

Comparative Financial Performance Assessment of Islamic Banks and Traditional Banks in Bangladesh

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Abstract

This paper has looked into the comparative performance assessment of Islamic banks and Traditional banks in Bangladesh for the period 2010-2014. Financial ratios have been employed to measure the capital adequacy, Assets quality, Management efficiency, profitability, liquidity performance of five Islamic banks and five traditional banks. The study found that the performance of the both of the banking sector in Bangladesh is satisfactory as almost all of the sample banks has at least more than 11% risk weighted asset, the classified loan to total loan of this sector is decreasing gradually and also found that profitability is being increasing significantly over last five years and the overall the study found Islamic banking sector has better capital adequacy, Asset quality management ability, Management efficiency, Profitability and Liquidity position than Traditional banking sector.

Key Words: *Financial Performance, Commercial Banks, ROA, ROE, EPS, P/E Ratio, Islamic Banks etc.*

1. Introduction

Banks are the key financial establishments that play a dynamic role in the country's economy. Globalization in the banking sector has thrown up opportunities as well as challenges. Competition is getting edge day by day. It paces with the continuous development occurring in the tremendous competitive environment.

The existence of banking sector is not a new matter, as its existence was long ago. But the new thing is that how it is operating and presenting its activities for the purpose of serving customer requirements to increase their well being in the sense of wealth. Banks also provide many services for clients to make their life easy in a busy environment. In this competitive environment in today's world, banks increase their facilities in favor of their customers to

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retain them and capture more share of the market to be leader. Interest is one of the main factors in attracting customers and also one of the significant factors in increasing extra income from providing loans besides other service income. So, it can be said that conventional banking systems are interest-based system.

Bangladesh is one of the largest Muslim countries of the world. The people of this country are deeply committed to Islamic way of life mentioned in the Quran and Sunnah. But it is not easy for the people to establish and designed their economic lives in accordance with Shariah. The very objective of Shariah to promote the welfare of the people that lies in safeguarding their faith, their life, their prosperity and their wealth. In this regard to establish a banking world that run according to the Shariah, the concept of Islamic banking arises.

In Bangladesh there are 47 banks are working very successfully. Their current performance and financial position are quite satisfactory. If we look at the banking sector of Bangladesh, then four categories of bank are available like nationalized commercial Banks, Private commercial banks, foreign commercial banks, Development Finance Institutions. As well as banking sectors can also be categorized into traditional bank and Sharia based Islami bank. As both types of banks in Bangladesh are now in a stable position and performing very smoothly, so it is very important to analyze the current growth and financial position. This paper has been initiated to analyze the financial performance of the some selected banks in both categories of bank in Bangladesh through various statistical as well as financial and accounting Techniques.

2. Objectives of the Study

Though a lot of studies have been completed on performance analysis of banking industry in home and abroad but the chances for further study is still remained open for researcher. The specific objectives of the study are as follows.

- To assess the comparative growth and development of the selected banks.
- To find out the financial performance and financial position of the sample banks.
- To pin point the causes of poor financial performance and suggest some measure measures to overcome the problems.

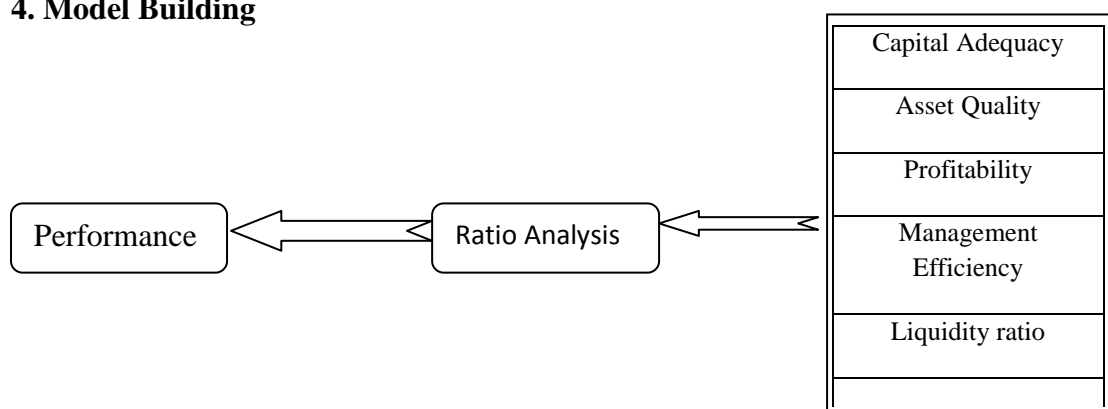
3. Research Methodology

This study is exclusively based on secondary source of information. The relevant data and information were collected from Stock Exchanges, Annual Reports of different commercial banks of Bangladesh, Bangladesh Bank, Securities and Exchange Commission and web sites of the respective commercial banks. In addition to the study purpose, different published

articles, books, newspaper, and websites have also been reviewed and consulted. For analyzing purposes various financial and accounting ratios also have been used like capital adequacy ratios, Assets quality ratios, Management efficiency ratios, Profitability ratios such as Return on assets, return on equity, earning per share, price earnings ratio, and Liquidity ratios. It would be also used simple average trend analysis for the analysis of the performance. The following Islami banks are selected for the study. The banks are Islami Bank of Bangladesh Limited (IBBL), Social Islami Bank Limited (SIBL), Al-Arafah Islami Bank (AIAIB), Shahjalal Islami Bank Limited (ShaIBL), First security Islami Bank Limited (FSIBL), and out of the traditional bank, it is selected Prime Bank limited (PBL), Mercantile Bank Limited(MBL), Dutch Bangla Bank Limited (DBBL), Bank Asia Limited (BAL), National Bank Limited (NBL), The sample banks cover only private Islamic banks that are incorporated in Bangladesh and Private Commercial banks and most of the banks are within 2nd generation. So out of the 30 banks, the study has covered 10 banks purposively and the Sample represents 33.33% of total population.

