Bank Performance: Islamic Banks versus Conventional Banks in Bangladesh

Md. RaselMolla[*]

[*]Lecturer, Department of Management, Govt. Edward College, Pabna, Bangladesh. Email: raselmgt99@gmail.com

Abstract:
The study shows the comparison between Islamic and Conventional banking by measuring their profitability, efficiency, and liquidity in Bangladesh during 2019 to 2021. There are some distinguishing characteristics of both the banking system. For this reason, their banking activity as well as performance are different. The study is based on the secondary data from annual reports of sample banks during the stated period of 2019 to 2021. The researcher select six banks, three of them are Islamic banks and the other three of them are conventional banks. Simple percent analysis and regression analysis are used for testing the hypothesis.The researchers examine which factors are mostly effect customer trust that mean increase cash to deposits of both Islamic and conventional banks. Return on assets, return on equity, cash to assets, operating income to assets are significantly affect the customer trust. The study also found that there are some factors, which are not significantly influence customer trust of both banking system. Therefore, both kinds of banking system have some significant difference especially their performance. At last, the researchers give some recommendation about improving the performance of both banking system.This research study has only focus on six banks annual data. The time period can be extended for the analysis. The consequence of the analysis may be helpful to increase performance of both banking system.This study compares Islamic and conventional banks and shows which banks have better performance.
Keywords: Conventional banking, Islamic banking, Efficiency, Profitability, Liquidity.

I.   Introduction

A bank is a type of financial institution that is one of the most significant and necessary components of any nation's financial system and is impossible to reject. When the financial sector operates successfully, and banking institutions, which are a part of the economy, operate ethically, actively, and productively if they make optimal use of their readily available resources, economic progress and development are achievable (Shahid et al. 2010). Therefore, the banking sector of a nation has a significant impact on its socioeconomic development (Metawa&Almossawi, 1998). However, Ahmad, F (2020) divides the Bangladeshi financial system into two main sectors: The Bangladesh Bank has approved both the conventional banking system (CBs) and the Islamic banking system (IBs). Both organizations are focused on making a profit, but they are very different in every way.

Islam categorically forbids (Haram) interest in any type of banking operation, hence the concept of Islamic banking—also known as interest-free banking—was developed. The Islamic banking system involves products that do not include riba (interest) and are compliant with Islamic law. The system is evolving over time since there is an increasing demand for products with no interest. The Islamic banking system is also drawing a lot of non-Muslim clients, and it has already gained popularity in some non-Muslim nations. In this study, we compare the performance of Bangladeshi conventional and Islamic banks in terms of deposits, investments, returns, efficiency, etc. of customers.

Traditional banks engage in the lending and borrowing of money based on interest, which disregards religious precepts. Execute all of its positive and negative actions in accordance with national financial laws and regulations, without making contact with any religious organization. Traditional banking relies on a pure money intercession model, in which banks borrow largely from savers before lending to businesses and individuals. They profit from the difference in interest rates between lending and borrowing. Additionally, they offer financial services like letters of credit, serve as guarantors, serve as consultants, etc. Their profit is derived in part from the money they receive as demand deposits. Traditional banks are not allowed to trade, and their ownership is strictly constrained to just a small fraction of their net worth.

There are currently 8 fully operational Islamic banks operating in Bangladesh, with a total of 1273 branches. Additionally, Islamic banking services were offered by eight conventional banks with 88 Islamic

---

banking windows and nine conventional banks with 19 Islamic banking branches. However, the operations of Islamic banks are distinct from those of conventional banks. While commercial banks run their banking business according to the conventional (interest-based) regulations, Islamic banks conduct their operations in accordance with Islamic law.

Due to expansion, there is now intense competition between Bangladesh's banks as a result of the introduction of innovative Islamic products and effective & quality management. However, a strong and efficient banking system is essential for economic development and long-term growth (Al Khathlan, Gaddamand Malik, 2009). Therefore, it's critical to understand some of the answers to questions that are both directly and indirectly related to the overall actions and performance of both banks, such as I what is the performance status of Islamic and conventional banks? What factors have the greatest impact on the cash to deposits of both banking systems? What suggestions might be made to improve the performance of both banking systems?

The study's objective is to demonstrate the profitability, efficiency, and liquidity of both the conventional and Islamic banking systems. Islamic banking has made it possible to compare the effectiveness of conventional banks not just globally but also locally in Bangladesh. As a result, the study objectively compares the profitability, efficiency, and liquidity of the traditional and Islamic banking sectors in Bangladesh.

Research Objectives:
The main objectives of the study is to determinethe comparison between Islamic and Conventional banking by measuring their profitability, efficiency, and liquidity in Bangladesh. The specifics objectives are as follows:
- To analyze the comparison between Islamic bank and conventional bank in Bangladesh.
- To determine the cash to deposit ratio of selected banks in Bangladesh
- To provide some guidelines for increasing the performance of both banking system in Bangladesh.

II.   Literature Review

Islamic banking is expanding quickly in Bangladesh with a sizable market share, and an important area of investigation is the comparison to mainstream banking. This fact is backed up by (Brown, 2003), who stated that even in nations like Indonesia, which have sizable Muslim populations, Brunei and Iran are often minority conventional banks. Numerous studies found differences between Islamic and regular banking's performance in terms of effectiveness, asset quality, liquidity stability, and profitability in various parts of the world (such Abdul-Majid et al., 2010, Saif-Alyousfi et al., 2017, Samad, 2004). By using various tactics and methodologies, they saw utterly different results. A examination of the literature demonstrates how Islamic and conventional banking function in concert.

