Project Report on “Financial Performance Evaluation of Commercial Banks in Bangladesh”

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This report is submitted to the school of Business and Economics, United International University as a partial requirement for the degree fulfillment of Bachelor of Business Administration

Project Report on "Financial Performance Evaluation of Commercial Banks in Bangladesh"

Submitted to:

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LETTER OF TRANSMITTAL

May 28, 2022

Dr. James Bakul Sarkar

Associate Professor

United International University

Subject: Submission of Project Report on "Financial Performance Evaluation of Commercial Banks in Bangladesh".

Dear Sir,

With due respect I would like to inform you that, I have prepared my project report on "Financial Performance Evaluation of Commercial Banks in Bangladesh" with my greatest effort after doing proper analysis regarding the commercial banks of Bangladesh. So, now it's my pleasure to submit my project report. In this report, I have made financial performance analysis of 10 commercial banks of Bangladesh. I have provided some recommendations for the improvement of those commercial banks in future. I have collected the information from the official website and the annual reports of the selected commercial banks.

Finally, I have completely done with my project report by working hard and hope that you will be satisfied reading this report. I, therefore pray and hope that you will be kind enough to accept the report. Thank you very much for your kind co-operation.

Sincerely yours,

Tarana Ferdous

ID: 114 162 015

DECLARATION OF THE STUDENT

I, Tarana Ferdous, declared that this project report is on “Financial Performance Evaluation of Commercial Banks in Bangladesh” which is prepared by myself after doing analysis from the websites and the annual reports of the commercial banks. The project period was a very valuable time for me to achieve knowledge regarding the financial performance of the commercial banks (Islamic banks and the Conventional banks).

I have collected lots of information for preparing the project. I am assuring that this project report is well prepared by me. I also assure that this project is one of the unique projects of BBA program.

ACKNOWLEDGEMENT

I am very much grateful to the almighty Allah for giving me the strength, courage and capacity for completing my comprehensive project report successfully in a particular time.

I would like to thank a specific number of people for their collaboration and guidance which contributed directly and indirectly to establish my project report.

At first, I am thankful to my project supervisor Dr. James Bakul Sarkar for giving me this opportunity. I have prepared my project report on the topic of “Financial Performance Evaluation of Commercial Banks in Bangladesh”. I have made a broad and comprehensive project on this topic.

EXECUTIVE SUMMARY

Bank is a vital sector among the business organizations of any country. The banking industry plays a very significant role in the economic development of a country. Banks and other financial institutions lead to the economic growth of any country. In the banking sectors, there are plenty of operations which are maintained to provide service to the business organizations and the people. Banks always try to provide outstanding services to their clients in order to make them satisfied and thus generate revenue. The board of directors of the banking sectors wants to know the performance of their banks and they measure the bank's performance at the end of every year. The financial statements of the bank help them to assess the financial performance of the bank. The financial statements include cash flow statement, income statement, balance sheet and shareholder's equity statement. Those statements are prepared by the officers of the accounts department. There are lots of financial data with the specific amounts in the financial statements. The financial data of the financial statements help the organization to measure the financial performance. In this study, an analysis is made with 10 commercial banks (5 Islamic banks and 5 Conventional banks) for the period 2016 to 2020 to evaluate the financial performance of the commercial banks. The 5 Islamic banks are Standard Bank Limited (SBL), Global Islami Bank Limited (GIB), Union Bank Limited, Social Islami Bank Limited (SIBL) and ICB Islamic Bank Limited and the 5 Conventional banks are IFIC Bank Limited, Southeast Bank Limited (SEBL), Eastern Bank Limited (EBL), BRAC Bank Limited and NRBC Bank Limited. The ratio analysis is used to do the financial performance analysis of those banks. The financial statements of the selected 10 commercial banks have taken from the annual reports of those banks. After that, the CAMEL model is applied using the secondary data to make the analysis. Lots of ratios are used to determine the financial performance of the 5 Islamic banks and 5 Conventional banks. The analysis revealed that, among the Islamic banks the Standard Bank Limited (SBL) and the Global Islami Bank Limited (GIB) have performed better than the other Islamic banks and among the Conventional banks the IFIC Bank Limited and the Southeast Bank Limited (SEBL) performed better than the other Conventional banks. The Islamic banks are less profitable than the Conventional banks. Some findings are given regarding the financial performance of the selected commercial banks. Some recommendations are also given for the improvement of the selected commercial banks in future.

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CHAPTER I: INTRODUCTION

1.1 Background of the Study

Banks are very vital organizations for the economy of every country. Banks are financial organizations which are carrying out business from very old times. Banks highly contribute to the development of every economy. People deposit their savings in the banks. Banks operate various businesses with those savings of people. Banks invest money in different sectors and thus earn profits from them. Banks are now operating business beyond the geographical boundary of the nation. They are performing international business with many foreign organizations. Currently, private commercial banks of Bangladesh are at the top positions in terms of market share and profitability. The private commercial banks provide funds to many companies. Many business organizations can take bank loans for the development of their business from these private commercial banks. The banks of Bangladesh significantly contribute to the economic development of Bangladesh. Banking sector is very essential among the economic sectors of each country. There are many financial intermediaries which are highly dependable to the banks. The well financial intermediaries of the developed countries such as USA, Japan, Singapore, Germany, Italy and other European countries are nicely going ahead with the help of commercial banks. The banking sectors not only influence on the development of the economy of a country but also play a significant role for the stability of a country. The banking sectors of Bangladesh are performing their business activities very well and they are growing gradually by their effective management. The financial performance of the banking sectors of Bangladesh is very good. It is very essential to know the financial performance of the banking sectors of Bangladesh.

There are lots of banks in Bangladesh including scheduled and non-scheduled banks. Currently there are 59 scheduled banks and 5 non-scheduled banks which significantly contribute to the economic development of Bangladesh. They provide financial services to the people and the business organizations. Among the scheduled and non-scheduled banks, there are 54 commercial banks, 31 domestic conventional private commercial banks, 8 Shariah based Islamic commercial banks and 9 foreign commercial banks. The Islamic commercial banks of Bangladesh run their business based on the Islamic Shariah.

Recently, the Bangladeshi government has approved some banks and now those banks are performing their business operations and contributing to the economic development of Bangladesh. The foreign commercial banks play an important role for the economic development of the country. They provide significant funds to different organizations for implementing the economic growth of Bangladesh. The banking sectors of Bangladesh are very competitive. The banks need to carry out their operations efficiently and follow various strategies to survive in the market. The banks want to evaluate their financial performance. There are some factors which creates problems to the financial institutions to evaluate various business related issues and to work efficiently.

At present, financial institutions highly focus on diversity. Generally, every business organization gives importance on the diversity for their business growth and profit maximization. But, financial institutions are more diverse than other business organizations. They move very fast to implement their business growth. The financial performance of the commercial banks all over the world are very important issues for different factors such as global financial crisis, global financial recession, global financial crime etc. These factors highly give importance on the performance of the commercial banks. The business organizations need to increase their business operations by increasing their financial performance. First of all, the functions of commercial banks need to be understood before evaluating the financial performance of the commercial banks.

1.2 Objectives of the Study

1.2.1 General Objectives

The general objective of this study is to evaluate the financial performance of the commercial banks and the Islamic banks and also comparing the financial performance between the commercial banks and the Islamic banks.

1.2.2 Specific Objectives

The specific objectives of this study are below:

- To analyze the financial statements of the commercial banks and the Islamic banks

- To analyze the risk and solvency of the commercial banks and the Islamic banks
- To determine that whether there are any differences in the financial results between the commercial banks and the Islamic banks
- To measure and also compare the profitability of the commercial banks and the Islamic banks
- To measure and also compare the liquidity of the commercial banks and the Islamic banks
- To observe whether the business operations of the Islamic banks and the commercial banks are operating effectively
- To provide suggestions to the banks for their business growth

1.3 Significance of the Study

This study helps the investors to understand the present condition of the commercial banks and the Islamic banks. The investors of the commercial banks will be able to make the correct decision about money investment by this report. The importance of this study is given below:

- It significantly helps the government to rank the commercial banks and the Islamic banks based on the financial performance.
- It helps the investors of the commercial banks for making important decisions.
- It can be used as an important tool for the advanced researchers.
- It provides a clear idea about the evaluation and analysis of the commercial banks and the Islamic banks.
- It helps serving as an important tool for the academicians and practitioners

1.4 Scope of the Study

Actually, there are lots of approaches to measure the performance of the banks. In this report, so many approaches are used to determine the financial performance of the commercial banks and the Islamic banks and also compare the difference between them. In this study, the financial data of five private commercial banks and five Islamic banks for the year 2016-2020 are presented. Thus, the overall financial performance of the commercial banks and the Islamic banks and the difference between them are clearly estimated.

1.5 Limitations of the Study

There are some limitations in this report. I have faced some limitations while preparing the project. I was unable to get all of the financial data of the banks. The audit financial statements of the commercial banks and the Islamic banks were published in the official website of those banks. But the other financial statements of the commercial banks and the Islamic banks were not published in the official website and newspapers because of the privacy of those banks. The annual report of the banks also was not published in the website.