This study is mainly based on data from secondary sources. The relevant data and information were collected from Stock Exchanges, As a source of data, annual reports of the concern banks have been selected because, annual reports are published and communicated by the banks compulsorily in every year. Schedule banks statistics Bangladesh Bank, Securities and Exchange Commission and web sites of the respective commercial banks also have been used for study purpose. In addition different published articles, books, newspaper, and websites have also been reviewed and consulted. For analyzing purposes, statistical measures; Descriptive statistics like mean, standard deviation, growth percentage & coefficient of variation.

4. Model Building



5. Review of Literature

Tanbir and Kashfia in their article "*Performance Evaluation of Selected Private Bank in Bangladesh*" analyzed the development and growth of selected private commercial Banks of Bangladesh. The writers observed that all the selected commercial banks are able to achieve a stable growth of branches, employees, deposits, loans & advances, net income, and earnings per share during the period of 2002-2006.

Salma and Sarahat published an article "*Performance Evaluation of Agricultural Banks in Bangladesh*" and found that the performance of this sector has a major impact on the overall economic development of the country. For efficient performance of this sector proper credit facilities and adequate support is essential both from government and private sector.

Mabwe and Robert in investigate the performance of South Africa's commercial banking sector for the period 2005- 2009 in their article "*A Financial Ratio Analysis of Commercial Bank Performance in South Africa*". The study found that overall banking performance was increased considerably in the first two years of the study. A significant change in trend is noticed at the onset of the global financial crisis in 2007, reaching its peak during 2008-2009. This resulted in falling profitability, low liquidity and deteriorating credit quality in the South African Banking sector.

Ahasan described in his study "*A comparative analysis on different scheduled banks performance in Bangladesh: A wake up call for NCBs and DFIs*" that over the years NCBs owns the highest number of branches but perform very poorly whereas FCBs possess the least number of branches but with outstanding performance. It is also revealed that from 2004 PCBs outperforming NCBs and taking over most of their business with their highly competitive services.

Analysis and Finding:

2.2 Performance Assessment through Ratio Analysis

2.2.1. Capital Adequacy Ratio: Capital adequacy enables a bank to meet any financial unfavorable situation due to credit risk, market risk, interest rate risk, FX risk. Capital adequacy protects the interest of depositors of a bank. Capital adequacy is determined with on the basis of some ratios. Among these ratios, Capital to Risk Weighted Assets (CRAR) is most important. In this ratio, capital is determined against total risk weighted assets.

Capital Adequacy Ratio (in %)

Banks	2010	2011	2012	2013	2014	Mean	Rank	Sample Industry Average
IBBL	10.61%	10.72%	11.65%	11.06%	13.09%	11.43%	7	11.63%
SIBL	10.71%	10.87%	14.97%	9.33%	13.17%	11.92%	5	
AL-AIBL	10.92%	11.21%	11.25%	14.49%	13.47%	12.27%	2	
Sha-IBL	16.42%	13.81%	13.98%	10.08%	11.14%	13.09%	1	
FSIBL	9.15%	9.15%	10.91%	9.09%	9%	9.46%	10	
PBL	11.50%	10.88%	14.71%	11.69%	12.49%	12.25%	3	11.45%
DBBL	11.8%	10.9%	11.6%	9.6%	11.2%	11.02%	8	
MBL	11.67%	10.17%	10.48%	9.13%	10.60%	10.41%	9	
BAL	14.88%	8.11%	12.27%	11.25%	11.28%	11.56%	6	
NBL	13.11%	13.42%	8.61%	12.29%	12.65%	12.02%	4	

Source: Annual Report and Self Study

From the above table, it is clear that Shajalal islami bank has the highest average capital adequacy ratio of 13.09% which means the bank has the highest ability to meet credit risk, market risk, interest rate risk and FX risk as well as it can be said that the depositor of this bank is mostly protected. Again if we look at the other banks, its capital adequacy is also satisfactory. Again it is observed that the capital adequacy ratio of Islami Banking sector is quite better than the traditional banking sector.

2.2. Asset Quality:

2.2.1 Classified Loans / Total loans

Table: Classified Loans / Total loans (in %)

Banks	2010	2011	2012	2013	2014	Mean	Rank	Industry average
IBBL	2.93%	2.39%	2.36%	1.77%	2.71%	2.43%	5	2.31%
SIBL	4.93%	4.38%	3.19%	4.46%	3.93%	4.18%	8	
AL-AIBL	3.72%	2.75%	1.68%	1.14%	0.95%	2.05%	3	
Sha-IBL	0.62%	0.44%	0.94%	0.44%	0.62%	0.61%	1	
PBL	1.35%	1.76%	1.29%	1.18%	1.37%	1.39%	2	2.70%
DBBL	3.3%	3.3%	2.5%	2.4%	2.7%	2.84%	7	
MBL	2.80%	2.96%	2.59%	1.78%	2.61%	2.55%	6	
BAL	2.44%	2.68%	1.56%	1.62%	2.72%	2.20%	4	
NBL	4.53%	5.39%	5.96%	3.96%	2.83%	4.53%	9	

Source: Annual Report and Self Study

Classified loan is that loan which falls in danger of default. Classified loans have unpaid interest and principal outstanding and it is unclear whether the bank will be able to recoup the loan proceeds from the borrower. So, every company wants to minimize this type of loans. The bank that has lower rate of classified loan to total loan is in better position in market. From the table, it is seen that Sha-IBL has minimum rate of classified loan to total loan where NBL has the highest rate. Moreover the rate of classified loan to total of Islami Banking sector is lower than that of Traditional bank.