Islamic banking is a unified system that abides by Islamic or Sharia law. Usury (or Riba), which is the determination of a positive return on a loan in advance as an incentive for delaying repayment, is the primary aspect of an Islamic contract that sets it apart from a normal one (Zaher& Hassan, 2001). based on Mehdi Hadian (2019). Interest-based contracts, which are common in the traditional financial system, are forbidden by this. Comparatively, Islamic finance enables a wide variety of financial contracts that are based on economic operations in the real sector in order to accommodate the growing expectations of Muslim clients in their financial transactions. According to a number of theoretical models and empirical data, this decreases the incentive for speculative activity and increases the stability of the Islamic financial system. Based on the profit and loss sharing (PLS) contract and the avoidance of interest rate-based commitments that carry excessive risks and involve financial behaviors that are forbidden by Islamic law, such as gambling and drinking alcohol, it avoids the two problems mentioned above (European Central Bank, 2013). Despite the dangers involved in such transactions, it is nonetheless conceivable for more than two parties to combine resources for investing (Chong and Liu, 2009).

The performance of Bangladeshi Islamic Bank and Conventional Bank was compared in a study by Moin& Chen (2008) using ratio analysis for the years 2007 through 2019. They found that Islamic banking experienced the fastest growth, despite having to deal with different challenges, and that Islamic Bank was also more solvent and less efficient. In a study published in 2009, Awan (2009) analyzed the performance and profitability ratios of six Islamic and six conventional banks in Pakistan between the years of 2006 and 2008. The analysis's findings indicate that while most probability ratios for Islamic banks were positive, they were typically negative for conventional banks, demonstrating the latter's poor performance during the course of the study. In a different study, Ellahi et al. (2009) examined the performance of Islamic and conventional banks in Bangladesh between 2004 and 2008 and came to the conclusion that Islamic banks were both more expensive and less technically efficient than conventional banks. These findings were somewhat supported by Rashid (2007) and Moin (2013), who used ratio analysis to assess the performance of the banks from the angles of profitability, liquidity, risk and solvency, and efficiency for the years 2003–2007.

In this instance, it was noted by Abduh et al. (2013) that all Islamic banks have demonstrated an increase in their degree of efficiency in terms of banks' efficiency. They demonstrated the increased potency of First Security Islami Bank. The financial performance of two significant northern Indian banks was assessed by Sangmi and Nazir (2010) using CAMEL Parameters, which are emphasized as sound and adequate in relation to their capital sufficiency, resource quality, management competency, and liquidity. Roy and Khan (2013) looked at the impact of overall service quality, product quality, and corporate social performance on the reputation of private commercial banks from a Bangladeshi perspective. They found that while stepwise regression only partially supported their findings, correlation analysis supported all of their hypotheses. When comparing Islamic and conventional banks, Akhtar et al. (2011) concentrated on the significance of company size, networking capital, return on equity, capital sufficiency, and return on the asset with liquidity risk management. It is discovered that the link between liquidity risk and bank size and networking capital to net assets is positive but negligible. While the return on assets and capital adequacy in Islamic banks had a favorable and significant association with liquidity risk. In addition, Jaffar and Manarvi (2011) used the CAMEL test to compare the performance of Islamic and conventional banks from 2005 to 2009. It was discovered that Islamic banks outperformed interest-based banks in terms of performance and liquidity, and that conventional banks had made management and earning capacity advancements. In contrast, Samad (2004) discovered that there was no discernible difference between the profitability and liquidity operations of Bahrain's interest-free Islamic banks and those of interest-based commercial banks with respect to credit risk performance. Kader and Asarpota (2007) conducted a comparison of Islamic and conventional banks in the United Arab Emirates based on efficiency and performance, and they discovered that Islamic banks performed more profitably, more efficiently, and with lower risk than conventional banks. According to Al-Smadi et al. (2013), the Islamic Banking system was stronger and more stable than the conventional banking system even during the 2007–2008 global financial crisis, whereas the conventional banking sector in Malaysia remained unaffected. Due to its reputation for stability, Islamic banking, according to Duski and Abdullah, attracted a large number of non-Muslim clients and saw an increase in clientele following the financial crises of 2007–2008. Including Khan (2012). In a different study, Hassan (2005) examined and researched the productivity, costs, profits, and X-efficiency of the Islamic banking sector among twenty-one Muslim countries. He discovered that profit efficiency was 84% and profit efficiency frontier was 74%, meaning that Islamic banks were more effective at making a profit. However, the main source of inefficiency was allocative inefficiency (AE), not technical inefficiency. He also demonstrated the strong correlation between AE and TE. When Ahmad et al. (2010) examined the effectiveness of Islamic banking in Pakistan, Malaysia, Bangladesh, and Indonesia between 2001 and 2006, they discovered that these countries' Islamic banks were ineffective in the use of their resources and comparatively less effective at managing and controlling operational expenditure. Author Suyanto (2009) demonstrated in a case study how the liquidity in Islamic banks is relatively lower. Ariss (2010) compared the profitability of Islamic and conventional banks in the thirteen countries, concluding that Islamic banks carry a higher credit risk and are not more profitable than conventional banks, despite the fact that this study revealed Islamic banks to be more resilient to global financial crises. Olson and Zoubi (2008) conducted a second study to examine the profitability, efficiency, asset quality, liquidity, and solvency of the two types of banks. The results showed that while Islamic banks were more profitable than traditional banks, they were also more risky. Another study by Indriani (2008) came to the conclusion that Islamic banks are performing better than conventional ones, albeit at the expense of higher profit rate risk. As a result, risks are decreasing as the industry grows.

Numerous studies analyze the effectiveness of both banking systems. Those studies, however, are insufficient for the financial system in Bangladesh. As a result, the researcher used information from annual reports to evaluate data from 3 years and 6 banks.

An overview of Islamic Banking and Conventional Banking:
Islamic Banking:
The financial system known as "Islamic banking" bases its operations and activities on Islamic Sharia (Mohamad, Abdullah, Mohamad, &Abidin, 2013). Islamic banking, also referred to as non-interest banking, is founded on Islamic religious or legal principles and is managed in accordance with Islamic economics. The ethics and morality-focused guiding concepts are appealing to people all across the world. The two main tenets of Islamic banking are profit-sharing and loss-bearing (PSLB), hence Islamic law strongly forbids lenders and investors from accepting or paying interest or riba (Ahmad, F ,2020). Traditional banking and Islamic banking both serve the same objective of advancing society, but Islamic banking practices should be carried out in accordance with the Shari'ah in a methodical manner known as Fiqh al-Muamalat (Islamic rules on transactions). Investments in pork, gambling, alcohol, and other taboo subjects are prohibited, as an illustration.

