International Journal of Business and Management Invention (IJBMI)
ISSN (Online): 2319-8028, ISSN (Print):2319-801X
www.ijbmi.org || Volume 12 Issue 6 || June 2023 || PP 107-115

The Comparative Financial Performance Analysis of Conventional and Islamic Commercial Banks in Bangladesh using CAMEL Approach.

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Abstract:
The ultimate goal of the study is to measure and compare the financial performance of Conventional as well as Islamic commercial banks in Bangladesh. CAMEL Ratios are used to evaluate the financial performance of banks. To determine the significance of mean differences in these ratios, an Independent Sample t-test is used. Several descriptive statistics such as mean, standard deviation, etc are also used to describe the financial data. It is found that there is no significant difference between conventional and Islamic commercial banks based on their performance in Bangladesh. Based on the findings of the present study, it is observed that the capital adequacy, profitability, and liquidity position of conventional banks is significantly better than that of Islamic banks. Conversely, in terms of assets quality and management efficiency of Islamic banks are better than that of conventional banks but differences are not statistically significant. The study only considers the privately owned commercial banks running in Bangladesh. The study has considered five conventional commercial banks as well as five Islamic commercial banks. This study has also covered only ten years of time (2010-2019). This study has excluded the period 2020 to 2021 due to pandemic situations. The study will help both the management of conventional and Islamic commercial banks. Different stakeholders like the government, shareholders, investors, creditors, clients, regulatory bodies, and other financial and non-financial institutions, etc. will use the findings of this study for their respective interests.

Key words: *Capital adequacy, profitability, liquidity, asset quality, management efficiency, earning efficiency.*

Date of Submission: 02-06-2023 Date of Acceptance: 13-06-2023

I. Introduction:

Banks play a significant role in the society. Even it is not possible to emagine a life without banks. Economic development of any country largely depend on banks (Sarker & Nahar, 2014). The modern banking sector is becoming more complex than ever. Assessing the performance of banks in Bangladesh is more difficult work. Different important factors need to be taken into consideration for differentiating good banks from bad banks. Sound financial health of a bank is not only a guarantee for its depositors but also equally significant for shareholders, emoployes and the entire economy of coutry (Mohiuddin, 2014).

At present there are four categories of banks operating in Bangladesh under the full control and supervision of Bangladesh bank according to the Bangladesh bank order 1972 and the bank company act 1991 viz., State-owned commercial banks (SCBs), Private Commercial Banks (PCBs), Foreign Commercial Banks (FCBs), and Specialized Banks (SDBs). Private commercial banks are two groups, one is conventional private commercial banks and another is Islamic Shariah-based banks. There are 6 state-owned commercial banks (SCBs), 3 specialized Banks (SDBs), 43 private Commercial Banks (PCBs) including 33 conventional commercial banks and 10 Islamic commercial banks, and 9 foreign Commercial Banks (FCBs) (www.bb.org.bd).

According to the Bangladesh Bank annual report 2019-20, private commercial banks' (PCBs) share in the total assets increased from 67.79 percent in 2019 to 67.0 percent in 2018. Total deposits of the banks in 2019 rose to BDT 12145.2 billion from BDT 10798.7 billion in 2018.PCBs' deposits in 2019 amounted to BDT 8269.6 billion or 68.1 percent within the total deposit compared to BDT 9769.7 billion or 67.04 percent in 2018. Therefore, it is clear that private commercial banks have a significant role in the economic development in Bangladesh.

This study measures and compare the financial soundness of private Conventional and Islamic commercial banks in Bangladesh through CAMEL approch.

II. Literature Review:

Jaffar & Manarvi (2011) analyzed the performance of Islamic as well as conventional banks operating within Pakistan and compared them by analyzing the standard factors of CAMEL. Total samples size were ten and taken equal size from each group. The mean ratio per year was considered. The standard test CAMEL test for financial verification was applied to evaluate the effectiveness of Islamic as well as conventional banking. The study found that in achieving adequate capital and liquidity position Islamic banks performed healthier.Conversely, conventional banks were healthier in terms of operating quality and earning efficiency.

Latif et al. (2016) attempted to examine and compare the financial performance of 05 conventional banks with 05 Islamic banks operating in Pakistan during the period of 05 years from 2006-2010. Trend analysis and financial ratios were used. The findings of their study were that Islamic banks are less risky, more solvent, and efficient than conventional banks. On the other hand, in terms of profitability there was not so much difference observed.