2.3 Credit /Asset quality:

2.3.1. Non-performing loan to total loan

Bank name	2010	2011	2012	2013	2014	Average of NLL of sample bank	Rank	Average of NLL of Sample Industry
Al arafah IB	0.037	0.029	0.016	0.011	.009	0.0204 or 2.04%	3	0.0141 or 1.41%
Shah Jalal IB	.006	.004	.009	0.01	0.01	0.0078 or 0.78%	1	
Prime Bank	0.013	0.016	0.012	0.011	0.013	0.013 or 1.3%	2	0.0189 or 1.81%
Mercantile Bank	0.028	0.028	0.025	0.017	0.026	0.0248 or 2.48%		

Source: Annual Report and Self Study

From the above calculation, it is understood that out of the two different types of banks, Average NLL of islami bank is better than traditional bank as the Average percentage is 0.0189% and 0.0141% respectively. Again if we look at the individual bank we observed that among the Islami bank Nonperformance Loan to Total Loan Sh-IBL is the first position and Al-AIBL IB is the second position and then among the traditional bank Mercantile bank is the first position, and Prime bank is the second position. Overallly out of four banks Shahjalal bank has the highest NLL and Mercantile bank has the lowest.

2.3.2. Provision for Loan Losses to NPL

Provision for Loan Losses to NPL = Provision for Loan Losses / NPL

Bank name	2010	2011	2012	2013	2014	Average of sample bank	Rank	Average of Sample Industry
Al Arafah IB	0.2	0.4	0.2	0.2	0.1	0.22		0.74 or 74%
Shah Jalal IB	1.6	2.4	1.1	0.6	0.6	1.26		
Prime Bank	0.6	0.5	0.5	0.6	0.4	0.52		0.49 or 49%
Mercantile Bank	0.6	0.4	0.5	0.5	0.3	0.46		

Source: Annual Report and Self Study

Since the above calculation shown that out of the two different types of banks, Average rate of Provision for loan losses, traditional bank is better than islami bank as the Average percentage is 0.74% and 0.49% respectively where lower the rate of provision better the position. Yet again if we look at the individual bank we observed that among the Islami bank Provision for Loan Losses to NPL Shahjalal is the first position, Al Arafah is the second position and then among the traditional bank Prime bank is the first position and Mercantile is the second position. Overall, out of four banks Shahjalal has the highest Provision for loan losses and Al Arafah has the lowest.

2.3.3. NPL to Equity Capital

NPL to Equity Capital= Nonperforming Loans / Total Equity Capital

Bank name	2010	2011	2012	2013	2014	Average of sample bank	Average of Sample Industry
Al arafah IB	0.42	0.30	0.17	0.06	0.06	0.202	0.153 or 15.3%
Shah Jalal IB	0.04	0.04	0.08	0.17	0.19	0.104	
Prime Bank	0.18	0.20	0.09	0.08	0.09	0.128	0.196 or 19.6%
Mercan Ban	0.30	0.36	0.29	0.16	0.21	0.264	

Source: Annual Report and Self Study

From the overhead calculation, It is noticed that out of the two different types of banks, Average NPL to Equity capital islami bank is better than traditional bank as the average percentage is 0.196% and 0.153% respectively. Again if we look at the individual bank we observed that among the Islame bank NPL to Equity Capital Al Arafah is the first position, Shajalal IB is the second position and then traditional bank, Mercantile bank is the first position, Prime bank is the second position. An overall out of four banks Mercantile bank has the highest NPL to Equity capital and Shahjalal IB has the lowest.

2.3.4. NPL Loans to Total Assets

NPL Loans to Total Assets = Nonperforming Loans / Total Assets

Bank name	2010	2011	2012	2013	2014	Average of sample bank	Rank	Average of Sample Industry
Al Arafah IB	0.028	0.022	0.012	0.008	0.007	0.0154	3	0.012 or 1.2%
Shah Jalal IB	0.005	0.003	0.007	0.014	0.014	0.0086	1	
Prime Bank	0.009	0.012	0.009	0.008	0.009	0.0094	2	0.0139 or 1.39%
Mercan Ban	0.019	0.022	0.019	0.014	0.018	0.0184	4	

Source: Annual Report and Self Study

From the above calculation, It is seen that out of the two different types of banks, Average NPL Loans to Total Assets islami bank traditional bank is better than traditional bank as the Average percentage is 0.0139% and 0.012% respectively. Another time if we look at the individual bank we observed that among the Islame bank NPL to Total Assets Al Arafah IB is the first position, Shahjalal IB is the second position and then traditional bank Mercantile bank is the first position, prime bank is the second position. An overall out of four banks Mercantile bank has the highest NPL Loans to Total Assets and Shahjalal bank has lowest.

2.3.5. Provision for Loan Losses (PLL) to Total Loans:

Provision for Loan Losses to Total Loans (PLL) = Provision for Loan Losses / Total Loans

Bank name	2010	2011	2012	2013	2014	Average of sample bank	Average of Sample Industry
IBBL	0.02	0.02	0.02	0.01	0.02	0.018	0.00872 or 0.872%
Al Arafah IB	0.010	0.011	0.004	0.002	0.001	0.0056	
Shah Jalal IB	0.001	0.0008	0.002	0.004	0.005	0.00256	
Prime Bank	0.008	0.009	0.007	0.005	0.005	0.0068	0.0096 or 0.96%
Mercan Ban	0.017	0.013	0.013	0.009	0.008	0.012	
Bank Asia	0.014	0.016	0.007	0.004	0.009	0.01	

Source: Annual Report and Self Study

From the above calculation, it is seen that out of the two different types of banks, Average Provision for Loan Losses to Total Loans islami bank is better than traditional bank as the Average percentage is 0.0096 and 0.00872 respectively. Again if we look at the individual bank we observed that among the Islame bank Provision for Loan Losses to Total Loans IBBL is the first position, Al Arafah is the second position, Shahjalal is the third position and traditional banks Mercantile is the first position, Bank Asia is the second position and Prime bank is the third position. An overall out of six banks IBBL has the highest Provision for Loan Losses to Total Loans and Shahjalal bank has the lowest.