CHAPTER II: LITERATURE REVIEW

2.1 Introduction

In this chapter, the theoretical framework is given which consists of meaning of financial statement, presentation of bank financial statements, meaning of financial statement analysis, objective of financial statement analysis, significance of financial analysis, types of analysis and tools for financial analysis. All of the contents are described properly.

2.2 Theoretical Framework

Actually, there are so many problems in the banks and financial institutions of Bangladesh. The commercial banks and the Islamic banks face so many problems in their business operations. They are involved in so many transactions with their clients. While serving their clients, they face too much problems. As Bangladesh is not a developed country, the banking sectors are unable to operate the business operations easily in a short time. The commercial banks and the Islamic banks of Bangladesh always are in trouble and the workers of these banks face too much difficulties in the organization. The determination of banks creditworthiness and risk exposures is very difficult. The accounting and finance related activities of the banks cannot be described easily. The accounting and financial information are very important to evaluate the performance of any organization. All of the financial data and financial statements of the banks are needed to analyze the performance of the banks.

At present, both the commercial banks and the Islamic banks use the traditional method to appraise their financial performance.

2.2.1 Meaning of Financial Statement

Financial statement is the statement in which all of the financial data and information of an organization are written clearly with correct amounts. It is a very important statement of an organization. Every organization needs to prepare the financial statement for their organization. It is essential to evaluate the performance of an organization. The financial statement is prepared during the accounting period. Some organizations prepare the financial statement annually, some organizations prepare the financial statement half yearly and some organizations prepare the financial statement quarterly. When financial statements are prepared on a yearly basis, it is called annual financial statement. When financial statements are prepared on a half-yearly basis, it is called half yearly financial statement. When financial statements are prepared on a quarterly basis, it is called quarterly financial statement.

The financial statements are prepared by the accounts officers and the chartered accountants of a company. They collect all of the financial data and information and finally prepare the financial statement and report to the Managing Director (MD) or Chief Executive Officer (CEO).

2.2.2 Presentation of Bank Financial Statements

The financial statements of the banks are presented in two stages. Those are the income statement and the balance sheet. In the income statement, all of the expenses, losses and revenues are presented with the specific amounts. In the balance sheet, the assets and the liabilities are presented with the specific amounts.

2.2.2.1 The Balance Sheet

The balance sheet contains the overall financial situation of an organization. Every organization has to prepare this mandatorily. Balance sheets are prepared at the end of an accounting period by the accounts officers or the chartered accountants. The consequence of a balance sheet helps an organization to understand about the condition of that organization.

There are some categories of assets in the banking sectors. Those are cash assets, deposits at the Federal Reserve, deposits at other banks, cash items in the process of collection etc. These categories of assets have no interest. Some assets of banks are described at the below:

(1) **Interest Bearing Bank Balance:** Interest bearing bank balance such as short term certificates of deposit of banks are highly liquid earning assets. These are used as the liquidity management program of the banks.

(2) **Investment Securities:** There are many investment securities in the banks. Banks can’t own the equity securities. The securities of the bank balance sheets are debts.

(3) Loans: Loans are very important assets for the banking sectors. It is an essential source of banks to earn profit. Banks provide loans to the people and the business organizations. There are some risks in the loan issues. The bank authority has to take some risks in providing loans to the people and the business organizations. There are different types of loans that are provided by the banks. Those types of loans are at the following:

- Loans secured by the real estate companies
- Commercial and industrial loans
- Loans to the individuals for personal related issues
- Loans to the agricultural sectors
- Other loans and lease financing receivables

(4) Other Assets: The other assets include intangible assets (assets which is not tangible such as goodwill.

Besides the bank assets, there are lots of bank liabilities. There are different types of depository accounts under the bank liabilities which are given below:

(1) Demand Deposits: Demand deposits are those deposits which the depositor has deposited in the bank and the bank has to pay the deposit to the depositor on demand. This deposit does not contain any interest. The summation of all the transaction accounts less demand deposits is represented in the bank statement. There are interests in other accounts except the demand deposits.

(2) Money Market Deposit Accounts (MMDAS): Money market deposit accounts (MMDAS) are saving accounts which includes interest. In this account, there is a limited number of check writing in a month.

(3) Capital Subordinated Notes and Debentures: Capital subordinated notes and debentures are liabilities which has the same features of capital. In terms of maturity, this liability is similar to capital. This liability is presented in the capital section of the balance sheet.

2.2.2.2 The Income Statement

The income statement is prepared before the balance sheet. All of the revenues and expenditures of an organization are presented here. After presenting all of the revenues and expenditures in the income statement, the differences of total revenues and total expenditures is shown as the net profit or net loss. The income statement and the balance sheet both are related to each other. The net profit or net loss of the income statement is shown in the balance sheet. While measuring a bank's performance, both the income statement and the balance sheet are evaluated. Interest on loans is the main source of income for the banks. Banks earn most of the revenues from this source. Another source of income is income from lease financing which comes from lease financing receivables. The income that comes from the loans and lease is accrued. Banks mostly receive this income from the client after the end of the period. Banks sometimes get the interest of loans from the clients during the accounting period. There are taxable income and tax exempted income in the incomes of banks. The tax exempted incomes are year-to-date income on loans and income from lease financing. The taxable incomes are total interest and fees on loans and income from lease financing receivables less tax exempted income.

(1) **Interest Expense:** Interest expense is a very important expense for the banks. There are different types of interest expenses in the banking sectors. Those are: (a) Interest expense on time deposit, (b) Interest expense on other deposits, (c) Interest expense on funds and securities, (d) Interest expense on note balance and on borrowed money, (e) Interest expense on mortgage debt, capital leases and fixed assets, (f) Interest expense on notes and debentures.

(2) **Net Interest Income:** Net interest income is calculated by the total interest income less total interest expense. The relationship between the net interest income and the total assets of a bank helps the bank authority to understand about the performance of that bank.

(3) **Non-interest Income:** Non-interest income includes all other incomes except interest incomes. A business organization has different sources of incomes such as earning from fiduciary activities, charges of the deposits, earnings from the assets, commissions from foreign exchange activities, charges from debit card and credit card etc.

(4) **Other Expenses:** There are some other expenses which include in the income statement. Those are overhead expenses (employee salaries), expenses of fixed assets and other non-interest operating expenses.

(5) **Income Tax Expense:** Every business organization needs to provide income taxes to the government. Banks also need to provide income taxes to the government. There are different types of income taxes which banks need to provide to the government. Those are federal income tax, state income tax, local income tax and foreign income tax etc.

(6) **Net Income:** After showing all of the incomes and expenses with the specific amounts in the income statement, the total expenses are deducted from the total incomes. After deducting the amount of total expenses from the amount of total incomes, the rest of the amount is shown as the net income.

2.2.3 Meaning of Financial Statement Analysis

Every organization wants to know about its business condition. By doing analysis of the financial statement the financial performance can be understood. Financial statement analysis means the analysis of all the financial data and information of the financial statement. An organization can easily determine the strength and weakness of that organization through the financial statement analysis. The amounts in the balance sheet and the income statement helps the authority of the organization to know about the performance of the organization. Metcalf and Titard told that, the appraisal of the data of financial statement in order to understand the business performance is called financial statement analysis. Myers told that, analyzing the relation between the financial factors of an organization is known as financial statement analysis.

2.2.4 Objectives of Financial Statement Analysis

Financial statement analysis is a very important issue for every organization. Every organization needs to do analysis of various organizational issues to maintain the organization properly. Financial statement analysis is a mandatory issue for every organization. An organization can understand the overall situation of that organization through the financial statement analysis. An organization makes financial statement analysis for various purposes. The objectives of financial statement analysis are given below:

- Measuring the profitability of the organization
- Measuring the organizational efficiency and the effectiveness of the organization
- Assessing the financial health of the organization
- Determining the importance of the financial statement tools
- Determining the reasons for the fluctuation in the organization's financial results
- Assessing the firm's ability to maintain the business operations and generate profit.

2.2.5 Significance of Financial Analysis

Financial analysis is the finance evaluation of an organization which is done by analyzing the relationship between the transaction items of the income statement and the balance sheet. There are plenty of transaction items with the specific amounts in the income statement and the balance sheet of a company. Each transaction items of the financial statement are related with different transaction items. An organization's financial analysis is made by the management of that organization or by other parties outside the organization. Creditors, investors, lenders, shareholders and others do the financial analysis of an organization as the outside parties. The financial analysis of an organization differs based on the purpose of analysis. Financial analysis is significant to different analysts in different ways which are below:

(1) Finance Manager: A finance manager is well capable to make the financial analysis of a company. A finance manager uses all of the financial data of the company to do the financial analysis. After doing the financial analysis, a company can make important decisions for itself. The board of directors are able to take important decisions for the business growth after the financial analysis made by the finance manager. The financial analysis tools used by the finance manager help the accounts and finance staffs to clearly understand about the accounting data for determining operating policies, investment value, credit ratings and the organizational efficiency. The financial analysis techniques used by the finance manager are useful for finance control, reviewing finance operations of the organization.