Qureshi & Abbas (2019) showed the impact of CAMEL ratios, banks size, bank types, and structure of governance on banks performance. It was a comparative performance analysis of Islamic as well as traditional banks in Pakistan based on regression analysis and found that CAMEL ratios, bank size, and bank types significantly affect the bank performance. Dummy variable negative sign and statistically significant it indicates that Islamic banks of Pakistan the significantly more profitable than traditional banks.

Safiullah (2010) found that the performance of Islamic banks as well as conventional commercial banks running in Bangladesh was appreciable. The study covered data over the period from 2004 to 2008 and financial ratios analysis and several statistical tests were used. Conventional banks were comparatively good in position than Islamic banks in terms of economy and commitment to the community, efficiency and productivity. Conversely, Islamic banks were superior to conventional banks on their business development, profitability, liquidity, and solvency.

Hassoune (2002) by using return on equity (ROE) as an efficiency measure and return on assets (ROA) as profitability measure of Islamic as well as conventional banks of GCC countries (countries include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and UAE), and explored that with the same structure of balance sheet, Islamic banks were more profitable than conventional banks and lack of perfect market Islamic banks got the benefit and revealed that Islamic banks had weakness in case of operational efficiency, concentration risks, and liquidity.

Tanim-Ul-Islam & Asrafuzaman (2015) tried to evaluate the comparative financial performance of conventional banks and Islamic banks based on the CAMEL test in Bangladesh. Total samples size was ten and taken from equal size from each group. They used an independent sample t test to see whether there are any significant gap between the two categories of banks. The outcomes of the study explored that no significant gap between Islamic banks as well as conventional banks in terms of capital adequacy, management capability, earnings, and liquidity but only a significant gap in asset quality.

Ahsan (2016) measured financial performance through CAMEL analysis of three selected Islamic banks of Bangladesh over the period of 2007-2014. Their study revealed that their sampled three banks were in sound position in every aspect according to CAMEL composite rating system.

Hazzi & Kilani (2013) tried to examine the financial performance of both Islamic and Traditional banks in Malaysia, and to see if there is any significant differences between them. This study found that Islamic banks were more profitable than conventional banks, but Islamic was more liquid and risky, especially based on risk-weighted capital ratio, paralleled to traditional banks.

Different studies performed in different countries deal with common problems. Not all studies explore the same results due to differences in selected timeframes, analytical tools, and cultural perspectives.

Business nature, technological change, the dimension of business, the economic system of a country, economic growth, and the related factors are changed after passing of the time. Due to the changing of above factors mostly technological change, it highly demands the new study on the field of financial performance of Conventional and Islamic Commercial Banks in Bangladesh.

III. Objective of the Study:

The main objective of the study is to measure and compare the financial performances of Conventional and Islamic Commercail Banks in Bangladesh.

IV. Methodology of the Study:

CAMEL is used to evaluate the financial performance of banks. An Independent Sample t-test is applied to determine the significant differences in the mean of these ratios. Several descriptive statistics such as mean, standard deviation, etc are also used to describe the financial data. The study only considers the privately owned commercial banks because of the homogeneity of rules, regulations, practices, and establishment,etc. The total sample size is ten of which five from conventional commercial banks and five from Islamic Commercial banks. In this study,

the stratified non-proportionate random sampling technique is used. This study requires secondary sources of data. Secondary data are collected from the Audited financial statements of both Islamic and Conventional banks for the period of 2010 -2019.

4.1 CAMEL Analysis

The most used and popular method for checking the financial health of banks is the CAMEL Rating System. CAMEL's five alphabets indicate capital adequacy, asset quality, management efficiency, earnings efficiency, and liquidity. By evaluating each of these factors, a composite index is created to estimated the overall financial health of a bank or a set of banks. Regulators use this rating system to identify banks that require regulatory attention. Each type of bank is ranked according to its CAMEL rating. In this study, total capital to total risk-weighted asset ratio, non-performing loan to total asset ratio, the cost to income ratio, return on asset ratio, and loan to deposit ratio is calculated to measure each parameter of the CAMEL model. The ratios are calculated using an Excel spreadsheet. In calculating the CAMEL score, each component is given a rating of 1 to 5 (1 indicates the best and 5 indicates the worst). Finally, the weighted ratings of each component are summed to calculate the composite CAMEL score.