2.3.6. Provision for loan Losses to Equity Capital

Provision for loan Losses to Equity Capital = PLL/ Equity Capital

Bank name	2010	2011	2012	2013	2014	Average of sample bank	Average of Sample Industry
IBBL	0.99	0.93	0.92	0.94	0.94	0.944	0.9172 or 91.97%
Social IB	0.83	0.83	0.84	0.82	0.80	0.824	
Al Arafah IB	0.99	0.93	0.94	0.99	0.94	0.958	
Shah Jalal IB	0.91	0.96	0.93	0.97	0.97	0.948	
FSIBL	0.79	0.97	0.91	0.94	0.95	0.912	
Prime Bank	0.81	0.85	0.83	0.93	0.87	0.858	0.846 or 84.6%
DBBL	0.70	0.81	0.71	0.81	0.79	0.764	
Mercan Ban	0.81	0.88	0.83	0.88	0.78	0.836	
Bank Asia	0.94	0.94	0.95	0.92	0.87	0.924	
National ban	0.76	0.84	0.85	0.89	0.90	0.848	

Source: Annual Report and Self Study

From the above calculation, it is seen that out of the two different types of banks, Average Provision for loan Losses to Equity Capital traditional bank is better than islami bank as the Average percentage is 0.1022% and 0.0099% respectively. Again if we look at the individual bank we observed that among the Islami bank Provision for loan Losses to Equity Capital IBBL is the first position, Al Arafah is the second position, Shahjalal is the third position and traditional bank Mercantile is the first position, Bank Asia is the second position and Prime bank is the third position. An overall out of six banks Mercantile has the highest Provision for loan Losses to Equity Capital and Shahjalal has the lowest.

2.4. Management Efficiency

2.4.1. Tax Management Efficiency

The ratio Management Efficiency means the efficiency of BCBL management to save their expense taxes

Tax Management Efficiency = Net Income after Taxes / Net Income before Taxes

Bank name	2010	2011	2012	2013	2014	Average of sample bank	Average of Sample Industry
IBBL	0.37	0.42	0.52	0.53	0.47	0.462	0.506 or 50.6%
Al arafah IB	0.08	0.53	0.54	0.68	0.56	0.478	
Shah Jalal IB	0.53	0.52	0.59	0.70	0.49	0.566	
FSIBL	0.52	0.55	0.50	0.55	0.47	0.518	
Prime Bank	0.59	0.50	0.60	0.55	0.53	0.554	0.5195 or 51.95%
DBBL	0.46	0.46	0.53	0.54	0.47	0.492	
Mercan Ban	0.45	0.39	0.48	0.58	0.57	0.494	
Bank Asia	0.56	0.54	0.58	0.48	0.53	0.538	

Source: Annual Report and Self Study

From the above calculation, it is seen that out of the two different types of banks, Average Tax Management Efficiency traditional bank is better than islami bank as the Average percentage is 0.5195% and 0.506% respectively. Another time if we look at the individual bank we observed that among the Islame bank Shahjalal bank is the first position, FCIB is the second position, Al Arafah is third position, IBBL is the fourth position and traditional bank prime bank is the first position, Bank Asia is the second position, Mercantile is the third position, DBBL is the fourth position. An overall out of eight banks Shahjalal has the highest Tax Management Efficiency and IBBL has the lowest.

2.4.2. Expense Control Efficiency

The ratio Expense Control Efficiency means the efficiency of BCBL management to reduce their expenses in terms of Total Operating Revenue

Expense Control Efficiency = Net Income before Taxes / Total Operating Revenue

Bank name	2010	2011	2012	2013	2014	Average of sample bank	Average of Sample Industry
Al arafah IB	0.77	0.82	0.91	0.88	0.91	0.858	0.968 or 96.8%
Prime Bank	0.72	0.64	0.87	0.91	0.91	0.81	
Mercan Ban	0.86	0.81	0.87	0.85	0.86	0.85	
Bank Asia	1.23	1.08	1.43	1.16	1.32	1.244	

Source: Annual Report and Self Study

From the above calculation, it is seen that out of the two different types of banks, Average Expense Control Efficiency traditional bank is better than islami bank as the average percentage is 0.968% and 0.858% respectively. Again if we look at the individual bank we observed that among the Islame bank Al Arafah bank is the first position because we only got one islame bank and traditional bank Bank Asia is the first position, Mercantile is the second position, Prime bank is the third position. An overall out of four banks Bank Asia has the highest Expense Control Efficiency and Prime bank has the lowest.