(2) **Top Management:** The financial analysis is an important factor to the top management of any organization. The officers of the top management level like managers, CEO and the directors do the financial analysis. They take the financial statement of the organization from the accounts department and do proper analysis of the financial data. Through the financial analysis, the management of an organization can assess the organization's performance and evaluate the performance of the workers.

(3) **Creditors:** A creditor is a person who lend money to a borrower. A business organization may have some creditors who lend them money for running their business operations. Sometimes the creditors make the financial analysis of the organization. Through the financial analysis, they evaluate the organization's ability to achieve its business objectives. Through the financial analysis, they also estimate that whether the organization will be able to implement growth in future or not. After doing analysis, the creditors can get an idea about how much time does the organization need to return their money.

(4) **Investors:** Investors are those who invest money on a company and buy shares. Some investors buy preferred shares and some investors buy common shares. Sometimes, the investors of a company make financial analysis of that company to know its business condition. They can understand the company's profitability by doing financial analysis. They can understand about the profit or loss that they deserve from their shares.

(5) **Labor Unions:** Labor unions of a company make financial analysis of the company for the purpose of measuring the financial capability of the company. By measuring the financial capability of the company they can informed about the possibility of the increment of their salary and wages.

(6) **Others:** Other people also make the financial analysis of a company. The economists, researchers, the government agencies make the financial analysis of a company in order to assess the economic, financial, legal, political, social, technological and environmental factors of that company.

2.2.6 Types of Analysis

There are two types of financial statement analysis which are discussed below:

(1) **Trend Analysis or Dynamic Analysis:** Trend analysis or dynamic analysis is done by the analysis of the financial statements of a number of years. The trend of different transactions such as sales, cost of production, profit, assets, liabilities etc. are understood through this analysis.

(2) **Structural Analysis or Static Analysis:** Structural analysis or static analysis is done by the analysis of a financial statement of a particular year. In this analysis, the relationship between the accounting data of the financial statement is analyzed clearly.

2.2.7 Tools for Financial Analysis

Every organization needs to do financial analysis of its own to know about the business condition of the organization. The financial statements of an organization help the organization authority to do the financial analysis about the organization. The balance sheet, income statement and cash flow statement are the financial statements of a company. All of the accounting data of the company are reported in these statements. These accounting data make the analysts able to do the financial analysis clearly about the company. There are a number of methods to do the financial analysis of the business organizations. Those are known as financial analysis tools. The financial analysis tools are described below:

- Comparative statements
- Common-size statements
- Trend Analysis
- Cash flow analysis and
- Ratio analysis

(1) **Comparative Statement:** These statements are prepared in the comparative form which show the overall financial condition of the organization clearly. The financial condition of two or more periods are appeared in this statement. This statement is prepared by two financial statements, balance sheet and income statement. The analysis of this statement is called ‘horizontal analysis’.

(2) **Common-Size Statement:** Common-size statements are those statements which identify the relations between the financial data in the financial statement. These

statements compare the financial performance of two companies in an industry. The common-size statement can compare two companies for different years. The analysis of this statement is called ‘vertical analysis’.

(3) Trend Analysis: Trend analysis is an analysis which is used to understand the financial results of a company for a certain period of years. Through the financial statements of the last few years of a company, this analysis is made for the purpose of knowing the changes of the organizational data as percentage over the years.

(4) Cash Flow Analysis: In the cash flow analysis, all of the cash transactions are recorded. The statement prepared through this analysis is called cash flow statement. All of the cash into and cash out of a company are recorded in the cash flow statement. The details of each cash flow of the company are shown in the cash flow statement. The cash flow analysis shows the causes of cash difference in the balance sheet over two accounting periods.

(5) Ratio Analysis: Ratio analysis is a very important factor to analyze the performance of a business organization. There are lots of issues in a business organization. A business works with lots of transactions. The relationship between two financial data can be established through the ratio analysis after preparing the financial statement. Through this analysis, the analysts can establish the relationship of the financial data with each other.

CHAPTER III: METHODOLOGY

3.1 Population

In this research paper, the population is the commercial banks of Bangladesh. The Islamic banks and the conventional banks are chosen to complete the study. In this research paper, a survey is made regarding the financial performance evaluation of some Islamic banks and some Conventional banks of Bangladesh to gain a better idea about the financial performance evaluation of the commercial banks of Bangladesh.

3.2 Sample Size

In this research paper, 10 commercial banks are taken as sample. Among the 10 commercial banks, 5 banks are Islamic banks and 5 banks are Conventional banks. 5 Islamic Banks are Standard Bank Limited (SBL), Global Islami Bank Limited (GIB), Union Bank Limited, Social Islami Bank Limited (SIBL) and ICB Islamic Bank Limited. 5 Conventional Banks are IFIC Bank Limited, Southeast Bank Limited (SEBL), Eastern Bank Limited (EBL), BRAC Bank Limited and NRBC Bank Limited.

3.3 Data and Time Periods

The secondary data of 5 years' period (2016-2020) of the selected Islamic Banks and Conventional Banks are taken for doing the statistical analysis. Various financial ratios of the selected Islamic Banks and the Conventional Banks are taken from the annual reports of those banks for the period of 5 years (2016-2020).

3.4 Data Collection

The secondary data are collected from the annual reports and of the selected commercial banks since 2016 to 2020. In the annual reports of those banks, there are financial statements (income statement, balance sheet, cash flow statement, statement of shareholder's equity). From those statements, the financial data are collected.

3.5 Data Analysis

From the annual reports of the selected commercial banks, lots of financial data are collected from the financial statements (income statement, balance sheet, cash flow statement, statement of shareholder’s equity). After collecting those financial data, proper analysis of 5 Islamic Banks and 5 Conventional Banks has done to complete the research.

3.6 Analysis Tool and Techniques

In this study, lots of valuable financial data of 10 commercial banks (5 Islamic Banks and 5 Conventional Banks) are taken to evaluate the financial performance of those banks. The CAMEL rating method is used to evaluate the financial performance of the selected commercial banks. Under the CAMEL model, there are five factors including capital adequacy, assets quality, management quality, earning ability and liquidity position. Both the five factors are used to do the analysis.

CHAPTER IV: ANALYSIS & DISCUSSIONS

In this chapter we present the result from our data analysis. This part is separate into five categories. At first, we briefly examined the performance of liquidity position of selected private banks. Second, we present the asset management condition of those companies. Third, we demonstrate the performance of profitably those companies, Fourth, we discuss the debt management position and finally we represent the market value of those companies. Financial Highlights of the company's followed by the ratios analysis.

4.1 Capital Adequacy

Capital adequacy ratio helps a company to understand about the financial strengths and weaknesses of that company. There are different types of ratios under the capital adequacy ratio. Those are equity to assets ratio, equity to loans ratio, capital adequacy ratio etc.

4.1.1 Equity to Assets Ratio

Through the equity to assets ratio, a company's financial leverage can be calculated. The total equity is divided by the total assets to determine the equity to asset ratio.

Table 1. Equity to Assets ratio (%) of the selected banks for the period 2016 to 2020

Islamic Banks						
Year	SBL	GIB	UNION	SIBL	ICB	Average
2016	7.09	7.34	11.15	5.00	11.23	8.36%
2017	8.22	7.20	9.96	4.40	9.41	7.84%
2018	8.01	8.37	10.55	4.08	9.29	8.06%
2019	7.15	9.04	8.71	4.22	7.89	7.40%
2020	6.52	9.50	9.54	3.76	7.64	7.34%
Conventional Banks						
Year	IFIC	SEBL	EBL	BRAC	NRBC	Average
2016	8.85	7.25	8.29	7.63	7.35	7.87%
2017	7.32	6.96	7.16	3.42	1.80	5.33%
2018	8.34	6.81	8.68	6.33	7.98	7.63%

2019	8.17	6.72	8.02	6.28	7.96	7.43%
2020	7.76	6.86	8.49	6.15	7.88	7.43%

Table 1 appears the Equity to Assets ratio of 5 Islamic Banks and 5 Conventional Banks selected from 2016 to 2020. At the table above, the equity to assets ratio of both the Islamic Banks and the Conventional Banks is good. The equity to assets ratio of the Islamic Banks is better than the Conventional Banks. So, the Islamic Banks had performed well comparing to the Conventional Banks in terms of equity to assets ratio.

Table 2. Equity to Assets ratio average of the selected banks for the period 2016-2020

Ratios	Banks	2016	2017	2018	2019	2020	Mean	Mean Difference	Rank
Equity to Assets (%)	IBs	8.36	7.84	8.06	7.40	7.34	7.80	.66%	1
	NIBs	7.87	5.33	7.63	7.43	7.43	7.14		2

Table 2 appears that, the mean of Equity to Assets ratio of the Islamic Banks is 7.80% and the mean of Equity to Assets ratio of the Conventional Banks is 7.14%. The mean difference between the Islamic Banks and the Conventional Banks is .66%. Therefore, Islamic Banks had performed well comparing to the Conventional Banks in terms of equity to assets ratio.