Islamic banking abides by source A's rules. While Western banking does not worry about the source, Islamic banking relies heavily on the holy Quran and Hadith for its regulations. Because money is the medium of exchange and not a product, Islamic banks do not accept or pay interest or invest in (Haram) banned sectors. Conventional banks, on the other hand, view interest as a source of income and believe that it represents the

value of money. Without taking into account the business model, they invest in the most lucrative industry. The third is that Islamic banks, which all use interest-free investment strategies, must closely adhere to these shariah principles while making investments, but interest-based banks are not required to do so.

Financing Principles in Islamic Financial System

Based on Shariah principles, Islamic banking and finance prohibit the payment or receipt of riba, which is sometimes mistaken for interest (Pryor, 2007). According to Moisseron et al. (2015), Profit-Loss-Sharing (PLS) is one of the key contracts in Islamic financing and is seen by some Muslim scholars as the best model for Islamic banking. In this instance, Uddin (2014) highlights some of the prevalent terms used in Islamic banking, including leasing, joint ventures, cost plus, safekeeping, and profit sharing (Mudarabah, Wadiah, joint venture, and cost plus) (Ijara). According to Khan and Ahmed (2001), these can primarily be divided into three categories: debt-based financing, lease-based financing, and profit sharing and loss bearing (PSLB) finance. Sundarajan and Errico (2002) also added a remark to the various Non-PLS techniques like Salam and Ijara.

It is noteworthy that Shariá takes into account the time value of money because, in accordance with Islamic law, the price of a good to be sold on a foundation of deferred payments may vary from its current value. Although excessive payments are permitted in business transactions, lending operations are not, according to Sharia (Obaidullah, 2005). The holy Quran and the Hadith acts of the Prophet Muhammad (S) are the fundamental sources of Islamic finance. Islamic bankers connect with one another and learn from the scholars by whom they will implement a strategy when further information or regulation is immediately required to carry out banking activities appropriately. (F. Ahmad, 2020)

Conventional Banking

The foundation of traditional banking is interest-based lending to fund lucrative initiatives. H. Ahmed et al (2005). Ahmad claims that F (2020) Commercial banks, also referred to as traditional banks, are for-profit businesses that do not adhere to religious ideals. Modern commercial banks are better. The foundation of conventional banks is the full-fledged intermediary model, which involves lending to suppliers first and then to businesses or single borrowers. Interest-based lending is the primary source of income for traditional banks. An interest-based bank is a financial institution that accepts deposits from the general public, provides loans to the poor, and provides a variety of financial services with the aim of making money. Due to the fact that commercial banks lend money and receive interest from those loans, making money is one of their main goals. They also play a crucial part in offering specialized services for investing the cash. Because traditional banking follows general principles and takes into account the time value of money theory, money has a financial value in addition to being a means of exchange. Commercial banks also have various risk profiles. Traditional banks operate their financial transactions based on the concept of interest.

III.   Methodology

By comparing the profitability, efficiency, and liquidity of Islamic and conventional banking systems in Bangladesh, the study's main objective is to assess the differences between them. The primary source of this study's data is secondary data. Secondary information has been gathered from articles, annual reports, associated websites, newspapers, and magazines. To evaluate the hypotheses, simple percent analysis and regression analysis are performed. Exim Bank, First Security Islami Bank, Dhaka Bank, National Bank, and Southeast Bank Limited have been chosen as example banks together with Islami Bank Bangladesh Limited. The study compares Islamic and conventional banking using three variables, including profitability (return on assets and return on equity), efficiency (operating income to assets or OIA), and liquidity (cash to assets and cash to deposits) (CTD). For data analysis, the researchers employed the Microsoft Office suite and SPSS version 25.

Hypothesis of the study:
H1: The performance of Islamic Banking system is equivalent to Conventional Banking system in Bangladesh.
H2: There is a significant relationship between return on assets and cash to deposit ratio of Islami Bank in Bangladesh.
H3: There is a significant relationship between return on equity and Cash to deposit ratio of Islami Bank in Bangladesh
H4: There is a significant relationship between cash to assets and cash to deposit ratio of Islami Bank in Bangladesh
H5: There is a significant relationship between operating income to assets and cash to deposit ratio of Islami Bank in Bangladesh
H6: There is a significant relationship between return on assets and cash to deposit ratio of Conventional Banking system in Bangladesh

H7: There is a significant relationship between return on equity and cash to deposit ratio of Conventional Banking system in Bangladesh

H8: There is a significant relationship between cash to assets and cash to deposit ratio of Conventional Banking system in Bangladesh

H9: There is a significant relationship between operating income to assets and cash to deposit ratio of Conventional Banking system in Bangladesh.

Regression Models: The study examine the comparison between Islamic and conventional banking system by employing two models as follow

Islamic Banks: $CTD1 = \beta_0 + \beta ROA_{IB} + \beta ROE_{IB} + \beta OIA_{IB} + \beta CTA_{IB} + e$

Conventional Banks: $CTD2 = \beta_0 + \beta ROA_{CB} + \beta ROE_{CB} + \beta OIA_{CB} + \beta CTA_{CB} + e$

Where Dependent Variables for Islamic and Conventional Banking System are:

CTD1 = Cash to Deposits of Islamic Banks

CTD2 = Cash to Deposits of Conventional Banks

Independent variables are:

ROA_{IB}= Return on Assetsof Islamic Banks,

ROE_{IB}= Return on Equityof Islamic Banks,

OIA_{IB}= Operating Income to Assetsof Islamic Banks,

CTA_{IB}= Cash to Assets of Islamic Banks,

ROA_{CB}= Return on Assetsof Conventional Banks,

ROE_{CB}= Return on Equity of Conventional Banks,

OIA_{CB}= Operating Income to Assetsof Conventional Banks,

CTA_{CB}= Cash to Assets of Conventional Banks

e=Error term; β =Beta.