2.4.3. Fund Management Efficiency

Fund Management efficiency = Total Assets / Total Equity Capital

Bank name	2010	2011	2012	2013	2014	Average of sample bank	Average of Sample Industry
IBBL	16.71	15.50	14.42	15.62	14.90	15.43	13.9608
Social IB	14.74	15.96	11.24	13.13	8.97	12.808	
Al Arafah IB	14.81	13.74	13.61	7.55	8.90	11.722	
Shah Jalal IB	10.17	12.23	12.60	11.67	13.54	12.042	
FCIB	23.75	12.30	16.74	16.22	20.00	17.802	
Prime Bank	15.09	16.49	10.62	9.12	10.44	12.352	14.8056
DBBL	21.14	19.16	18.79	14.45	13.79	17.466	
Mercan Ban	15.34	16.11	15.40	12.12	12.06	14.206	
Bank Asia	44.62	31.56	13.85	7.56	3.08	20.134	
National ban	12.37	11.78	10.30	7.05	7.85	9.87	

Source: Annual Report and Self Study

From the above calculation, it is seen that out of the two different types of banks, Average Fund Management efficiency traditional bank is better than islami bank as the Average percentage is 14.8056% and 13.9608% respectively. Again if we look at the individual bank we observed that among the Islame bank FCIB is the first position, IBBL is the second position, Social is the third position, Shahjalal is the fourth position, Al Arafah is the fifth position and traditional bank Bank Asia is the first position, DBBL is the second position, Mercantile is the third position, Prime bank is the fourth position, National bank is the fifth position. An overall out of ten banks Bank Asia has the highest Fund Management efficiency and National bank has the lowest.

2.5. Profitability:

2.5.1. Return on Assets (ROA)

Table: 1 Return on Assets

Name of Banks	2010	2011	2012	2013	2014	Average Growth (%)	Rank	Average growth of sample Industry
IBBL	0.84	1.27	1.34	1.47	1.35			14.89%
Growth(%)	-	51.19	5.51	7.29	-8.16	11.17	5	
AL-AIBL	1.15	1.80	1.77	2.65	2.06			
Growth(%)	-	56.52	-1.66	44.63	-22.26	15.45	3	
Sha-IBL	2.60	2.26	2.08	3.01	1.26			
Growth(%)	-	-13.07	-7.96	44.71	-58.13	-6.89	9	
FSIBL	0.47	0.61	1.56	1.89	1.75			9.47%
Growth(%)	-	29.78	155.73	21.15	-7.40	39.85	1	
PBL	1.99	1.30	2.37	2.22	2.07			
Growth(%)	-	-34.67	82.30	-6.32	-33.3	1.60	8	
DBBL	1.01	1.49	1.60	1.65	1.92			
Growth(%)	-	47.52	7.38	3.12	16.36	14.88	4	
MBL	1.20	1.10	1.22	1.64	1.49			9.47%
Growth(%)	-	-8.33	10.90	34.42	-9.14	5.57	6	
BAL	2.11	1.87	2.18	2.22	1.72			
Growth(%)	-	-11.37	16.57	1.83	-22.52	3.00	7	
NBL	2.40	2.36	2.52	6.05	4.01			9.47%
Growth(%)	-	-1.66	6.77	140.07	-33.71	22.29	2	

Source: Annual Report and Self Study

From the above calculation, It is seen that out of the two different types of banks, the Average growth of Return on Assets of islami bank is better than traditional bank as the average growth of islami bank is 14.89% where traditional bank has 9.47% in this regard and if seen at the individual bank, then it is observed that FSIBL is on of the first position, 2nd ranking bank position in hold by NBL and last ranking bank is Sha-IBL.

2.5.2. Return on Equity (ROE)

Table: 2 Return on Equity

Name of Banks	2010	2011	2012	2013	2014	Average Growth (%)	Rank	Average growth of sample Industry
IBBL	13	19.02	16.93	19.00	17.42			1.99%
Growth(%)	-	46.30	-10.99	12.22	-8.31	7.84	2	
AL-AIBL	17.05	24.70	24.10	20.01	18.34			
Growth(%)	-	44.87	-2.43	-16.97	-8.34	3.43	3	
Sha-IBL	23.21	25.58	25.10	30.71	13.18			
Growth(%)	-	10.21	-1.88	22.35	-57.08	-5.28	7	
PBL	30.68	20.58	30.19	32.12	19.61			
Growth(%)	-	-32.92	46.69	6.39	-38.94	-3.75	5	
DBBL	24.02	29.56	30.28	32.25	30			
Growth(%)	-	-23.06	2.43	6.80	-6.97	-4.16	6	
MBL	18.45	17.75	18.80	19.84	17.95			
Growth(%)	-	-3.79	5.91	5.53	-9.52	-0.37	4	
BAL	31.36	23.00	32.03	32.12	19.61			
Growth(%)	-	-27.15	39.26	.28	-38.94	-5.32	8	
NBL	31.57	28.38	27.53	48.96	29.96			
Growth(%)	-	-10.10	-2.99	77.84	38.80	20.71	1	

Source: Annual Report and Self Study

From the above calculation, It is seen that out of the two different types of banks, the Average growth of Return on Equity of islami bank is better than traditional bank as the average growth of islami bank is 1.99% where traditional bank has 1.14% by the way and if look at the individual bank, then it is observed that is on of the first position NBL, 2nd ranking bank position in hold by IBBL and the last ranking bank BAL.

2.5.3. Earning Per Share:

Table: 3 Earning Per Share

Name of Banks	2010	2011	2012	2013	2014	Average Growth (%)	Rank	Average growth of sample Industry
IBBL	3.00	4.33	4.59	4.46	4.84			6.20%
Growth(%)	-	44.22	6.00	-2.83	8.52	11.18	4	
SIBL	17.60	17.20	18.39	2.15	1.81			
Growth(%)	-	-2.27	6.91	-88.30	-15.81	-19.89	9	
AL-AIBL	2.51	3.72	2.00	4.14	3.73			
Growth(%)	-	48.20	-46.23	107	-9.90	19.81	1	
Sha-IBL								
Growth(%)								
FSIBL	3.20	7.35	1.42	1.61	1.71			
Growth(%)	-	129.68	-80.68	13.38	6.21	13.72	2	
PBL	6.16	4.33	7.83	5.69	4.70			3.67%
Growth(%)	-	-29.70	80.83	-27.33	-17.39	1.28	7	
DBBL	23.74	5.48	5.69	10.01	10.75			
Growth(%)	-	-76.92	3.83	75.92	7.39	2.04	6	
MBL	30.05	28.53	30.67	41.04	34.90			
Growth(%)	-	-5.05	7.50	34.52	-14.96	4.40	5	
BAL	52.02	39.38	61.88	64.26	36.5			
Growth(%)	-	-24.29	57.13	3.85	-43.18	-1.30	8	
NBL	5.33	7.27	4.69	7.97	7.07			
Growth(%)	-	36.40	-35.49	69.93	-11.29	11.91	3	