Table 3. T-Test with two samples

Mean	IBs	CBS
Variance	7.8	7.138
Observations	0.1886	1.05432
Pearson Correlation	5	5
Hypothesized Mean Difference	0.120201	
Df	4	

t Stat	1.389016
P(T<=t) two-tail	0.24
t Critical two-tail	2.776

Table 3 appears that the t stat value is 1.389 and the t critical two-tail value is 2.776. So, the t stat value < t critical two-tail value. The P-value is 0.24 which is greater than 0.05 (level of significance). So, the null hypothesis is accepted. There is no difference between the Islamic Banks and the Conventional Banks in the equity to assets ratio.

4.1.2 Equity to Loans Ratio

The equity to loans ratio helps to assess the financial leverage of a company. The total equity is divided by total loans to determine the equity to loans ratio.

Table 4. Equity to Loans ratio (%) of the selected banks for the period 2016 to 2020

Islamic Banks						
Year	SBL	GIB	UNION	SIBL	ICB	Average
2016	9.03	9.59	14.15	6.55	15.43	10.95%
2017	10.64	9.81	14.07	5.93	13.17	10.72%
2018	10.86	12.45	14.33	5.78	12.80	11.24%
2019	10.12	13.56	12.98	5.67	11.31	10.69%
2020	9.01	12.40	12.89	5.15	10.77	10.04%
Conventional Banks						
Year	IFIC	SEBL	EBL	BRAC	NRBC	Average
2016	12.23	11.22	12.07	13.21	13.25	12.39%
2017	10.78	11.84	11.67	5.72	3.23	8.65%
2018	12.00	11.88	12.87	12.98	17.77	13.50%
2019	12.52	11.67	11.55	12.33	16.88	12.99%
2020	11.58	11.00	12.28	12.01	18.33	13.04%

Table 4 appears the Equity to Loan ratio of 5 Islamic Banks and 5 Conventional Banks selected from 2016 to 2020. At the table above, the equity to loans ratio of both the Islamic Banks and the Conventional Banks is good. The equity to loans ratio of the Conventional Banks is better than the Islamic Banks. So, the Conventional Banks had performed well comparing to the Islamic Banks in the relationship between equity and loans.

Table 5. Equity to Loans ratio average of the selected banks for the period 2016 to 2020

Ratios	Banks	2016	2017	2018	2019	2020	Mean	Mean Difference	Rank
Equity to Loans (%)	IBs	10.95	10.72	11.24	10.69	10.04	10.73	1.38%	2
	NIBs	12.39	8.65	13.50	12.99	13.04	12.11		1

Table 5 appears that, the mean of equity to loans ratio of the Islamic Banks is 10.73% and the mean of equity to loans ratio of the Conventional Banks is 12.11%. The mean difference between the Islamic Banks and the Conventional Banks is 1.38%. Therefore, Conventional Banks had performed well comparing to the Islamic Banks in terms of equity to loans ratio.

Table 6. T-Test with two samples

Particulars	IBs	CBS
Mean	10.728	12.114
Variance	0.19657	3.90533
Observations	5	5
Pearson Correlation	0.036591	
Hypothesized Mean Difference	0	
Df	4	
t Stat	1.54233	
P(T<=t) two-tail	0.197858	
t Critical two-tail	2.776445	

Table 6 appears that the t stat value is 1.542 and the t critical two-tail value is 2.776. So, the t stat value < t critical two-tail value. The P-value is 0.19 which is greater than 0.05 (level of significance). So, the null hypothesis is accepted. There is no difference between the Islamic Banks and the Conventional Banks in the equity to loans ratio.

4.1.3 Capital Adequacy Ratio

The relationship between the equity and risk-weighted assets of a company are indicated through the Capital Adequacy Ratio (CAR). Capital adequacy ratio is determined by dividing the total capital by the total risk weighted assets.

Table 7. Capital Adequacy ratio (%) of the selected banks for the period 2016 to 2020

Islamic Banks						
Year	SBL	GIB	UNION	SIBL	ICB	Average
2016	13.09	11.40	10.88	9.07	13.47	11.58%
2017	13.49	12.81	10.94	10.20	11.75	11.84%
2018	14.25	12.56	13.30	10.13	14.66	12.98%
2019	12.83	13.61	11.80	11.73	14.03	12.80%
2020	11.66	13.52	12.15	10.27	16.65	12.85%
Conventional Banks						
Year	IFIC	SEBL	EBL	BRAC	NRBC	Average
2016	10.70	11.20	10.52	10.20	10.99	10.72%
2017	10.74	12.00	10.83	3.70	(6.15)	6.24%
2018	12.18	13.70	11.43	10.27	10.04	11.52%
2019	11.20	13.80	12.95	10.30	10.44	11.74%
2020	10.46	13.70	11.87	10.16	9.54	11.14%

Table 7 appears the Capital Adequacy ratio of 5 Islamic Banks and 5 Conventional Banks selected from 2016 to 2020. At the table above, the capital adequacy ratio of both the Islamic Banks and the Conventional Banks is good. The capital adequacy ratio of the

Islamic Banks is better than the Conventional Banks. So, the Islamic Banks had performed well comparing to the Conventional Banks in terms of capital adequacy ratio.

Table 8. Capital Adequacy ratio average of the selected banks for the period 2016 to 2020

Ratios	Banks	2016	2017	2018	2019	2020	Mean	Mean Difference	Rank
Capital Adequacy Ratio (%)	IBs	11.58	11.84	12.98	12.80	12.85	12.41	2.14%	1
	NIBs	10.72	6.24	11.52	11.74	11.14	10.27		2

Table 8 appears that, the mean of capital adequacy ratio of the Islamic Banks is 12.41% and the mean of capital adequacy ratio of the Conventional Banks is 10.27%. The mean difference between the Islamic Banks and the Conventional Banks is 2.14%. Therefore, Islamic Banks had performed well comparing to the Conventional Banks in terms of capital adequacy ratio.

Table 9. T-Test with two samples

Particulars	IBs	CBS
Mean	0.1241	0.10272
Variance	4.21E-05	0.000523
Observations	5	5
Pearson Correlation	0.605088	
Hypothesized Mean Difference	0	
Df	4	
t Stat	2.434606	
P(T<=t) two-tail	0.071624	
t Critical two-tail	2.776445	

Table 9 appears that the t stat value is 2.434 and the t critical two-tail value is 2.776. So, the t stat value < t critical two-tail value. The P-value is 0.07 which is greater than 0.05 (level of significance). So, the null hypothesis is accepted. There is no difference between the Islamic Banks and the Conventional Banks in the capital adequacy ratio.

4.2 Assets Quality

The asset quality of the commercial banks is measured by the bank authority. To measure the asset quality, non-performing loans to total loans ratio is used. The Islamic Banks and the Conventional Banks calculate the non-performing loans to total loans ratio in every year.

4.2.1 Non-performing Loans to Total Loans Ratio

Non-performing loans to total loans ratio is determined by dividing the non-performing loans by the total loans. The portion of the non-performing loans over the total loans is measured through this ratio.

Table 10. Non-performing loans to total loans ratio (%) of the selected banks for the period 2016 to 2020

Islamic Banks						
Year	SBL	GIB	UNION	SIBL	ICB	Average
2016	2.37	1.84	4.01	7.4	.95	3.31%
2017	3.80	2.89	3.01	.88	1.63	2.43%
2018	3.70	6.29	4.18	.84	2.77	3.55%
2019	4.92	7.65	3.78	.18	4.50	4.21%
2020	4.22	6.31	3.73	.19	4.66	3.82%
Conventional Banks						
Year	IFIC	SEBL	EBL	BRAC	NRBC	Average
2016	3.45	3.70	2.61	5.83	1.11	3.34%
2017	6.28	4.40	4.37	17.42	2.55	7.00%
2018	4.15	3.90	4.77	11.12	1.79	5.15%
2019	5.49	3.00	5.09	11.69	1.70	5.39%

2020	4.66	2.70	4.95	12.24	1.91	5.29%

Table 10 appears the non-performing loans to total loans ratio of 5 Islamic Banks and 5 Conventional Banks selected from 2016 to 2020. At the table above, the non-performing loans to total loans ratio of both the Islamic Banks and the Conventional Banks is good. The non-performing loans to total loans ratio of the Conventional Banks is better than the Islamic Banks. So, the Conventional Banks had performed well comparing to the Islamic Banks in the relationship between non-performing loans and total loans.

Table 11. Non-performing loans to total loans ratio average of the selected banks for the period 2016 to 2020

Ratios	Banks	2016	2017	2018	2019	2020	Mean	Mean Difference	Rank
Assets Quality (%)	IBs	3.31	2.43	3.55	4.21	3.82	3.46	1.36%	1
	NIBs	3.34	7.00	5.15	3.39	5.20	4.82		2

Table 11 appears that, the mean of non-performing loans to total loans ratio of the Islamic Banks is 3.46% and the mean of non-performing loans to total loans ratio of the Conventional Banks is 4.82%. The mean difference between the Islamic Banks and the Conventional Banks is 1.36%. Therefore, Conventional Banks had performed well comparing to the Islamic Banks in terms of non-performing loans to total loans ratio.