IV. Results

Figure 1 shows the Return on Assets (ROA), Return on Equity (ROE), Operating Income to Assets (OIA), Cash to Assets (CTA), and Cash to Deposits (CTD) of three Islamic banks during 2019 to 2021. EXIM bank have 1.06% of ROA, 12.19% of ROE, 10.04% of CTA, and 11.82% of CTD on 2019 and these are the larger than other two banks. On the other hand, Islami Bank Bangladesh have 4.03% of OIA on 2020, which is greater than the other two banks.

Figure 1: ISLAMIC BANKING

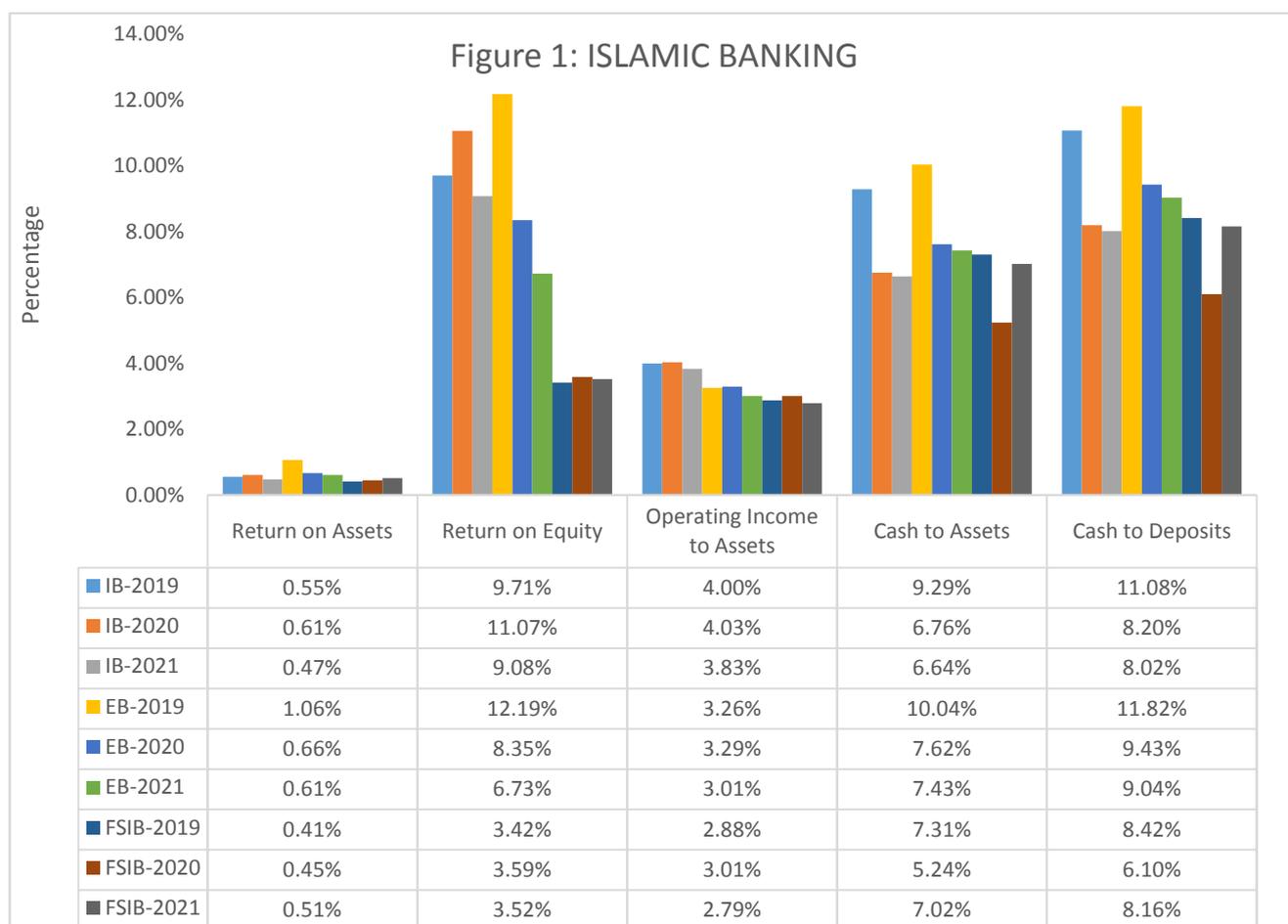|	Return on Assets	Return on Equity	Operating Income to Assets	Cash to Assets	Cash to Deposits
IB-2019	0.55%	9.71%	4.00%	9.29%	11.08%
IB-2020	0.61%	11.07%	4.03%	6.76%	8.20%
IB-2021	0.47%	9.08%	3.83%	6.64%	8.02%
EB-2019	1.06%	12.19%	3.26%	10.04%	11.82%
EB-2020	0.66%	8.35%	3.29%	7.62%	9.43%
EB-2021	0.61%	6.73%	3.01%	7.43%	9.04%
FSIB-2019	0.41%	3.42%	2.88%	7.31%	8.42%
FSIB-2020	0.45%	3.59%	3.01%	5.24%	6.10%
FSIB-2021	0.51%	3.52%	2.79%	7.02%	8.16%