Table 4:1 CAMEL rating Framework

Component	Ratio	Weight	1	2	3	4	5
C for Capital Adequacy	Total Capital/Total risk-weighted assets (CAR)	.20	≥15%	12%-14.99%	8%-11.99%	7%-7.99%	≤6.99%
A for Asset Quality	Nonperforming loans/Total assets (NPL)	.25	<3%	3%- <5%	5%-<10%	10%-<15%	≥15%
M for Management Soundness	Cost to income ratio (CIR)	.25	≤25%	30%-26%	38%-31%	45%-39%	≥46%
E for Earnings	Return on equity(ROA)	.20	≥1.3%	.8%-<1.3%	.4%-<.8%	.16% - <.4%	< .16%
L for Liquidity	Loan to deposit ratio(LDR)	.10	≤55%	62% - 56%	68% - 63%	80%- 69%	≥ 81%

Source: (Huq,2017; Reddy,2012; Mahmud,A., & Rahman,M.H., 2020)

Bank's financial condition is described as strong, satisfactory, fair, marginal, or unsatisfactory based on composite CAMEL ratings. The range of composite ratings, indications of financial condition, and their meaning in terms of financial health are described in the following:

Table 4:2: Meaning of Composite rating under CAMEL rating analysis

Rating	Composite range	Status	Meaning
1	1.00-1.49	Strong	Sound in every aspect and no cause for regulatory concern.
2	1.50-2.49	Satisfactory	Fundamentally, sound and regulatory concerns are limited.
3	2.50-3.49	Fair	• Financial, operational, or operational weakness ranging from moderately severe to unsatisfactory. • Therefore, the regulatory concern and more than normal supervision is needed to address the deficiency
4	3.50-4.49	Marginal	• Serious financial weakness and a high potential for failure. • Close supervision and a definite plan for correcting deficiency are needed.
5	4.50-5.00	Unsatisfactory	• High immediate or near-term probability of failure • Immediate corrective actions are needed to prevent liquidation, merger, or acquisition.

Source (Khan, 2008)

V. Analysis and Interpretation:

Table 5:1 Composite CAMEL Rating Scores of Conventional Banks

Bank Name	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	Average
DBBL	2.75	2.75	3.15	3.4	3.05	2.95	2.95	2.75	2.7	2.55	2.9
BRAC	2.65	2.65	3.05	2.85	3.3	3.3	3.7	3.9	3.5	3.1	3.2
Bank Asia	2.7	2.8	3	3.15	2.7	3.25	2.9	3	2.1	2.3	2.79
SouthEast	2.95	3	3.4	2.55	2.75	2	2.45	2.5	2.5	2.55	2.67
Prime	3.05	3.3	3.7	3.2	3.2	3.2	3.15	2.55	2.1	2.3	2.97
Sample Average of Conventional Banks											2.91

Table 5:1 shows the composite CAMEL rating score of all the conventional banks. The ten years average CAMEL score of DBBL, BRAC, Bank Asia, South East, and Prime bank limited are 2.90, 3.20, 2.79, 2.67, and 2.97 respectively. The sample average CAMEL score of conventional banks is 2.91. All scores between 2.50 to 3.49 indicate all the conventional banks are in fair status in financial health. Fair status explores that all the conventional banks under the study have moderately severe to unsatisfactory levels of financial, operational, or operational weakness. Therefore, regulatory concerns and more than normal supervision are needed to address the deficiency.

Table V:2 Composite CAMEL Rating Scores of Islamic Banks

Bank Name	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	Average
IBBL	3.25	3.45	3.45	3.45	3.45	2.9	3	2.55	2.3	2.75	3.41
EXIM	3.25	3.45	3.3	3.5	3	3	2.8	2.75	2.55	1.8	3.3
FSIBL	3.45	3.45	3.25	3.2	3.4	3.4	3.2	3.2	2.95	2.75	3.35
SIBL	3.5	3.5	3.45	3	2.8	3	3.5	2.75	2.55	2.75	3.25
SJIBL	2.8	3.5	3.25	3.25	3.3	3.5	3.3	1.85	2.5	2.05	3.22
Sample Average of Islamic Banks											3.04

Table 5:2 shows the composite CAMEL rating scores of all the Islamic banks. The ten years average CAMEL score of IBBL, EXIM, FSIBL, SIBL, and SJIBL are 3.41, 3.30, 3.35, 3.25, and 3.22 respectively. The sample average CAMEL score of Islamic banks is 3.04. All the scores are also between 2.50 to 3.49 it indicating all the Islamic banks are in fair status in financial health. Fair status explores that all the Islamic banks under the study have moderately severe to unsatisfactory levels of financial, operational, or operational weakness. Therefore, regulatory concerns and more than normal supervision are needed to address the deficiency.