Table 12. T-Test with two samples

Particulars	IBs	CBs
Mean	0.03464	0.05234
Variance	4.46E-05	0.000169
Observations	5	5
Pearson Correlation	-0.4053	
Hypothesized Mean Difference	0	

Df	4
t Stat	-2.35118
P(T<=t) two-tail	0.078415
t Critical two-tail	2.776445

Table 12 appears that the t stat value is -2.35 and the t critical two-tail value is 2.776. So, the t stat value < t critical two-tail value. The P-value is 0.07 which is greater than 0.05 (level of significance). So, the null hypothesis is accepted. There is no difference between the Islamic Banks and the Conventional Banks in the non-performing loans to total loans ratio.

4.3 Management Capability

The management capability of the commercial banks is determined by various ratios. Those ratios are Operating Expenses (OE) to Operating Income (OI) ratio, Operating Expenses per Employee and Earnings per Employee.

4.3.1 Operating Expenses to Operating Incomes Ratio

Operating Expenses (OE) to Operating Income (OI) ratio indicates the net income or net loss after the end of a period. This ratio is determined by dividing the operating expenses by the operating income.

Table 13. Operating Expenses to Operating Income ratio (%) of the selected banks for the period 2016 to 2020

Islamic Banks						
Year	SBL	GIB	UNION	SIBL	ICB	Average
2016	36.23	36.64	38.61	41.95	26.25	35.94%
2017	36.03	29.55	34.01	48.42	31.89	35.98%
2018	43.70	46.58	39.57	54.36	35.02	43.85%
2019	44.06	52.83	51.03	56.81	34.00	47.75%
2020	48.10	52.78	41.50	60.15	37.79	48.06%
Conventional Banks						

Year	IFIC	SEBL	EBL	BRAC	NRBC	Average
2016	30.62	47.42	42.74	31.19	29.95	36.38%
2017	38.81	53.91	46.11	33.98	41.09	42.78%
2018	41.67	63.90	38.88	41.86	42.34	45.73%
2019	42.95	61.61	49.09	47.65	44.93	49.25%
2020	46.83	58.78	50.76	50.58	55.94	52.57%

Table 13 appears the operating expense to operating income ratio of 5 Islamic Banks and 5 Conventional Banks selected from 2016 to 2020. At the table above, the operating expense to operating income ratio of both the Islamic Banks and the Conventional Banks is good. The operating expense to operating income ratio of the Conventional Banks is better than the Islamic Banks. So, the Conventional Banks had performed well comparing to the Islamic Banks in the relationship between operating expense and operating income.

Table 14. Operating Expenses to Operating Incomes ratio average of the selected banks for the period 2016 to 2020

Ratios	Banks	2016	2017	2018	2019	2020	Mean	Mean Difference	Rank
OE to OI (%)	IBs	35.94	35.98	43.85	47.75	48.06	42.32	3.02	1
	NIBs	36.38	42.78	45.73	49.25	52.57	45.34		2

Table 14 appears that, the mean of operating expenses to operating incomes ratio of the Islamic Banks is 42.32% and the mean of operating expenses to operating incomes ratio of the Conventional Banks is 45.34%. The mean difference between the Islamic Banks and the Conventional Banks is 3.02%. Therefore, Islamic Banks had performed well comparing to the Conventional Banks in terms of operating expenses to operating incomes ratio.

Table 15. T-Test with two samples

Particulars	IBs	CBs

Mean	0.42316	0.45342
Variance	0.003642	0.003864
Observations	5	5
Pearson Correlation	0.911215	
Hypothesized Mean Difference	0	
Df	4	
t Stat	2.6153	
P(T<=t) two-tail	0.05909	
t Critical two-tail	2.776445	

Table 15 appears that the t stat value is 2.61 and the t critical two-tail value is 2.776. So, the t stat value < t critical two-tail value. The P-value is 0.059 which is greater than 0.05 (level of significance). So, the null hypothesis is accepted. There is no difference between the Islamic Banks and the Conventional Banks in the operating expenses to operating incomes ratio.

4.3.2 Operating Expenses per Employee

Operating expenses per employee indicates the operating expenses incurred for each employee in an organization. Operating expenses per employee is calculated by dividing the total operating expenses by the total number of employees.

Table 16. Operating Expenses per employee (in million) of the selected banks for the period 2016 to 2020

Islamic Banks						
Year	SBL	GIB	UNION	SIBL	ICB	Average
2016	.64	1.05	1.44	.86	.85	.97
2017	.73	1.03	1.44	.88	1.05	1.03
2018	.85	1.18	1.45	1.02	1.11	1.12
2019	.88	1.29	1.71	1.12	1.23	1.25

2020	.99	1.33	1.68	1.36	1.24	1.32
Conventional Banks						
Year	IFIC	SEBL	EBL	BRAC	NRBC	Average
2016	1.58	1.07	1.58	.47	.52	1.04
2017	1.49	1.16	1.45	.49	.51	1.02
2018	1.92	1.74	1.73	.56	.56	1.30
2019	2.07	1.54	1.87	.67	.65	1.36
2020	2.14	1.76	1.93	.77	.83	1.48

Table 16 appears the operating expense per employee of 5 Islamic Banks and 5 Conventional Banks selected from 2016 to 2020. At the table above, the operating expense per employee is more in both the Islamic Banks and the Conventional Banks. The operating expense per employee of the Conventional Banks is higher than the Islamic Banks.

Table 17. Operating Expenses per employee average of the selected banks for the period 2016 to 2020

Ratios	Banks	2016	2017	2018	2019	2020	Mean	Mean Difference	Rank
OE per Employee (Millions)	IBs	.97	1.03	1.12	1.25	1.32	1.14	.10	1
	NIBs	1.04	1.02	1.30	1.36	1.48	1.24		2

Table 17 appears that, the mean of operating expenses per employee of the Islamic Banks is 1.14% and the mean of operating expenses per employee of the Conventional Banks is 1.24%. The mean difference between the Islamic Banks and the Conventional Banks is .10%. Therefore, Islamic Banks had performed well comparing to the Conventional Banks in terms of operating expenses per employee.

Table 18. T-Test with two samples

Particulars	IBs	CBs
Mean	1.138	1.24
Variance	0.02147	0.041
Observations	5	5
Pearson Correlation	0.955532	
Hypothesized Mean Difference	0	
Df	4	
t Stat	3.0026	
P(T<=t) one-tail	0.01992	
t Critical two-tail	2.776445	

Table 18 appears that the t stat value is 3.0026 and the t critical two-tail value is 2.776. So, the t stat value > t critical two-tail value. The P-value is 0.019 which is less than 0.05 (level of significance). So, the null hypothesis is rejected. There is a difference between the Islamic Banks and the Conventional Banks in the operating expenses per employee.

4.3.3 Earnings per Employee

Earnings per employee indicates the earnings earned by each employee in an organization. Earnings per employee is calculated by dividing the net income by the number of employees.

Table 19. Earnings per employee (in million) of the selected banks for the period 2016 to 2020

Islamic Banks						
Year	SBL	GIB	UNION	SIBL	ICB	Average
2016	.42	.79	1.16	.43	1.22	.80
2017	.44	.93	1.13	.36	.92	.76
2018	.38	.60	.86	.33	.95	.62
2019	.30	.34	1.01	.26	.88	.57

2020	.22	.61	.81	.30	.88	.56
Conventional Banks						
Year	IFIC	SEBL	EBL	BRAC	NRBC	Average
2016	1.81	.54	1.05	.30	.21	.78
2017	.54	.44	.69	(1.01)	(1.34)	(.14)
2018	1.36	.43	1.09	.62	.65	.83
2019	1.39	.39	.59	.26	.15	.56
2020	.99	.58	.65	.34	.05	.52

Table 19 appears the earnings per employee of 5 Islamic Banks and 5 Conventional Banks selected from 2016 to 2020. At the table above, the earnings per employee of both the Islamic Banks and the Conventional Banks is good. The earnings per employee of the Islamic Banks is higher than the Conventional Banks.

Table 20. Earnings per employee average of the selected banks for the period 2016 to 2020

Ratios	Banks	2016	2017	2018	2019	2020	Mean	Mean Difference	Rank
Earnings per Employee (Millions)	IBs	.80	.76	.62	.57	.36	.62	.11%	1
	NIBs	.78	(.14)	.83	.56	.52	.51		2

Table 20 appears that, the mean of earnings per employee of the Islamic Banks is .62% and the mean of earnings per employee of the Conventional Banks is .51%. The mean difference between the Islamic Banks and the Conventional Banks is .11%. Therefore, Islamic Banks had performed well comparing to the Conventional Banks in terms of earnings per employee.

