

**T.C.
ISTANBUL AYDIN UNIVERSITY
INSTITUTE OF SOCIAL SCIENCES**



**A COMPARATIVE STUDY BETWEEN CONVENTIONAL AND
PARTICIPATION BANKING SYSTEMS: A CASE OF TURKEY**

MBA THESIS

Ahmad Fahim OMID

**Department of Business
Business Administration Program**

Thesis Adviser: Prof. Dr. Ahmet Sedat AYBAR

June, 2019

**T.C.
ISTANBUL AYDIN UNIVERSITY
INSTITUTE OF SOCIAL SCIENCES**



**A COMPARATIVE STUDY BETWEEN CONVENTIONAL AND
PARTICIPATION BANKING SYSTEMS: A CASE OF TURKEY**

MBA THESIS

**Ahmad Fahim OMID
(Y1612.130105)**

**Department of Business
Business Administration Program**

Thesis Adviser: Prof. Dr. Ahmet Sedat AYBAR

June, 2019

ONAY FORMU

T.C.
İSTANBUL AYDIN ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ MÜDÜRLÜĞÜ



YÜKSEK LİSANS TEZ ONAY FORMU

Enstitümüz İşletme İngilizce Anabilim Dalı İşletme Yönetimi İngilizce Tezli Yüksek Lisans Programı Y1612.130105 numaralı öğrencisi **Ahmad Fahim OMID**'in "A COMPARATIVE STUDY BETWEEN CONVENTIONAL AND PARTICIPATION BANKING SYSTEMS: A CASE OF TURKEY" adlı tez çalışması Enstitümüz Yönetim Kurulunun 27.06.2019 tarih ve 2019/15 sayılı kararıyla oluşturulan jüri tarafından oybirliği/oyçokluğu ile Tezli Yüksek Lisans tezi07.2019 tarihinde kabul edilmiştir.

	<u>Unvan</u>	<u>Adı Soyadı</u>	<u>Üniversite</u>	<u>İmza</u>
ASIL ÜYELER				
Danışman	Prof. Dr.	Ahmet Sedat AYBAR	İstanbul Aydın Üniversitesi	
1. Üye	Doç. Dr.	Erginbay UĞURLU	İstanbul Aydın Üniversitesi	
2. Üye	Doç. Dr.	Tevfik Mesut EREN	Marmara Üniversitesi	
YEDEK ÜYELER				
1. Üye	Doç. Dr.	Meral FIRAT	İstanbul Aydın Üniversitesi	
2. Üye	Dr. Öğr. Üyesi	Onur ÖZDEMİR	İstanbul Gelişim Üniversitesi	

ONAY

Prof. Dr. Ragıp Kutay KARACA
Enstitü Müdürü

Dedication
To my Parents
Thanks for your support and continuous care

DECLARATION

I hereby declare that all information in this thesis document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results, which are not original to this thesis.

Ahmad Fahim OMID

FOREWORD

I express my deepest gratitude and sincere appreciation to my adviser Prof. Dr. Ahmet Sedat Aybar. There is no doubt that I will be forever grateful to him. He has been very supportive and his valuable advice, supervision and encouragements are highly appreciated.

His large pool of knowledge and his humility have been a great source of inspiration to me during these years.

Besides my advisor I would like to thank Prof. Dr. Guneri Akalin for his encouragement, enthusiasm and immense knowledge.

A very special thanks goes to (IAU) for my studies in Turkey.

This dissertation would not have been possible without the love and guidance from my father and my beloved mother.

