamic and Conventional Banks in Pakistan. *Global Journal of Management and Business Research,* 11(1), 59-66.

[12] Kabir, M. A., & Dey, S. (2012) Performance Analysis through CAMEL Rating: A Comparative Study of Selected Private Commercial Banks in Bangladesh. *Journal of Politics & Governance,* Vol. 1, No. 2/3, September 2012, pp. 16-25.

[13] Merchant, I. P. (2012). Performance analysis of banks using CAMEL approach, *An Empirical study of Islamic Banks Versus Conventional Banks of GCC.* Najjar, O. K. (2008). Financial Analysis for Bank of Palestine & Jordan Ahli Bank (CAMEL Analysis). *Social Science Research Network*, [online] Retrieved: 06 January 2016.

[14] Nimalathasan, B. (2008). A Comparative Study of Financial Performance of Banking Sector in Bangladesh – *An Application of CAMELS Rating System*", Annals of University of Bucharest, Economic and Administrative series, nr. 2 (2008), 141-152.

[15] Rosly, S. A., & Bakar, M. A. A. (2003). Performance of Islamic and Mainstream Banks in Malaysia. *International Journal of Social Economics,* 30 (12), 1249-1265.

[16] Saifullah, M. (2010). Superiority of Conventional Banks & Islamic Banks of Bangladesh:. *International Journal of Economics and Finance Vol.2, No.3, August 2010.*
Samad, A. (1999). Comparative Efficiency of the Islamic Bank Malaysia vis-à-vis Conventional Banks. *IIUM Journal of Economics and Management*, 7 (1), 1-25.

[17] Samad, A. (2004). Performance of Interest Free Islamic Banks vis-à- vis Interest-Based Conventional Banks of Bahrain. *IIUM Journal of Economics and Management*, 12 (2), 1-25.

[18] Sarker, M. A. A. (1999). Islamic Banking in Bangladesh: Performance, Problems and Prospects. *International Journal of Islamic Financial Services.* (Oct-Des), 1 (3).

[19] Sarker, M. A. A. (2005).CAMEL Rating System in the Context of Islamic Banking: A Proposed "S" for Shariah Framework.*Journal of Islamic Economics and Finance, vol. 1, no.1, pp. 78-84.*

[20] Wibowo, E., & Saptutyningsih, E. 2004. Analysis of Performance of Bank Muamalat Indonesia and Bank Syariah Mandiri. *Journal of Economic Study*, 5 (1), 20-25.