Source: Annual Report and Self Study

From the above calculation, It is seen that out of the two different types of banks, the Average growth of Earning per share of islami bank is better traditional bank as the average growth of islami bank is 6.20% where traditional bank has 3.67% % incidentally and if we look at the individual bank, then it is observed that AL-AIBL is on of the first position, 2nd ranking bank position in hold by FSIBL and last ranking bank SIBL.

2.5.4. Price Earnings Ratio (P/E ratio)

Price to Earnings Ratio = Market Price Per share /Earning per Share

Bank name	2010	2011	2012	2013	2014	Average of P/E ratio of sample bank	Average of P/E ratio of Sample Industry
IBBL	17.88	10.78	12.87	13.29	11.27	13.218	14.26
Al arafah IB	14.62	9.53	11.23	13.24	10.13	11.75	
Shah Jalal IB	10.58	8.55	12.24	17.04	12.38	12.158	
FCIB	N/A	23.74	15.39	25.21	15.37	19.9275	
Prime Bank	15.01	12.46	8.38	16.60	9.47	12.384	17.568
DBBL	28.5	78.7	34.42	22.9	15.0	35.904	
Mercan Ban	13.83	12.21	12.88	14.14	9.97	12.606	
Bank Asia	10.03	9.73	6.90	8.34	10.48	9.096	
National ban	28.03	13.95	13.78	24.04	9.45	17.85	

Source: Annual Report and Self Study

From the above calculation, It is seen that out of the two different types of banks, the Average P/E of traditional bank is better than islami bank as the Average percentage is 17.56% and 14.26% respectively. Again if we look at the individual bank, we observed that among the Islamic bank Price Earnings ratio of FCIB is the first position, IBBL is the second position, shajalal IB is the third position, AI Arafah IB is the fourth position and then among the traditional bank DBBL is on the first position, National bank is second position, Mercantile bank is third position, Prime bank is the fourth position and Bank Asia is on the fifth position. Overallly, out of Nine Banks, DBBL has the highest P/E ratio and Bank Asia has the lowest P/E.

2.6. Operating Efficiency:

2.6.1. Net Interest Margin (NIM)

Net Interest Margin (NIM) = Net Interest Income/ Total Assets.

Bank name	2010	2011	2012	2013	2014	Average of NIM sample bank	Average of NIM of Sample Industry
IBBL	0.02%	0.03%	0.02%	0.02%	0.03%	0.024%	0.045 or 4.5%
Al arafah IB	0.02%	0.03%	0.02%	0.01%	0.37%	0.09%	
Shah Jalal IB	0.03%	0.02%	0.02%	0.02%	0.02%	0.022%	
Prime Bank	0.02%	0.01%	0.01%	0.02%	0.02%	0.016%	0.0239 or 2.39%
Mercan Ban	0.02%	0.02%	0.03%	0.03%	0.02%	0.024%	
Bank Asia	.008%	0.01%	0.02%	0.05%	0.07%	0.0316%	
National ban	0.02%	0.03%	0.02%	0.02%	0.03%	0.024%	

Source: Annual Report and Self Study

From the above calculation, it is seen that out of the two different types of banks, the Average NIM islami bank is better than traditional bank as the Average percentage is 0.045% and 0.0239% respectively. Again if we look at the individual bank we observed that among the Islamic bank Net Interest Margin of Al Arafah IB is the first position, IBBL is the second position, Shajalal is the third position and then among the traditional bank Asia bank is the first position, Mercantile bank and National bank is the second position, Prime bank is the third position. Overall out of Seven Banks, AL Arafah has the highest NIM and Prime has the lowest NIM.

2.6.2. Net Noninterest Margin: operating performance ratio

Net Noninterest Margin = Net Noninterest Income/ Total Assets.

Bank name	2010	2011	2012	2013	2014	Average of NNIM sample bank	Average of NNIM of Sample Industry
Al Arafah IB	0.004%	0.007%	0.008%	0.02%	0.03%	0.0138%	0.0138 or 1.38%
Prime Bank	0.01%	0.01%	0.02%	0.01%	0.01%	0.012%	0.0664 or 6.64%
Mercan Ban	0.25%	0.05%	-0.13%	0.15%	0.87%	0.238%	
Bank Asia	.001%	.0006%	-.002%	.002%	-.003%	-0.00028%	
National ban	0.01%	0.01%	.009%	0.03%	0.02%	0.0158%	

Source: Annual Report and Self Study

From the above calculation, It is seen that out of the two different types of banks, the Average NNIM traditional bank is better than islami bank as the Average percentage is 0.0664% and 0.0138% respectively. Traditional bank is better because here we only found one islami bank NNIM. Again if we look at the individual bank observed that among the Islamic bank Net Interest Margin Al Arafa IB I only got it and then among the traditional bank mercantile bank is the first position, National bank is the second position, Prime bank is the third position, and Bank Asia is the list position.

2.6.3. Net Operating Margin

Net Operating Margin= Total Operating Revenues- Total Operating Expenses/ Total Assets.