Figure 2 shows the Return on Assets (ROA), Return on Equity (ROE), Operating Income to Assets (OIA), Cash to Assets (CTA), and Cash to Deposits (CTD) of three Conventional banks during 2019 to 2021. National bank have 1.43% of ROA, 11.50% of ROE, 4.57% of OIA, and 6.45% of CTA on 2019 and these are the larger than other two banks. On the other hand, Dhaka Bank Bangladesh have 8.64% CTD on 2020, which is greater than the other two banks.
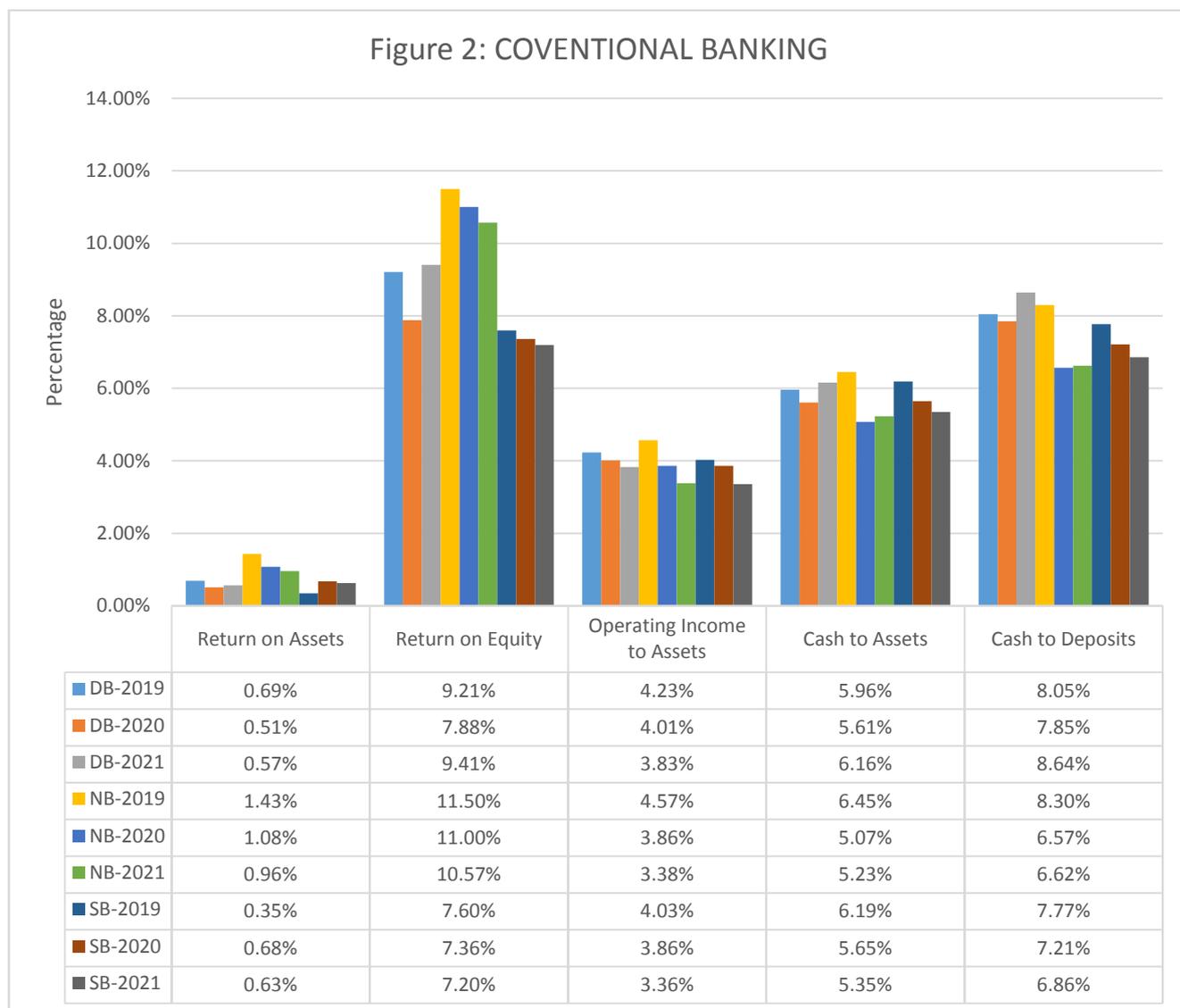
Figure 2: COVENTIONAL BANKING

	Return on Assets	Return on Equity	Operating Income to Assets	Cash to Assets	Cash to Deposits
DB-2019	0.69%	9.21%	4.23%	5.96%	8.05%
DB-2020	0.51%	7.88%	4.01%	5.61%	7.85%
DB-2021	0.57%	9.41%	3.83%	6.16%	8.64%
NB-2019	1.43%	11.50%	4.57%	6.45%	8.30%
NB-2020	1.08%	11.00%	3.86%	5.07%	6.57%
NB-2021	0.96%	10.57%	3.38%	5.23%	6.62%
SB-2019	0.35%	7.60%	4.03%	6.19%	7.77%
SB-2020	0.68%	7.36%	3.86%	5.65%	7.21%
SB-2021	0.63%	7.20%	3.36%	5.35%	6.86%

As we see in Figure 1 and 2, there are many differences between the Islamic Banking system and Conventional Banking system. Return on Assets, Return on Equity as well as Operating income to assets, Cash to Assets, and Cash to Deposits are not equivalent of both banking system.

Regression Analysis:

Figure 3: Model Summary

Variables	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.735[a]	.541	.475	1.24056
2	.666[a]	.444	.364	1.36528
3	.266[a]	.071	-.062	1.76490
4	.992[a]	.985	.983	.22604

a. Predictors: (Constant), ROA, ROE, OIA, CTA

b. Dependent Variable: CTD

Figure 4's Analysis of Variance Test Statistics (ANOVA) shows that the model's significance level is at =.024. The values.050,.000, and.490 are not significant. The significance of the model is shown in this table, with significant p-values of.024,.50, and.000 and F=8.243, 5.585, and 452.108, respectively. This shows a statistically significant correlation between CTD and ROA, CTD and CTA, and that the model was quite well fitted. CTD and OIA, CTD and ROE, however, were not statistically significant. The results of the AVOVA are displayed in Figure 4 below.