Now the comparison between Conventional banks and Islamic banks according to CAMEL score is given in below:

Here the following hypothesis is developed.

H1: There is no significant difference in CAMEL score between conventional banks and Islamic banks.

Table V:3 Group Statistics of CAMEL

	Bank Type	N	Mean	Std. Deviation	Std. Error Mean
CAMEL	0	50	2.91	.42	.0589
	1	50	3.05	.44	.0622

0 indicates conventional banks 1 indicates Islamic banks

Group statistics explore that the mean CAMEL rating score of conventional banks is 2.91 and 3.05 for Islamic banks. The variability of a CAMEL rating score of Conventional banks shows by standard deviation banks is approximately the same as that of Islamic banks.

Table V:4 Independent Samples T-Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
CAMEL	Equal variances assumed	.205	.652	-1.63	98	.106	-.14	.085	-.31	.0301
	Equal variances not assumed			-1.63	97.71	.106	-.14	.085	-.31	.0301

Independent Sample t-test reveals that the p-value for equality of variance of Levene's Test is greater than 5% (.652>.05). Therefore, equality of variance of null hypothesis is not rejected. The t-test for equality of means' p-value

is greater than 5% (.106>.05) . Hence, the null hypothesis can not be rejected. Thus, this study finds that financial soundness according to composite CAMEL score of conventional banks is not significantly different from Islamic banks.
Now the comparison between conventional banks and Islamic banks according to different parameters of CAMEL is given in below:
The first parameter of CAMEL is Capital adequacy. Capital adequacy is calculated by the capital adequacy ratio. In this case, the following hypothesis is developed.
H2: There is no significant difference between conventional banks and Islamic banks in terms of capital adequacy.

Table V:5 Group statistics of CAR

	Bank Type	N	Mean	Std. Deviation	Std. Error Mean
CAR	0	50	.1284	.0198	.00280
	1	50	.1189	.0147	.00208

0 indicates conventional banks 1 indicates Islamic banks

Group statistics show that the mean ratio of capital adequacy is 12.84% for conventional banks and 11.89% for Islamic banks. However, the standard deviation of capital adequacy is higher for conventional banks indicating the higher variation of capital adequacy among Conventional banks.

Table V:6 Independent Samples T-Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
CAR	Equal variances assumed	2.98	.087	2.73	98	.007	.0095	.0034	.0026	.0164
	Equal variances not assumed			2.73	90.46	.007	.0095	.0034	.0026	.0164

Independent Sample t-test reveals that the p-value for equality of variance of Levene's Test is greater than 5% (.087>.05). Therefore, equality of variance of null hypothesis is not rejected. The t-test for equality of means' p-value is less than 5% (.007<.05). Hence, we reject the null hypothesis. Hence, it can be stated that capital adequacy for conventional banks is significantly different from Islamic banks. Thus, the study concludes that the capital adequacy of conventional banks is significantly better than Islamic banks
The second parameter of CAMEL is assets quality. Assets quality is calculuted by the ratio of non-performing loans to total assets (NPL). In this case, the following hypothesis is developed.
H3: There is no significant difference between conventional banks and Islamic banks in terms of assets quality.

Table V:7 Group Statistics of NPL

	Bank Type	N	Mean	Std. Deviation	Std. Error Mean
NPL	0	50	.0455	.01444	.00204
	1	50	.0408	.01659	.00235

0 indicates conventional banks 1 indicates Islamic banks

The group statistics of non-performing loans show that the mean non-performing loan ratio of conventional banks is 4.55% while 4.08% for Islamic banks. The higher standard deviation of Islamic banks indicates the higher variation in non-performing loan among Islamic banks.

Table V:8 Independent Samples T-Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
NPL	Equal variances assumed	.663	.418	1.51	98	.134	.0047	.0031	-.0014	.01087
	Equal variances not assumed			1.51	96.18	.134	.0047	.0031	-.0014	.01087

Independent Sample t-test explores that the p-value for equality of variance of Levene's Test is greater than 5% (.418>.05). Therefore, equality of variance of null hypothesis is not rejected. The t-test for equality of means' p-value is greater than 5% (.134>.05). Hence, the null hypothesis can not be rejected. Therefore, it can be stated that the non-performing loan ratio for Islamic banks is not significantly lower than that of conventional banks. Thus, this study explores that the assets quality of Islamic banks is comparatively better than Islamic banks but this difference is not statistically significant.