June, 2019

Ahmad Fahim OMİD

TABLE OF CONTENT

	<u>Page</u>
FOREWORD	v
TABLE OF CONTENT	vi
ABBREVIATIONS	viii
LIST OF FIGURES	ix
LIST OF TABLES	x
ABSTRACT	xi
ÖZET	xii
1. INTRODUCTION	1
2. LITERATURE REVIEW	3
2.1 Overview and Background of Islamic Banking System	3
2.2 Principles of Islamic Banking	4
2.2.1 Prohibition of Uncertainty (Gharar and Maysar).....	5
2.2.2 Prohibition of illegal investment.....	5
2.2.3 Prohibition of Usury (Riba)	6
2.2.4 Principles of profit and loss	7
2.3 Types of Products in Islamic Banking System.....	7
2.3.1 Musharakah (Joint Venture).....	7
2.3.2 Mudarabah (Profit-Sharing).....	8
2.3.3 Murabahah (Cost Plus).....	8
2.3.4 Salam (Forward Sale).....	9
2.3.5 Istisnah (Contract Manufacturing)	9
2.4 Risk Facing in Islamic Banks	10
2.4.1 Operational risk.....	10
2.4.2 Liquidity risk.....	10
2.4.3 Market risk	11
2.4.4 Credit risk.....	11
2.5 Overview of Other Countries	11
2.6 Interest Free (Participation) Banks in Turkey	12
2.6.1 Number of Banks as of 2017.....	15
2.6.2 Number of branches	15
2.6.3 Sector shares	15
2.6.4 The growth of the banking sector in Turkey.....	16
2.6.5 Current participation banks in Turkey	17
2.6.5.1 Albaraka Turk	17
2.6.5.2 Turkiye Finans	19
2.6.5.3 Vakif katılım (Vakif Participation Bank).....	20
2.6.5.4 Ziraat katılım (Ziraat Participation)	21
2.6.6 The products of Turkish participation banks	22
2.6.6.1 Current accounts.....	22
2.6.6.2 Saving account	23
2.6.6.3 Investment accounts	23

3. CONVENTIONAL BANKS	24
3.1 Overview and Background of Conventional Banking System.....	24
3.2 Types of Products in Conventional Banks	25
3.2.1 Credit card and overdraft	25
3.2.2 Agricultural loans.....	25
3.2.3 Short, medium and long-term loans	26
3.2.4 Housing finance	26
3.3 Risks in Conventional Banks	26
3.3.1 Market risk	26
3.3.2 Credit risk.....	26
3.3.3 Exchange risk.....	27
3.3.4 Liquidity risk.....	27
4. RESEARCH METHODOLOGY	28
4.1 Data Collection.....	28
4.1.1 The profitability ratio	28
4.1.2 The liquidity ratio.....	29
5. DATA ANALYZE.....	32
5.1 Data Analysis Approach.....	32
5.1.1 Profitability ratio	33
5.1.2 Liquidity ratio	34
5.1.3 Asset quality ratio	34
5.2 Findings	34
5.2.1 Profitability comparison.....	35
5.2.2 Liquidity comparison	36
5.2.3 Asset quality comparison	37
6. Result.....	39
6.1. Conclusion of the Study and Suggestions	43
REFERENCES	47
APPENDICES	49

ABBREVIATIONS

IFSB	: Islamic Financial Services Board
IMF	: International Monetary Fond
GCC	: Gulf Cooperation Council
BDDK	: Banking Regulation and Supervision Agency
FCPA	: Foreign Corrupt Practice Act
IMA	: Institute of Management Accountants
IMF	: International Monetary Fund
OIC	: Organization Islamic Conference
IT	: Information Technology
TBB	: The Bank Association of Turkey
TKBB	: The Union of Turkish Bar Associations
RAO	: Retune on Asset
ROE	: Return on Equity

LIST OF FIGURES

	<u>Page</u>
Figure 2.1: Principles of Islamic Banking	5
Figure 2.2: Prohibition of Usury (Riba).....	6
Figure 2.3: Musharakah (Joint Venture).....	8
Figure 2.4: Murabahah (Cost Plus).....	9
Figure 2.5: Istisnah (Contract Manufacturing)	9
Figure 5.1: Profitability Comparison	36
Figure 5.2: Liquidity Comparison.....	37
Figure 5.3: Asset Quality Comparison.....	38
Figure 5.4: The Five Years Profitably Ratios of Participation Banks	40
Figure 5.5: The Five Years Profitability Ratios of Conventional Banks	40
Figure 5.6: The Five Years Liquidity Ratio Comparison of Conventional and Participation Banks in Turkey.	41
Figure 5.7: The Asset Quality Ratio of Participation and Conventional Banks in Turkey	42
Figure 5.8: The Five Years Asset Quality Ratios for Participation Banks of Turkey.	43