Figure 4: ANOVA[a]

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.686	1	12.686	8.243	.024[b]
	Residual	10.773	7	1.539		
	Total	23.458	8			
2	Regression	10.411	1	10.411	5.585	.050[b]
	Residual	13.048	7	1.864		
	Total	23.458	8			
3	Regression	1.654	1	1.654	.531	.490[b]
	Residual	21.804	7	3.115		
	Total	23.458	8			
4	Regression	23.101	1	23.101	452.108	.000[b]
	Residual	.358	7	.051		
	Total	23.458	8			

a. Dependent Variable: CTD

b. Predictors: (Constant), ROA, ROE, OIA, CTA

Figure 5: Coefficients[a]

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	5.074	1.402		3.620	.009	1.760	8.388
	ROA	6.492	2.261	.735	2.871	.024	1.145	11.840
2	(Constant)	6.379	1.167		5.466	.001	3.619	9.139
	ROE	.338	.143	.666	2.363	.050	.000	.676
3	(Constant)	5.792	4.331		1.337	.223	-4.449	16.033
	OIA	.935	1.283	.266	.729	.490	-2.099	3.969
4	(Constant)	.019	.425		.046	.965	-.986	1.025
	CTA	1.189	.056	.992	21.263	.000	1.057	1.321

a. Dependent Variable: CTD

For Islamic Banking, a linear regression study was performed to ascertain the correlation between ROA and CTD, ROE and CTD, OIA and CTD, and CTA and CTD.The findings indicated a substantial positive correlation between CTD and ROA, CTA (=.735,.992) (t=2.871, 2.363, 21.263) (p= 0.024, 0.000). However, ROE and CTD as well as OIA and CTD as well as CTD did not significantly correlate with one another (= 0.666, 0.266) (t=2.363, 0.729) (p=0.050, 0.490). Customer trust in the Islamic banking system is impacted by a number of factors. Customer trust translates to an increase in cash deposits year over year. Figure 5

demonstrates some of the elements that have an impact on client confidence in Cash to Deposit. Cash to Asset and Return on Asset have a strong positive relationship. The other 2 elements are insignificant, though.

Figure 6: Model Summary

Variables	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.143[a]	.020	-.120	.79842
2	.017[a]	.000	-.143	.80658
3	.680[a]	.463	.386	.59112
4	.138[a]	.019	-.121	.79903

a. Predictors: (Constant), ROA, , ROE, OIA, CTA

According to figure 7's Analysis of Variance Test Statistics (ANOVA), the model is significant at p =.044 and not significant at p =.714, p =.966, and p =.724. This table details the model's significance, with a significant p-value of.044 and F=6.037 being shown. This shows that there was a statistically significant correlation between CTD and OIA and that the model was fairly well fitted. However, there was no statistical significance between CTD and ROA, CTD and ROE, or CTD and CTA. The results of the AVOVA are displayed in Figure 7 below.

Figure 7: ANOVA[a]

	Model	Sum of Squares	df	Mean Square	F	Sig.
	Regression	.093	1	.093	.146	.714[b]
1	Residual	4.462	7	.637		
	Total	4.555	8			
2	Regression	.001	1	.001	.002	.966[b]
	Residual	4.554	7	.651		
	Total	4.555	8			
3	Regression	2.109	1	2.109	6.037	.044[b]
	Residual	2.446	7	.349		
	Total	4.555	8			
4	Regression	.086	1	.086	.135	.724[b]
	Residual	4.469	7	.638		
	Total	4.555	8			

a. Dependent Variable: CTD

b. Predictors: (Constant), ROA, ROE, OIA, CTA

Figure 8: Coefficients[a]

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	7.789	.703		11.085	.000	6.128	9.451
	ROA	-.324	.848	-.143	-.382	.714	-2.330	1.682
2	(Constant)	7.471	1.584		4.716	.002	3.725	11.217

	ROE	.008	.172	.017	.045	.966	-.399	.414
3	(Constant)	2.270	2.154		1.054	.327	-2.824	7.364
	OIA	1.350	.550	.680	2.457	.044	.051	2.650
4	(Constant)	7.219	.917		7.875	.000	5.051	9.386
	CTA	.063	.170	.138	.367	.724	-.340	.465

a. Dependent Variable: CTD

A linear regression analysis was conducted for Conventional Banking to determine the relationship between ROA as well as CTD, ROE as well as CTD, OIA as well as CTD, CTA as well as CTD.

The result suggested that there is a significant positive relationship among CTD and OIA (β= .680) (t=2.457) (p= 0.044).

However, there was no significant positive relationship among ROA as well as CTD, ROE as well as CTD and CTA as well as CTD (β= -0.143, 0.017, 0.138) (t=0-.382, 0.045, 0.367) (p= 0.714, 0.966, 0.724).

Some factors affect the customer trust of Conventional banking system. Customer trust means how much cash to deposits increase by the year. Figure 8 shows that there are some factors that affect the customer trust (cash to deposits). Operating Income to Assets have a significant positive relation with Cash to Deposit. Nevertheless, the other 3 factors are not significant.

V.   Discussion:

The aim of the paper was to find the performance of both banking system. The researcher found there are some variables that significantly effect on cash to deposit. The researchers analyzed all the variables to see that there was any relationship exists or not. (See result section)

The researcher proposed 3 hypothesis to find the relationship between dependent and independent variables. H1, H2, H3, H4, H5, H6, H7, H8, and H9 created for this study. With the linear regression and percent analysis,the researchers found some variables have significant relationship. Regression analysis supported most of the hypothesis of the study.

Hypothesis	Result
H1: The performance of Islamic Banking system is equivalent to Conventional Banking system in Bangladesh	Rejected
H2: There is a significant relationship between return on assets and cash to deposit ratio of Islami Bank in Bangladesh.	Accepted
H3: There is a significant relationship between return on equity and Cash to deposit ratio of Islami Bank in Bangladesh	Rejected
H4: There is a significant relationship between cash to assets and cash to deposit ratio of Islami Bank in Bangladesh	Accepted
H5: There is a significant relationship between operating income to assets and cash to deposit ratio of Islami Bank in Bangladesh	Rejected
H6: There is a significant relationship between return on assets and cash to deposit ratio of Conventional Banking system in Bangladesh	Rejected
H7: There is a significant relationship between return on equity and cash to deposit ratio of Conventional Banking system in Bangladesh	Rejected
H8: There is a significant relationship between cash to assets and cash to deposit ratio of Conventional Banking system in Bangladesh	Rejected

H9: There is a significant relationship between operating income to assets and cash to deposit ratio of Conventional Banking system in Bangladesh	Accepted

H1 shows that the performance of Islamic Banking system is equivalent to Conventional Banking system in Bangladesh. Figure 1 and figure 2 shows the different value of ROA, ROE, OIA, CTA, and CTD. So that the H1 is rejected for the different value.