Table 21. T-Test with two samples

Particulars	IBs	CBs

Mean	0.622	0.51
Variance	0.03052	0.1501
Observations	5	5
Pearson Correlation	-0.17545	
Hypothesized Mean Difference	0	
Df	4	
t Stat	0.55398	
P(T<=t) two-tail	0.609102	
t Critical two-tail	2.776445	

Table 21 appears that the t stat value is 0.55 and the t critical two-tail value is 2.776. So, the t stat value < t critical two-tail value. The P-value is 0.609 which is greater than 0.05 (level of significance). So, the null hypothesis is accepted. There is no difference between the Islamic Banks and the Conventional Banks in the earnings per employee.

4.4 Earning Ability

Earning ability is the ability of earning profit of an organization. Earning ability is a very important issue for any organization. There are some ratios by which the earnings ability of the Islamic Banks and the Conventional Banks are measured. Those ratios are as follows:

a) Net Interest Margin (NIM) Ratio,
b) Cost Income Margin (CIM) Ratio,
c) Return on Assets (ROA) Ratio,
d) Return on Equity (ROE) Ratio and
e) Return on Deposits (ROD) Ratio.

4.4.1 Net Interest Margin Ratio

Net Interest Margin Ratio indicates the interest income or interest expense of an organization during an accounting period. Net Interest Margin ratio is determined by dividing the net interest income by the total assets.

Table 22. Net Interest Margin ratio (%) of the selected banks for the period 2016 to 2020

Islamic Banks						
Year	SBL	GIB	UNION	SIBL	ICB	Average
2016	4.02	2.68	2.90	4.26	3.76	3.52%
2017	4.49	3.14	2.99	4.46	3.54	3.72%
2018	3.95	2.32	2.53	4.57	3.38	3.35%
2019	3.85	2.36	3.00	2.11	3.37	2.94%
2020	4.01	2.61	3.07	2.11	2.92	2.94%
Conventional Banks						
Year	IFIC	SEBL	EBL	BRAC	NRBC	Average
2016	2.22	4.02	2.93	1.90	3.83	2.98%
2017	1.97	4.49	2.99	1.13	1.61	2.44%
2018	2.29	3.95	3.58	.34	3.43	2.72%
2019	1.78	3.86	3.82	(.35)	3.90	2.60%
2020	1.14	4.01	3.27	(.48)	3.40	2.27%

Table 22 appears the net interest margin ratio of 5 Islamic Banks and 5 Conventional Banks selected from 2016 to 2020. At the table above, the net interest margin ratio of the Islamic Banks is higher than the Conventional Banks.

Table 23. Net Interest Margin ratio average of the selected banks for the period 2016 to 2020

Ratios	Banks	2016	2017	2018	2019	2020	Mean	Mean Difference	Rank
NIM (%)	IBs	3.52	3.72	3.35	2.94	2.94	3.29	.69%	1
	NIBs	2.98	2.44	2.72	2.60	2.27	2.60		2

Table 23 appears that, the mean of net interest margin ratio of the Islamic Banks is 3.29% and the mean of net interest margin ratio of the Conventional Banks is 2.60%. The mean difference between the Islamic Banks and the Conventional Banks is .69%. Therefore, Islamic Banks had performed well comparing to the Conventional Banks in terms of net interest margin ratio.

Table 24. T-Test with two samples

Particulars	IBs	CBs
Mean	0.03294	0.02602
Variance	1.22E-05	7.33E-06
Observations	5	5
Pearson Correlation	0.374039	
Hypothesized Mean Difference	0	
Df	4	
t Stat	4.389428	
P(T<=t) two-tail	0.011788	
t Critical two-tail	2.776445	

Table 24 appears that the t stat value is 4.389 and the t critical two-tail value is 2.776. So, the t stat value > t critical two-tail value. The P-value is 0.011 which is less than 0.05 (level of significance). So, the null hypothesis is rejected. There is a difference between the Islamic Banks and the Conventional Banks in the net interest margin ratio.

4.4.2 Cost Income Margin Ratio

Cost Income Margin Ratio indicates the income or expense of an organization during an accounting period. This ratio is calculated by dividing the net income by the total expense.

Table 25. Cost Income Margin ratio (%) of the selected banks for the period 2016 to 2020

Islamic Banks						
Year	SBL	GIB	UNION	SIBL	ICB	Average

2016	36.88	75.03	33.39	138.30	26.25	61.97%
2017	31.25	68.77	35.51	106.5	31.89	54.78%
2018	24.53	82.74	26.37	83.92	35.02	50.52%
2019	22.16	82.36	30.42	76.02	33.99	48.99%
2020	18.56	80.35	30.56	66.24	36.44	46.43%
Conventional Banks						
Year	IFIC	SEBL	EBL	BRAC	NRBC	Average
2016	30.62	47.40	42.62	63.10	55.34	47.82%
2017	39.67	53.90	45.17	41.54	72.78	50.61%
2018	42.38	63.90	41.66	28.23	74.15	50.06%
2019	44.47	61.6	44.84	23.37	74.25	49.71%
2020	47.77	58.8	50.46	23.77	79.52	52.06%

Table 25 appears the cost income margin ratio of 5 Islamic Banks and 5 Conventional Banks selected from 2016 to 2020. At the table above, the cost income margin ratio of the Islamic Banks is higher than the Conventional Banks.

Table 26. Cost Income Margin ratio average of the selected banks for the period 2016 to 2020

Ratios	Banks	2016	2017	2018	2019	2020	Mean	Mean Difference	Rank
CIM (%)	IBs	61.97	54.78	50.52	48.99	46.43	52.52	2.47%	1
	NIBs	47.82	50.61	50.06	49.71	52.06	50.05		2

Table 26 appears that, the mean of cost income margin ratio of the Islamic Banks is 52.52% and the mean of cost income margin ratio of the Conventional Banks is 50.05%. The mean difference between the Islamic Banks and the Conventional Banks is 2.47%. Therefore, Islamic Banks had performed well comparing to the Conventional Banks in terms of cost income margin ratio.

Table 27. T-Test with two samples

Particulars	IBs	CBs
Mean	0.52538	0.50052
Variance	0.003699	0.000236
Observations	5	5
Pearson Correlation	-0.82587	
Hypothesized Mean Difference	0	
Df	4	
t Stat	0.751031	
P(T<=t) one-tail	0.247202	
t Critical one-tail	2.131847	
P(T<=t) two-tail	0.494403	
t Critical two-tail	2.776445	

Table 27 appears that the t stat value is 0.75 and the t critical two-tail value is 2.776. So, the t stat value < t critical two-tail value. The P-value is 0.49 which is greater than 0.05 (level of significance). So, the null hypothesis is accepted. There is no difference between the Islamic Banks and the Conventional Banks in the cost income margin ratio.

4.4.3 Return on Assets Ratio

The Return on Assets ratio appears the relationship between the net income and the total assets of a company. This ratio is calculated by dividing the net income by the average total assets.

Table 28. Return on Assets ratio (%) of the selected banks for the period 2016 to 2020

Islamic Banks						
Year	SBL	GIB	UNION	SIBL	ICB	Average
2016	1.35	1.26	1.65	1.75	2.06	1.61%
2017	1.27	1.44	1.45	.69	1.30	1.23%

2018	.96	1.00	1.06	.53	1.13	.95%
2019	.67	.59	1.16	.35	1.10	.77%
2020	.44	.98	.88	.35	1.08	.75%
Conventional Banks						
Year	IFIC	SEBL	EBL	BRAC	NRBC	Average
2016	2.22	1.90	1.70	1.12	.72	1.53%
2017	.59	1.70	1.03	(3.50)	(4.92)	(1.02)%
2018	1.39	1.20	1.33	1.42	2.04	1.48%
2019	1.34	1.10	.76	.61	.40	.84%
2020	.86	1.30	.79	.70	.12	.75%

Table 28 appears the return on assets ratio of 5 Islamic Banks and 5 Conventional Banks selected from 2016 to 2020. At the table above, the return on assets ratio of the Islamic Banks is higher than the Conventional Banks.

Table 29. Return on Assets ratio average of the selected banks for the period 2016 to 2020

Ratios	Banks	2016	2017	2018	2019	2020	Mean	Mean Difference	Rank
ROA (%)	IBs	1.61	1.23	.95	.77	.75	1.06	.34%	1
	NIBs	1.53	(1.02)	1.48	.84	.75	.72		2

Table 29 appears that, the mean of return on assets ratio of the Islamic Banks is 1.06% and the mean of return on assets ratio of the Conventional Banks is .72%. The mean difference between the Islamic Banks and the Conventional Banks is .34%. Therefore, Islamic Banks had performed well comparing to the Conventional Banks in terms of return on assets ratio.

Table 30. T-Test with two samples

Particulars	IBs	CBs

Mean	0.01062	0.00716
Variance	1.31E-05	0.000107
Observations	5	5
Pearson Correlation	0.014728	
Hypothesized Mean Difference	0	
Df	4	
t Stat	0.70952	
P(T<=t) two-tail	0.517171	
t Critical two-tail	2.776445	

Table 30 appears that the t stat value is 0.709 and the t critical two-tail value is 2.776. So, the t stat value < t critical two-tail value. The P-value is 0.51 which is greater than 0.05 (level of significance). So, the null hypothesis is accepted. There is no difference between the Islamic Banks and the Conventional Banks in the return on assets ratio.