Bank name	2010	2011	2012	2013	2014	Average of NOM of sample bank	Average of NOM of Sample Industry
IBBL	0.015	0.022	0.019	0.019	0.025	0.02	0.02692 or 2.692%
Social IB	0.019	0.026	0.027	0.029	0.032	0.0266	
Al arafah IB	0.025	0.041	0.035	0.043	0.040	0.0368	
Shah Jalal IB	0.046	0.041	0.035	0.045	0.027	0.0388	
FSIBL	0.004	0.006	0.016	0.019	0.017	0.0124	
Prime Bank	0.04	0.03	0.04	0.04	0.03	0.036	0.038 or 3.8%
DBBL	0.03	0.03	0.03	0.04	0.04	0.034	
Mercan Ban	0.03	0.02	0.03	0.03	0.03	0.028	
Bank Asia	0.01	0.02	0.04	0.08	0.10	0.05	
National ban	0.03	0.04	0.03	0.06	0.05	0.042	

Source: Annual Report and Self Study

From the above calculation, It is seen that out of the two different types of banks, the Average NOM traditional bank is better than islami bank as the Average percentage is 0.038% and 0.02692% respectively. Again if look at the individual bank we observed that Among the Islame bank Net Operating Margin ShahjalalIslame bank is the first position, Al ArafahIslame bank is the second position, Social Islame bank is the third position, IBBL is the fourth position, FCIB is the fifth position and then among the traditional bank Bank Asia is the first position, National bank is the second position, Prime bank is the third position, DBBL is the fourth position, Mercantile is the fifth position. An overall out of ten banks Bank Asia has the highest NOM and FCIB is the lowest position.

2.6.4. Non-Interest Income to Operating Income

Non-Interest Income to Operating Income = Non Interest income / Operating Income.

Bank name	2010	2011	2012	2013	2014	Average of sample bank	Average of Sample Industry
IBBL	0.83	0.66	0.61	0.63	0.62	0.67	0.798 or 79.8%
Al arafah IB	1.22	0.74	0.82	1.18	0.67	0.926	
Prime Bank	0.89	0.98	1.08	0.88	1.01	0.968	0.85 or 85%
Mercan Ban	0.80	0.80	0.78	0.80	0.97	0.83	
Bank Asia	0.52	0.55	0.52	0.59	0.59	0.554	
National ban	1.30	0.99	1.17	1.00	0.78	1.048	

Source: Annual Report and Self Study

From the above calculation, It is seen that out of the two different types of banks, Average Non-Interest Income to Operating Income traditional bank is better than islami bank as the Average percentage is 0.85% and 0.798% respectively. Again if look at the individual bank we observed that among the Islame bank Non-Interest to Operating Income Al Arafah IB is the first position, IBBL is the second position and then traditional bank National bank is the first position, prime bank is the second position, Mercantile bank is the third position, Bank Asia is the fourth position. An overall out of seven banks National bank has the highest Non-Interest Income to Operating income and Bank Asia has lowest.

2.6.5. Interest Income to Operating Income

Interest Income to Operating Income = Interest Income / Operating Income.

Bank name	2010	2011	2012	2013	2014	Average of sample bank	Average of sample Industry
IBBL	3.85	3.07	3.28	2.93	3.09	3.244	2.78
Al arafah IB	3.85	2.74	2.52	1.50	2.40	2.602	
Shah Jalal IB	2.26	2.34	2.70	1.81	3.37	2.496	
Prime Bank	2.20	2.36	2.05	1.97	2.24	2.164	2.362
Mercan Ban	3.21	3.54	3.52	2.69	3.06	3.204	
Bank Asia	2.32	2.61	2.38	1.97	2.70	2.396	
National ban	1.94	1.85	2.06	1.07	1.50	1.684	

Source: Annual Report and Self Study

From the above calculation, it is seen that out of the two different types of banks, Average Interest Income to Operating Income islami bank is better than traditional bank as the Average percentage is 2.78% and 2.362% respectively. Again if look at the individual bank we observed that among the Islame bank Interest Income to Operating Income IBBL is the first position, Al Arafah IB is the second position, Shahjalal IB is the third position and then traditional bank Mercantile bank is the first position, Bank Asia is the second position, prime bank is the third position, National bank is the fourth position. An overall out of seven banks IBBL has the highest Interest Income to Operating Income and National bank has lowest.

2.6.6. Interest Expense to Interest Income

Interest Expense to Interest Income = Interest Expense / Interest Income.

Bank name	2010	2011	2012	2013	2014	Average of sample bank	Average of Sample Industry
IBBL	0.64	0.62	0.61	0.58	0.57	0.604	0.650 or 65%
Al arafah IB	0.73	0.64	0.67	0.73	0.58	0.67	
Shah Jalal IB	0.60	0.60	0.70	0.72	0.73	0.67	
Prime Bank	0.73	0.78	0.77	0.64	0.75	0.734	0.6985 or 69.85%
Mercan Ban	0.70	0.72	0.70	0.67	0.75	0.708	
Bank Asia	0.74	0.75	0.72	0.65	0.75	0.722	
National ban	0.66	0.62	0.64	0.58	0.65	0.63	

Source: Annual Report and Self Study

From the above calculation, it is seen that out of the two different types of banks, Average Interest Expense to Interest Income traditional income is better than islami bank as the average percentage is 0.6985% and 0.650% respectively. Again if appearance at the individual bank we observed that among the Islame bank Interest Expense to Interest Income Al Arafah IB & Shajalal IB is the first position, IBBL is the second position and then traditional bank Prime bank is the first position, Bank Asia is the second position, Mercantile bank is the third position, National bank is the fourth position. An overall out of seven banks Prime bank has the highest Interest Expense to Interest Income and IBBL has the lowest.