H2 shows that there is a significant relationship between return on assets and cash to deposit ratio of Islami Bank in Bangladesh. As per figure 5 there is a significant relationship between ROA and CTD. The probability value is 0.024 which is lower than 0.05. So H2 is accepted.

H3 shows that there is a significant relationship between return on equity and cash to deposit ratio of Islami Bank in Bangladesh. As per figure 5 there is no significant relationship between ROE and CTD. The probability value is 0.050, which is equal to 0.050. So H3 is rejected.

H4 shows that there is a significant relationship between cash to assets and cash to deposit ratio of Islami Bank in Bangladesh. As per figure 5 there is a significant relationship between CTA and CTD. The probability value is 0.000 which is lower than 0.05. So H4 is accepted.

H5 shows that there is a significant relationship between operating income to assets and cash to deposit ratio of Islami Bank in Bangladesh. As per figure 5 there is no significant relationship between OIA and CTD. The probability value is 0.490 which is higher than 0.05. So H5 is rejected.

H6 shows that there is a significant relationship between return on assets and cash to deposit ratio of Conventional Bank in Bangladesh. As per figure 8 there is a significant relationship between ROA and CTD. The probability value is 0.714 which is higher than 0.05. So H6 is rejected.

H7 shows that there is a significant relationship between return on equity and cash to deposit ratio of Conventional Bank in Bangladesh. As per figure 8 there is a significant relationship between ROE and CTD. The probability value is 0.966 which is higher than 0.05. So H7 is rejected

H8 shows that there is a significant relationship between return on assets and cash to deposit ratio of Conventional Bank in Bangladesh. As per figure 8 there is a significant relationship between CTA and CTD. The probability value is 0.724 which is higher than 0.05. So H8 is rejected

H9 shows that there is a significant relationship between return on assets and cash to deposit ratio of Conventional Bank in Bangladesh. As per figure 8 there is a significant relationship between CTA and CTD. The probability value is 0.44 which is lower than 0.05. So H9 is accepted.

VI.   Conclusions

The Islamic banking system, which is founded on Islamic law, differs from the conventional banking system in a number of ways. It is done to differentiate between conventional banks and Islamic banks in order to determine which financial system performs better. The researchers analyze the Cash to Deposits ratio to assess performance, and they gathered all the information from the annual reports of conventional and Islamic banks. Both banking systems have different profitability ratios, efficiency ratios, and liquidity ratios. The researchers discovered there are significant differences between the two banking systems during analysis and hypothesis testing. However, the majority of performance indicators for Islamic banking show a rising trend. According to the report, Islamic banking has performed better in recent years than conventional banking has. The relationships between ROA, CTA, and CTD are all favorable. The Islamic banking system, on the other hand, shows a negative correlation between ROE, OIA, and CTD.

OIA and CTD have a positive association, but ROA, ROE, CTA, and CTD of the conventional banking system have a negative relationship. The traditional banking system needs to pay close attention to the profitability metrics of Return on Asset and Return on Equity as well as the liquidity metric of Cash to Assets. We advise Islamic Banks to focus on Return on Equity and Operating Income to Assets, which are related to a bank's efficiency. The future of Islamic banking could be better than that of traditional banking (Salman and Nawaaz:2018). We could have conducted a stronger analysis had a future study used a big sample size, sophisticated statistical techniques, and all of Bangladesh's financial ratios.

References:

[1]. Abduh.M, Hasan SM, Pananjung AG. (2013). "Efficiency and Performance of Islamic Banks in Bangladesh", Journal of Islamic Banking and Finance, p94.

[2]. Abdul-Majid et al. (2010)."Efficiency in Islamic and conventional banking: An international comparison"Journal of Productivity Analysis, 34 (1), pp. 25-43.

[3]. Ahmad, F. (2020)."Islamic Banks vs. Conventional Banks in Bangladesh: A Comparative Study Based on its Efficiency in Operation",Centre for Research on Islamic Banking & Finance and Business, USA.

[4]. Ahmed, H et al. (2005). "Handbook of Islamic Banking"British Accounting Review,

[5]. Ahmad, N.H.B., Noor, A.N.M and Sufian, F. (2010)."The Efficiency of Islamic Banks: Empirical Evidence from the Asian Countries Islamic Banking Sectors", MPRA paper 31869, University Library of Munich, Germany.

[6].   Akhtar MF, Ali K, Sadaqat S. (2011). "Liquidity risk management: a comparative study between conventional and Islamic banks of Pakistan", Interdisciplinary Journal of Research in Business, 1(1), pp.35-44.

[7].   Al-smadi, A.A.A., Hamdan, F. and Almsafir, M.K. (2013)."Islamic Banking Vs Conventional Banking, During the Global Financial Crisis: Malaysia as a Case", Journal of Islamic and Human Advanced Research, 3, pp. 27-40.

[8].   Ariss. (2010). "Competitive conditions in Islamic and conventional banking: A global perspective" Review of Financial Economics, 19 (3) (2010), pp. 101-108.

[9].   Awan, A. G. (2009). "Comparison of Islamic and conventional banking in Pakistan", Proceedings. Lahore, Pakistan.

[10].   Brown, K. (2003). "Islamic banking comparative analysis", Arab Bank Review, 5 (2).

[11].   Chong, Beng Soon, and Ming-Hua Liu. (2009). "Islamic Banking: Interest-free or Interest based?",Pacific-Basin Finance Journal, 17, pp. 125-144.