The third parameter of CAMEL is management efficiency or management quality. Management efficiency is calculated by the cost to income ratio (CIR). In this case, the following hypothesis is developed.

H4: There is no significant difference between conventional banks and Islamic banks in terms of management efficiency.

Table V:9 Group Statistics of CIR

	Bank Type	N	Mean	Std. Deviation	Std. Error Mean
CIR	0	50	.4561	.10646	.01506
	1	50	.4455	.07926	.01121

0 indicates conventional banks 1 indicates Islamic banks

Group statistics show that the mean cost to income ratio is 45.61% for conventional banks and 44.55% for conventional banks. The higher standard deviation of cost to income ratio shows that the higher variability of cost to income ratio among conventional banks .

Table V:10 Independent Samples T-Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
CIR	Equal variances assumed	7.244	.008	.566	98	.573	.0106	.0187	-.0266	.0478
	Equal variances not assumed			.566	90.555	.573	.0106	.0187	-.0266	.0479

Independent Sample t-test explores that the p-value for equality of variance of Levene's Test is less than 5% (.008<.05). Therefore, equality of variance of null hypothesis is rejected. The t-test for equality of means' p-value is greater than 5% (.573>.05). Hence, the null hypothesis can not be rejected. Therefore, this study reveals that cost to income ratio for Islamic banks is not significantly different from conventional banks. This study concludes that the management efficency of Islamic banks is comparatively healthier than conventional banks but this difference is not statistically significant.

The fourth parameter of CAMEL is earning efficiency. In this study, earning efficiency is measured by the ratio of return on assets (ROA). In this case, the following hypothesis is developed.

H5: There is no significant difference between conventional banks and Islamic banks in terms of earning efficiency

Table V:11 Group Statistics of ROA

	Bank Type	N	Mean	Std. Deviation	Std. Error Mean
ROA	0	50	1.1225	.47892	.06773
	1	50	.8711	.51265	.07250

0 indicates conventional banks 1 indicates Islamic banks

Group statistics show that the mean return on asset ratio is 1.1225 % for conventional banks and 0.871 % for conventional banks. The standard deviation shows that the higher variability of return on asset ratio among Islamic banks .

Table V:12 Independent Samples T-Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
ROA	Equal variances assumed	.516	.474	2.534	98	.013	.25143	.0992	.0545	.448

	Equal variances not assumed			2.534	97.549	.013	.25143	.0992	.0545	.448

Independent Sample t-test explores that the p-value for equality of variance of Levene's Test is greater than 5% (.474>.05). Therefore, equality of variance of null hypothesis is not rejected. The p-value for equality of means' t-test is less than 5% (.013<.05). Hence, we reject the null hypothesis. Therefore, this study explores that the return on assets of conventional banks is significantly different from that of Islamic banks. This study concludes that earning efficiency of conventional banks is significantly better than Islamic banks.

The fifth parameter of CAMEL is liquidity. Liquidity is calculated by the loan to deposits ratio (LDR). In this case, the following hypothesis is developed.

H6: There is no significant difference between conventional banks and Islamic banks in terms of liquidity.

Table V:13 Group Statistics of LDR

	Bank Type	N	Mean	Std. Deviation	Std. Error Mean
LDR	0	50	.8136	.05842	.00826
	1	50	.8845	.04279	.00605

0 indicates conventional banks 1 indicates Islamic banks

Group statistics show that the loan to deposit ratio is 81.36 % for conventional banks and 88.45% for conventional banks. The standard deviation of LDR shows that the variability of LDR is higher for conventional banks.

Table V:14 Independent Samples T-Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
LDR	Equal variances assumed	2.250	.137	-6.92	98	.000	-.0708	.0102	-.0912	-.0505
	Equal variances not assumed			-6.92	89.826	.000	-.0708	.0102	-.0912	-.0505

Independent Sample t-test reveals that the p-value for equality of variance of Levene's Test is greater than 5% (.137>.05). So equality of variance of null hypothesis is not rejected. The p-value for equality of means' t-test is less than 5% (.000<.05). Hence, we reject the null hypothesis. Thus, this study concludes that the liquidity of conventional banks is significantly higher than Islamic banks.