2.7. Liquidity Ratio:

2.7.1. Loan to Deposits

The ratio Loan to Deposits means the percentage of total deposits used to giving loan.

Loan to Deposits = Total Loans / Total Deposits.

Bank name	2010	2011	2012	2013	2014	Average of sample bank	Average of Sample Industry
IBBL	0.28	0.23	0.21	0.16	0.24	0.224	0.1022 or 10.22%
Al Arafah IB	0.12	0.12	0.04	0.01	0.008	0.0596	
Shah Jalal IB	0.008	0.007	0.02	0.03	0.05	0.023	
Prime Bank	0.09	0.10	0.05	0.03	0.04	0.062	0.099 or 9.9%
Mercan Ban	0.19	0.17	0.15	0.08	0.07	0.132	
Bank Asia	0.15	0.19	0.07	0.05	0.06	0.104	

Source: Annual Report and Self Study

From the above calculation, it see that out of the two different types of banks, Average Loan to Deposits islami bank is better than traditional bank as the Average percentage is 0.9172% and 0.846% respectively. Again if we look at the individual bank we observed that among the Islame bank Loan to Deposits Al Arafah is the first position, Shahjalal is the second position, IBBL is the third position, FCIB is the fourth position, Social bank is the fifth position and traditional bank Asia bank is the first position, Prime bank is the second position, National bank is the third position, Mercantile bank is the fourth position, DBBL is the fifth position. An overall out of ten banks Al Arafah has the highest Loan to Deposits and social bank has the lowest.

2.7.2. Net Loans to Total Assets

The ratio Net Loans to Total Assets means the portion of total Assets used to giving loan.

Net Loans to Total Assets = Net Loans / Total Assets.

Bank name	2010	2011	2012	2013	2014	Average of sample bank	Average of Sample Industry
Al Arafah IB	0.73	0.72	0.73	0.71	0.72	0.722	0.731 or 73.1%
Shah Jalal IB	0.72	0.74	0.74	0.76	0.74	0.74	
Prime Bank	0.71	0.67	0.70	0.74	0.69	0.702	0.708 or 70.8%
Mercan Ban	0.69	0.75	0.71	0.75	0.67	0.714	

Source: Annual Report and Self Study

From the above calculation, it see that out of the two different types of banks, Average Net Loans to Total Assets islami bank is better than traditional bank as the Average percentage is 0.731% and 0.708% respectively. Again if we look at the individual bank we observed that among the Islame bank Shahjalal bank is the first position, Al Arafah is the second position and traditional bank Mercantile bank is the first position and Prime bank is the second position. An overall out of four banks Shahjalal has the highest Net Loans to Total Assets and Prime bank has the lowest.

Findings and conclusion

In terms of the average growth of number of branches top position is held by FSIBL and the last position is IBBL. Where in case of the number of employees 1st position is said by DBBL and the bottom position is carried by IBBL. Again in the growth of Paid up Capital bottom most position is by DBBL and the last position is Sha-IBL. Further more, it is seen that growth of Total Assets position is held by Sha-IBL and the last position is IBBL. More over, in term of the Investment position is said by Sha-IBL and the last position is IBBL. In term of last five year survey Operating Profit, first position bank is FSIBL and the last position is PBL. Last five year survey Capital Adequacy first position bank is Sha-IBL and lowest position is FSIBL. In term of highest position Asset quality bank is NBL and the lowest position bank is Sha-IBL. Additionally, in term of nonperformance loan to total loan Sha-IBL is the 1st position and MBL is the lowest position. Where in case of provision for loan losses to NPL AL-AIBL is the first position and the bottom position is carried by PBL. Last five year survey NPL to equity capital first position bank is Sha-IBL and the last position bank is MBL. Further more, it is seen that NPL loans to total assets the first position bank is Sha-IBL and the last position bank is MBL. Where in case of provision for loan losses to total loans Sha-IBL is the first position and BAL is the lowest position. In terms of the average of sample industry provision for loan losses to equity capital is the first position bank is DBBL and the last position bank is AL-AIBL. The growth of Return on Assets position is held by FSIBL and the last position is Sha-IBL. Average of sample industry tax management efficiency FSIBL is the first position and IBBL is the lowest position. Average of sample industry expense control efficiency BAL is the first position and the last position bank PBL. In term of highest position fund management efficiency bank is BAL and the lowest position bank is NBL. The growth of Return on Equity first position bank is NBL and the last position bank is BAL. In this survey see Earning per Share first position bank is AL-AIBL and the last position bank is SIBL. Price earnings ratio highest position bank is DBBL and the lowest position bank is NBL. Average of sample industry net interest margin AL-AIBL is the highest position and lowest position bank is PBL. Further more, it is seen that net noninterest margin the first position bank is MBL and the lowest position is BAL. In terms of the average of sample industry net operating margin highest position bank BAL and the lowest position is FSIBL. Where in case of the non-interest income to operating income NBL is the first position and the lowest position bank is BAL. Interest income to operating income top

position is IBBL and bottom position is NBL. Further, in term of interest expense to interest income top position is PBL and the bottom position is IBBL.

So, Over ally, it can be said that the performance of the both of the banking sector in Bangladesh is satisfactory as almost all of the sample banks has at least more than 11% risk weighted asset, the classified loan to total loan of this sector is decreasing gradually. On the other hand, profitability is being increasing significantly over last five years. However, if it is compared to the Islamic Banking sector and Traditional banking sector, it is found that Islamic banking sector has better capital adequacy, Asset quality management ability, Management efficiency, Profitability and Liquidity position than Traditional banking sector. So in fine it can be said that the performance of Islamic Bank in Bangladesh is more pleasing than Traditional Bank.

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