[12].   Ellahi, N., Khattak, N., Rehman, K., &Jamil. (2009). "Testing Technical and Cost Efficiency of Bangladeshi Islamic Banking System", 8th International Conference on Islamic Economics and Finance.

[13].   European Central Bank. (2013). "presents examples of Islamic financial contracts and their underlying characteristics and risks".

[14].   Hadian M. (2019). "Islamic Finance and the Fluctuations of Investment and Output: The Role of Monetary Policy",Money and Economy, 12(3).

[15].   Hassan, M. K. (2006). "The cost, profit and X-Efficiency of Islamic banks", Economic Research Forum.12th Annual Conference, Cairo, Egypt.

[16].   Indriani.(2008). "The relationship between Islamic financing with risks and performance of commercial banks in Indonesia" University of Malaya.

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

[18].   Kader, Janbota M., and Asarpota, Anju K. (2007)."Comparative Financial Performance of Islamic vis-àvis Conventional Banks in the UAE", Paper presented at 2006-2007 Annual Student Research Symposium & First Chancellor's Undergraduate Research Award at UAE University.

[19].   Khan, M.S.N, Hassan, M.K and Shahid, A.I. (2012)."Banking Behavior of Islamic Bank Customers in Bangladesh", Journal of Islamic Economics, Banking and finance, pp. 159-194.

[20].   Khan, T. and Ahmed, H. (2001)."Risk management: An analysis of issues in Islamic financial industry" , Islamic Development Bank Occasional Paper No. 5, Islamic Research Training Institute, Jeddah: Islamic Development Bank.

[21].   Metawa, S. A., &Almossawi, M. (1998). "Banking behavior of Islamic bank customers: perspectives and implications",International Journal of Bank Marketing, 16(7), pp. 299-313.

[22].   Mohamad, M. T., Abdullah, M. Y., Mohamad, M. A., &Abidin, U. Z. A.-A.Z. (2013)." The historical development of modern Islamic banking: A study in South-east Asia countries", African Journal of Business Management, 1(1), pp. 1- 14.

[23].   Moin, M. S., & Chen, Y. (2008)."Performance of Islamic banking and conventional Banking in Bangladesh: a comparative study", University of Skovde: School of Technology and Society.

[24].   Moin, M. S. (2013). "Financial Performance of Islamic Banking and Conventional Banking in Bangladesh: A Comparative Study", International Journal of Innovative and Applied Finance.

[25].   Moisseron, J. Y., Moschetto, B. L., &Teulon, F. (2015)."Islamic Finance: A Review of the Literature" ,International Business & Economics Research Journal (IBER), 14(5), pp. 745-762.

[26].   Obaidullah, M. (2005)."Islamic financial services" ,Islamic Economics Research Center, King Abdulaziz University, Jeddah, Saudi Arabia

[27].   Olson and Zoubi. (2008). "Using accounting ratios to distinguish between Islamic and conventional banks in the GCC region" The International Journal of Accounting, 43 (1) (2008), pp. 45-65

[28].   Pryor, F.L. (2007). "The economic impact of Islam on developing countries", World Development 35 (11), pp. 1815-1835.

[29].   Rashid, H. A. S. S. A. N. (2007). "The performance of Pakistani Islamic bank during 1999–2006: An exploratory study".

[30].   Roy MK, Khan SH. (2013). "Study on Private Commercial Banks in Banglades", ASA University Review, 7(1).

[31].   Saif-Alyousfi, A. Y. H., Saha, A. &Md-Rus, R. (2017)."Shareholders' value of Saudi commercial banks: A comparative evaluation between Islamic and conventional banks using CAMEL parameters" International Journal of Economics and Financial Issues, 7 (1), pp. 97-105.

[32].   Samad, Abdus (2004). "Performance of Interest-free Islamic banks vis-à-vis Interest-based Conventional Banks of Bahrain", IIUM Journal of Economics and Management 12(2), pp. 1-15.

[33].   Sangmi MUD, Nazir T. (2010). "Analyzing Financial Performance of Commercial Banks in India: Application of CAMEL Model" ,Pakistan Journal of Commerce and Social Sciences, 4(1), pp. 40-55.

[34].   Sarker MNI, Rashid MHO. (2015). "An impact of banking activities of private commercial Islamic bank to economic development in Bangladesh: a case study on First Security Islami Bank Limited (FSIBL)", Journal of Investment and Management, 4(5), pp. 264-272.doi: 10.11648/j.jim.20150405.28.

[35].   Shahid, H., Rehman, R.U., Niazi, G.S.K., &Raoof.A. (2010)."Efficiencies Comparison of Islamic and Conventional Banks of Pakistan " , International Research Journal of Finance and Economics,49, pp. 24-42.

[36].   Sundararajan, V. and Errico, L. (2002)."Islamic financial institutions and products in the global financial system: Key issues in risk management and challenges ahead" ,International Monetary Fund Working Paper WP/02/192. Washington DC: IMF.

[37].   Suyanto. (2009). "The performance of Bank Muamalat Indonesia during 2000–2004: An exploratory study"Accessed on February, vol. 9, Universitas AMIKOM Yogyakarta (2009), p. 2010

[38].   Uddin MH. (2014). "Measuring the Performance of Islamic Banks in Bangladesh: An Exploratory Study", International Journal of Ethics in Social Sciences, 2(1):74

[39].   Usmani, Dr. M. Imran Ashraf. (2002). "Meezan Bank's Guide to Islamic Banking" ,DARUL - ISHAAT URDU BAZAR KARACHI-1 PAKISTAN

[40].   Zaher, T. S., &Kabir Hassan, M. (2001)."A Comparative Literature Survey of Islamic Finance and Banking", Financial Markets, Institutions & Instruments, 10(4), 155199.

[41].   Salman, A. & Nawaz, H. (2018) Islamic financial system and conventional banking: A comparison. Arab Economic and Business Journal. Pp. 155–167. https://doi.org/10.1016/j.aebj.2018.09.003