4.4.4 Return on Equity Ratio

The Return on Equity ratio appears the relationship between the net income and the shareholders' equity of a company. This ratio is calculated by dividing the net income by the total shareholders' equity.

Table 31. Return on Equity ratio (%) of the selected banks for the period 2016 to 2020

Islamic Banks						
Year	SBL	GIB	UNION	SIBL	ICB	Average
2016	17.42	13.80	14.91	12.74	18.34	15.44%
2017	13.42	17.01	13.86	13.45	13.85	14.32%
2018	11.36	12.67	10.27	11.95	14.15	12.08%
2019	8.85	6.60	11.35	7.78	12.80	9.47%
2020	6.28	10.78	9.06	8.28	12.82	9.44%
Conventional Banks						

Year	IFIC	SEBL	EBL	BRAC	NRBC	Average
2016	23.49	27.00	20.59	16.32	9.64	19.41%
2017	7.24	23.40	13.42	(49.74)	(259.9)	(53.12)%
2018	16.21	17.00	16.84	30.09	25.39	21.11%
2019	15.92	16.20	9.11	9.66	5.02	11.18%
2020	10.74	19.30	9.60	11.44	1.46	10.51%

Table 31 appears the return on equity ratio of 5 Islamic Banks and 5 Conventional Banks selected from 2016 to 2020. At the table above, the return on equity ratio of the Islamic Banks is higher than the Conventional Banks.

Table 32. Return on Equity ratio average of the selected banks for the period 2016 to 2020

Ratios	Banks	2016	2017	2018	2019	2020	Mean	Mean Difference	Rank
ROE (%)	IBs	15.44	14.32	12.08	9.47	9.44	12.15	10.33%	1
	NIBs	19.41	(53.12)	21.11	11.18	10.51	1.82		2

Table 32 appears that, the mean of return on equity ratio of the Islamic Banks is 12.15% and the mean of return on equity ratio of the Conventional Banks is 1.82%. The mean difference between the Islamic Banks and the Conventional Banks is 10.33%. Therefore, Islamic Banks had performed well comparing to the Conventional Banks in terms of return on equity ratio.

Table 33. T-Test with two samples

Particulars	IBs	CBs
Mean	0.1215	0.01818
Variance	0.000752	0.096576
Observations	5	5
Pearson Correlation	-0.32669	

Hypothesized Mean Difference	0
Df	4
t Stat	0.720234
P(T<=t) two-tail	0.511222
t Critical two-tail	2.776445

Table 33 appears that the t stat value is 0.72 and the t critical two-tail value is 2.776. So, the t stat value < t critical two-tail value. The P-value is 0.51 which is greater than 0.05 (level of significance). So, the null hypothesis is accepted. There is no difference between the Islamic Banks and the Conventional Banks in the return on equity ratio.

4.4.5 Return on Deposit Ratio

The Return on Deposit ratio appears the relationship between the net income and the total deposits of a company. This ratio is calculated by dividing the net income by the total deposits.

Table 34. Return on Deposit ratio (%) of the selected banks for the period 2016 to 2020

Islamic Banks						
Year	SBL	GIB	UNION	SIBL	ICB	Average
2016	1.42	1.56	1.87	.74	2.68	1.60%
2017	1.28	1.72	1.48	.69	1.64	1.36%
2018	1.16	1.36	1.14	.55	1.61	1.16%
2019	.71	.76	1.23	.36	1.39	.89%
2020	.50	1.21	.92	.34	1.45	.88%
Conventional Banks						
Year	IFIC	SEBL	EBL	BRAC	NRBC	Average
2016	2.63	2.14	1.70	1.23	1.00	1.74%
2017	.73	1.84	1.05	3.73	(6.38)	.19%
2018	1.71	1.38	1.59	1.99	2.60	1.85%

2019	1.68	1.32	.85	.74	.70	1.05%
2020	1.09	1.62	.90	.85	.15	.92%

Table 34 appears the return on deposit ratio of 5 Islamic Banks and 5 Conventional Banks selected from 2016 to 2020. At the table above, the return on deposit ratio of the Islamic Banks is higher than the Conventional Banks.

Table 35. Return on Deposit ratio average of the selected banks for the period 2016 to 2020

Ratios	Banks	2016	2017	2018	2019	2020	Mean	Mean Difference	Rank
ROD	IBs	1.60	1.36	1.16	.89	.88	1.18%	.03%	1
(%)	NIBs	1.74	.19	1.85	1.05	.92	1.15%		2

Table 35 appears that, the mean of return on deposit ratio of the Islamic Banks is 1.18% and the mean of return on deposit ratio of the Conventional Banks is 1.15%. The mean difference between the Islamic Banks and the Conventional Banks is .03%. Therefore, Islamic Banks had performed well comparing to the Conventional Banks in terms of return on deposit ratio.

Table 36. T-Test with two samples

Particulars	IBs	CBs
Mean	0.01178	0.0115
Variance	9.58E-06	4.56E-05
Observations	5	5
Pearson Correlation	0.190236	
Hypothesized Mean Difference	0	
Df	4	
t Stat	0.091135	

P(T<=t) two-tail	0.931767
t Critical two-tail	2.776445

Table 36 appears that the t stat value is 0.09 and the t critical two-tail value is 2.776. So, the t stat value < t critical two-tail value. The P-value is 0.93 which is greater than 0.05 (level of significance). So, the null hypothesis is accepted. There is no difference between the Islamic Banks and the Conventional Banks in the return on deposit ratio.

4.5 Liquidity Ratio

The liquidity is a vital factor of any business organization. The business organizations are very cautious about this issue. Most of the business organizations measure the liquidity of their business. The liquidity of the Islamic banks and the Conventional Banks are measured by the following ratios:

a) Cash to Deposits Ratio,
b) Loans to Deposits Ratio and
c) Loans to Total Assets Ratio.

4.5.1 Cash to Deposits Ratio

Cash to deposit ratio is the relationship between the cash of the company and the deposit of the customer. Cash to deposit ratio is calculated by dividing the company's total cash by the customer's total deposits.

Table 37. Cash to Deposit ratio (%) of the selected banks for the period 2016 to 2020

Islamic Banks						
Year	SBL	GIB	UNION	SIBL	ICB	Average
2016	11.89	11.53	13.81	9.14	8.93	11.06%
2017	10.00	12.63	18.61	9.57	10.69	12.30%
2018	10.37	10.62	13.33	8.27	12.47	11.01%
2019	8.26	8.60	14.23	8.92	12.39	10.48%
2020	8.99	8.51	11.54	11.77	15.73	11.31%
Conventional Banks						

Year	IFIC	SEBL	EBL	BRAC	NRBC	Average
2016	11.15	10.56	6.79	6.67	7.54	8.52%
2017	10.18	14.98	9.09	7.76	7.11	9.82%
2018	10.26	14.89	8.35	7.01	7.57	9.62%
2019	12.74	14.12	9.18	7.72	7.92	10.33%
2020	10.76	12.23	8.85	7.48	7.72	9.41%

Table 37 appears the cash to deposit ratio of 5 Islamic Banks and 5 Conventional Banks selected from 2016 to 2020. At the table above, the cash to deposit ratio of the Islamic Banks is higher than the Conventional Banks.

Table 38. Cash to Deposit ratio average of the selected banks for the period 2016 to 2020

Ratios	Banks	2016	2017	2018	2019	2020	Mean	Mean Difference	Rank
Cash to Deposits (%)	IBs	11.06	12.30	11.01	10.48	11.31	11.23	1.69%	1
	NIBs	8.52	9.82	9.62	10.33	9.41	9.54		2

Table 38 appears that, the mean of cash to deposit ratio of the Islamic Banks is 11.23% and the mean of cash to deposit ratio of the Conventional Banks is 9.54%. The mean difference between the Islamic Banks and the Conventional Banks is 1.69%. Therefore, Islamic Banks had performed well comparing to the Conventional Banks in terms of cash to deposit ratio.

Table 39. T-Test with two samples

Particulars	IBs	CBs
Mean	0.11232	0.0954
Variance	4.48E-05	4.42E-05
Observations	5	5
Pearson Correlation	-0.08293	

Hypothesized Mean Difference	0
Df	4
t Stat	3.855285
P(T<=t) one-tail	0.00911
t Critical one-tail	2.131847
P(T<=t) two-tail	0.01822
t Critical two-tail	2.776445

Table 39 appears that the t stat value is 3.855 and the t critical two-tail value is 2.776. So, the t stat value > t critical two-tail value. The P-value is 0.018 which is less than 0.05 (level of significance). So, the null hypothesis is rejected. There is a difference between the Islamic Banks and the Conventional Banks in the cash to deposit ratio.

4.5.2 Loans to Deposits Ratio

Loans to deposits ratio is the relationship between the loan of the company and the deposit of the customer. Loans to deposits ratio is calculated by dividing the company's total loans by the customer's total deposits.