VI. Findings of the study:

On the basis analysis of the study, the following major findings are found.

- A composite CAMEL rating measured by capital adequacy, asset quality, management efficiency, earnings quality, and liquidity shows the financial soundness of the banks under the study. The financial soundness measured by the Composite CAMEL rating is comparatively better for conventional banks. However, the difference is not statistically significant. This finding is consistent with the study of Mahmud A, and Rahman MH. (2020) and Uddin et al. (2017). The mean composite CAMEL rating is 2.91 for conventional banks and 3.05 for Islamic banks.
- Composite CAMEL rating scores show that all the banks under the study are fair except Social Islami Bank Limited, which is in marginal status in 2019. Fair status according to the CAMEL rating score indicates that there is moderate to severe financial, operational and managerial weakness and more than normal regulatory concern is necessary. A marginal status indicates serious financial weakness and a high probability of failure. Therefore, SIBL needs close supervision and a robust plan for correcting the deficiency.
- Capital adequacy for conventional banks is significantly higher than for Islamic banks. From the previous studies of Mahmud A, and Rahman MH. (2020), Hossain, S. A., Islam, M. N., Mahmud, M. S., & Islam, K. M. A. (2017), and Tanim-Ul-Islam & Asrafuzaman (2015) it was found that capital adequacy of conventional banks is higher than Islamic banks but it was not statistically significant. The mean capital adequacy is 12.8% for conventional banks and 11.8% for Islamic banks.
- Asset quality is better for Islamic banks than conventional banks. It is not consistent with Uddin et al. (2017) and Hossain, S. A., Islam, M. N., Mahmud, M. S., & Islam, K. M. A. (2017) but consistent with Mahmud A, and Rahman MH. (2020). The mean non-performing loan ratio is 4.5% for conventional banks and 4.08% for Islamic banks. However, this difference in asset quality is not statistically significant.

- Management efficiency is higher for Islamic banks than for conventional banks. It is not consistent with Uddin et al. (2017) and Hossain, S. A., Islam, M. N., Mahmud, M. S., & Islam, K. M. A. (2017) but consistent with Mahmud A, and Rahman MH. (2020). The mean cost to income ratio is 45.61% for conventional banks and 44.55% for Islamic banks. Again, this difference in management efficiency is not statistically significant.
- Profitability measured by the return on assets ratio shows that profitability is significantly higher in conventional banks. From the previous study of Mahmud A, and Rahman MH. (2020) it was found that conventional perform better than Islamic banks in the case of profitability but it was not statistically significant. In contrast, Hossain, S. A., Islam, M. N., Mahmud, M. S., & Islam, K. M. A. (2017) found that Islamic banks perform better than Conventional banks in the case of profitability but it was not statistically significant The mean return on assets ratio is 1.12% for conventional banks and 0.87% for Islamic banks.
- Liquidity is significantly healthier for conventional banks. It is consistent with Mahmud A, and Rahman MH. (2020) and Uddin et al. (2017) and S. A., Islam, M. N., Mahmud, M. S., & Islam, K. M. A. (2017) .The mean loan to deposit ratio is 81.36% for conventional banks and 88.45% for Islamic banks.

VII. Conclusion and Recommendations:

The financial performance of conventional and Islamic commercial banks running in Bangladesh is measured and compared by using a composite CAMEL rating. It is found that conventional banks are comparatively better than Islamic commercial banks on the basis of performance but it is not statistically significant. Composite CAMEL ratings show that all the banks under the study are fair status except Social Islami Bank Ltd., which is in marginal status in 2019. Fair status indicates that there is moderate to severe financial, operational, and managerial weakness and more than normal regulatory concern is necessary. A marginal status indicates serious financial weakness and a high probability of failure. Therefore, SIBL needs close supervision and a robust plan for correcting the deficiency. Based on the findings of the present study, it is observed that the capital adequacy, profitability, and liquidity position of conventional banks is significantly better than Islamic banks. On the other side, in the case of assets quality and management efficiency ,Islamic banks are better than conventional banks but the differences are not statistically significant. On the basis of the findings of the CAMEL, the researcher suggests that conventional banks should improve the quality of their assets by reducing non-performing loans. They can do so by proper loan screening and selection, and by investing their fund in profitable business ventures. Conventional banks should also boast their management by reducing business-operating costs. Islamic banks should enhance their earning capability by creating and investing in new investment avenues.

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