Table 40. Loans to Deposits ratio (%) of the selected banks for the period 2016 to 2020

Islamic Banks						
Year	SBL	GIB	UNION	SIBL	ICB	Average
2016	89.45	82.77	92.42	88.90	89.07	88.52%
2017	89.25	80.82	84.22	87.62	90.56	86.49%
2018	94.34	84.32	86.79	82.14	88.74	87.26%
2019	82.25	89.64	88.84	83.72	88.89	86.67%
2020	85.40	93.00	87.22	81.15	87.32	86.82%
Conventional Banks						
Year	IFIC	SEBL	EBL	BRAC	NRBC	Average
2016	89.10	79.10	78.23	71.28	76.95	78.93%
2017	83.91	73.10	70.87	74.52	72.72	75.02%

2018	84.22	73.30	78.42	69.71	58.21	72.77%
2019	81.26	74.60	83.33	61.97	61.23	72.48%
2020	84.74	81.50	81.58	61.15	55.64	72.92%

Table 40 appears the loan to deposit ratio of 5 Islamic Banks and 5 Conventional Banks selected from 2016 to 2020. At the table above, the loan to deposit ratio of the Islamic Banks is higher than the Conventional Banks.

Table 41. Loans to Deposits ratio average of the selected banks for the period 2016 to 2020

Ratios	Banks	2016	2017	2018	2019	2020	Mean	Mean Difference	Rank
Loans to Deposits (%)	IBs	88.52	86.49	87.26	86.67	86.82	87.15	12.73%	2
	NIBs	78.93	75.02	72.77	72.48	72.92	74.42		1

Table 41 appears that, the mean of loans to deposits ratio of the Islamic Banks is 87.15% and the mean of loans to deposits ratio of the Conventional Banks is 74.42%. The mean difference between the Islamic Banks and the Conventional Banks is 12.73%. Therefore, Conventional Banks had performed well comparing to the Islamic Banks in terms of loans to deposits ratio.

Table 42. T-Test with two samples

Particulars	IBs	CBs
Mean	0.87152	0.74424
Variance	6.66E-05	0.000736
Observations	5	5
Pearson Correlation	0.793587	
Hypothesized Mean Difference	0	

Df	4
t Stat	13.39965
P(T<=t) two-tail	0.000179
t Critical two-tail	2.776445

Table 42 appears that the t stat value is 13.399 and the t critical two-tail value is 2.776. So, the t stat value > t critical two-tail value. The P-value is 0.0001 which is less than 0.05 (level of significance). So, the null hypothesis is rejected. There is a difference between the Islamic Banks and the Conventional Banks in the loans to deposit ratio.

4.5.3 Loans to Assets Ratio

Loans to assets ratio is the relationship between the loans and assets of the company. Loans to assets ratio is calculated by dividing the company's total loans by the company's total assets.

Table 43. Loans to Assets ratio (%) of the selected banks for the period 2016 to 2020

Islamic Banks						
Year	SBL	GIB	UNION	SIBL	ICB	Average
2016	78.53	76.59	76.77	76.32	72.79	76.20%
2017	77.27	73.43	70.77	74.23	71.42	73.42%
2018	73.75	67.27	73.61	70.82	72.60	71.61%
2019	70.66	66.68	76.42	89.24	69.73	74.55%
2020	72.35	70.22	74.04	90.52	70.93	75.61%
Conventional Banks						
Year	IFIC	SEBL	EBL	BRAC	NRBC	Average
2016	72.34	64.62	68.58	57.78	55.50	63.76%
2017	67.46	58.78	60.72	59.73	55.71	60.48%
2018	68.97	57.36	67.32	48.75	44.91	57.46%
2019	64.97	57.60	69.22	50.88	47.17	57.97%
2020	66.82	63.39	68.74	51.21	43.30	58.69%

Table 43 appears the loans to assets ratio of 5 Islamic Banks and 5 Conventional Banks selected from 2016 to 2020. At the table above, the loans to assets ratio of the Islamic Banks is higher than the Conventional Banks.

Table 44. Loans to Assets ratio average of the selected banks for the period 2016 to 2020

Ratios	Banks	2016	2017	2018	2019	2020	Mean	Mean Difference	Rank
Loans to Assets (%)	IBs	76.20	73.42	71.61	74.55	75.61	74.28	14.61%	2
	NIBs	63.76	60.48	57.46	57.97	58.69	59.67		1

Table 44 appears that, the mean of loans to assets ratio of the Islamic Banks is 74.28% and the mean of loans to assets ratio of the Conventional Banks is 59.67%. The mean difference between the Islamic Banks and the Conventional Banks is 14.61%. Therefore, Conventional Banks had performed well comparing to the Islamic Banks in terms of loans to assets ratio.

Table 45. T-Test with two samples

Particulars	IBs	CBs
Mean	0.74278	0.59672
Variance	0.000335	0.000653
Observations	5	5
Pearson Correlation	0.603801	
Hypothesized Mean Difference	0	
Df	4	
t Stat	15.87687	
P(T<=t) two-tail	9.2E-05	
t Critical two-tail	2.776445	

Table 45 appears that the t stat value is 15.876 and the t critical two-tail value is 2.776. So, the t stat value > t critical two-tail value. The P-value is 9.2E-05 which is less than 0.05 (level of significance). So, the null hypothesis is rejected. There is a difference between the Islamic Banks and the Conventional Banks in the loans to assets ratio.

CHAPTER V: RECOMMENDATIONS & CONCLUSION

5.1 Recommendations

Some recommendations are needed to improve the performance of the commercial banks of Bangladesh which are as follows:

1) In the findings & analysis part, loans to deposit ratio has decreased in few commercial banks from 2016 to 2020. This decrease occurred because of more increase in deposit comparing to loans. So, those banks were unable to increase more revenue. The loans to deposit ratio had also decreased in those banks in 2021. The legislation of those banks need to be changed to implement improvement for those banks. The credit department of those banks should take necessary steps to solve this problem.
2) Bangladesh Bank has established a limit of loans for all the banks of Bangladesh to control inflation. So, that's why the banks are unable to generate abundant revenues from the clients. The economy of our country is affecting for the reason. Bangladeshi government should consider this issue intensively and take an appropriate action.
3) The Islamic banks of Bangladesh are less profitable compared to the other banks of Bangladesh. The Islamic banks have less clients than the other commercial banks. The authority of these banks should take necessary steps to maximize profit.
4) There are plenty of commercial banks in Bangladesh. New commercial banks are launching in the country and thus commercial banks are increasing gradually. There is a huge competition in the commercial banks of Bangladesh. The performance evaluation of the commercial banks is very important. There is no sufficient data and bench marks for evaluating the performance of the commercial banks. The Bangladesh Bank should consider this as a vital issue.
5) Commercial Banks need to measure all of the financial issues of the entire organization. There are no sufficient indicators to measure the financial issues of the commercial banks. The financial ratio is not enough to measure the financial

data of the commercial banks. Other alternative indicators should need to develop to measure the financial data properly.

5.2 Conclusion

In chapter 4, a broad financial analysis has made to evaluate the financial performance of the commercial banks. 10 commercial banks have taken to do the research analysis for the period of five years (2016-2020) by using the ratio analysis. Lots of the financial data are taken from the financial statements of each bank to do the analysis. From the ratio analysis of 10 commercial banks for the five years' period, it has become possible to get some findings and draw some conclusions. Some important findings of the study are given in the below:

1) From the income statement of the Islamic banks, it is shown that net income was high during 2016-2018. The reason behind this high net income is low expenditures and high revenues.
2) From the balance sheet of the Islamic banks, it is shown that total loans and advances was very high in the total assets during 2016-2018 and the total deposits was very high in total liabilities during 2017-2019.
3) In the conventional banks, the loans to deposit ratio had decreased during 2016-2018. The loans to deposits ratio had decreased because of increase in the deposits.
4) In the ratio analysis, Return on Assets (ROA), Return on Equity (ROE), Return on Deposit (ROD), and Net Interest Margin (NIM) indicated that the Islamic banks are less profitable than the Conventional banks during 2017-2020.
5) Islamic banks are generating less income than the conventional banks. They are less efficient than the conventional banks in terms of generating income to expense ratio and managing the expenses. Islamic banks are more efficient than the conventional banks in the utilization of assets.

From the findings above, it is absolutely clear that the selected 5 Islamic banks and the selected 5 Conventional banks both had performed well during 2016-2020 but the Conventional banks had performed better than the Islamic banks. The Islamic banks had less clients than the Conventional banks. At present, the situation is almost same. The selected 5 Islamic banks are giving great efforts to get more clients. The officers of the marketing department are working hard to bring more clients in the bank to maximize profit. There are lots of products in the Islamic banks. The authority of the Islamic banks is increasing the facilities in those Islamic products to attract people. The selected 5 conventional banks are earning more profits than the Islamic banks and they are giving efforts to earn more profits in future. They are providing well training to the employees and hiring efficient workers to operate the banking operations. They are planning to launch more products in their organization, increase interest rate on the deposits and reduce the interest rate on loans. The conventional banks are focusing on convincing the clients. The selected 10 commercial banks are expecting to earn more revenue in future and thus stay in a better position in the ranking of the commercial banks.

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