LIST OF TABLES

	<u>Page</u>
Table 2.1: Turkish Banking Sector's Indicators by Segments	14
Table 2.2: Number of Banks	15
Table 2.3: Number of Branches	15
Table 2.4: Sector Shares.....	16
Table 2.5: The Growth of the Banking Sector in Turkey	16
Table 2.6: Albaraka Turk Katılım Bankası	18
Table 2.7: Kuveyt Turk Katılım Bankası A.Ş.	19
Table 2.8: Türkiye Finans Katılım Bankası	20
Table 2.9: Vakıf Katılım Bankası A.Ş.	21
Table 2.10: Ziraat Katılım Bankası A.Ş.	22
Table 5.1: Five Years Ratios of Turkish Conventional Banks.....	33
Table 5.2: Five Years Ratios of Turkish Participation Banks.....	33
Table 5.3: Means of Profitability, Liquidity and Asset quality ratios from 2012 to 2016.....	35
Table 5.4: Profitability Comparison.....	35
Table 5.5: Liquidity Comparison	36
Table 5.6: Asset Quality Comparison	38
Table 5.7: Values Are According To Percentage.....	44
Table 5.8: Five Years Ratios of Turkish Conventional Banks.....	46
Table 5.9: Five Years Ratios of Turkish Participation Banks.....	46

A COMPARATIVE STUDY BETWEEN CONVENTIONAL AND PARTICIPATION BANKING SYSTEMS: A CASE OF TURKEY

ABSTRACT

The purpose of a financial system, whether conventional or Islamic, is the mobilization of financial resources and their allocation between different investment projects. Thus Interest-free banks have shown their resistance against the subprime crisis that hit conventional finance.

This general study is made to find out the principles, risks and performances of both banking system which are currently active in Turkey.

This paper analyses the characteristics of Interest-free banks by comparing them with those of conventional banks. It shows also the different types of products between the two systems. The objective of this research has led us to develop five chapters. The first chapter will focus on overview of banking system. This chapter will allow us to define some concepts and revise the principles governing banks. The second chapter will focus on interest-free banking system. First we will see the principles of Interest-free banks and the kinds of risks we encounter in this system. Then we will present the Interest-free banking financial products. The third and fourth chapter of this thesis will focus on a comparison of the two banking systems in Turkey.

And at the end the last chapter will start with a general analysis of the economic and financial aspects of both banking system and then it will finish with a detailed analysis of the different products in Turkey.

Keywords: *Profitability, Liquidity, Asset quality*

ANLAŞMALI VE KATILIM BANKACILIĞI SİSTEMLERİ ARASINDA KARŞILAŞTIRMALI BİR ÇALIŞMA: TÜRKİYE ÖRNEĞİ

ÖZET

Bir finansal sistemin amacı, ister geleneksel isterse İslami olsun, finansal kaynakların mobilizasyonu ve bunların farklı yatırım projeleri arasında paylaşılmasıdır. Böylece faizsiz bankalar, geleneksel finansmanı vuran vahim krize karşı direnişlerini göstermiştir. Bu genel çalışma, Türkiye'de halen aktif olan her iki bankacılık sisteminin ilkelerini, risklerini ve performanslarını ortaya çıkarmak için yapılmıştır. Bu makale, Faizsiz bankaların özelliklerini, geleneksel bankaların kimlerle karşılaştırarak analiz eder. Ayrıca iki sistem arasındaki farklı ürün türlerini de gösterir. Ayrıca iki sistem arasındaki farklı ürün türlerini de gösterir. Bu araştırmanın amacı, beş bölüm geliştirmemizi sağlamıştır. İlk bölüm bankacılık sistemine genel bakış üzerine odaklanacak. Bu bölüm bazı kavramları tanımlamamızı ve bankaları yöneten ilkeleri gözden geçirmemizi sağlayacaktır. İkinci bölüm faizsiz bankacılık sistemine odaklanacak. Öncelikle Faizsiz bankaların ilkelerini ve bu sistemde karşılaştığımız risk türlerini göreceğiz. Ardından Faizsiz bankacılık finansal ürünlerini sunacağız. Bu tezin üçüncü ve dördüncü bölümleri, Türkiye'deki iki bankacılık sisteminin karşılaştırılmasına odaklanacak. Sonunda, son bölüm her iki bankacılık sisteminin ekonomik ve finansal yönlerinin genel bir analizi ile başlayacak ve daha sonra Türkiye'deki farklı ürünlerin detaylı bir analizi ile bitecektir.

Anahtar Kelimeler: *Kararlılık, Likidite, Varlık kalitesi*

1. INTRODUCTION

The aim and intention of any nation behind its economy is to ensure and convince the safety and security of the banking sectors and the financial systems as the main part and component of its economy system. Thus the banking system plays a key role in the financial world. Although the whole financial performance and transaction are performed and operated by the banks and this is the most beneficial way that a government can use to motivate the economy. The banking system was known and existed since the 19th century and the depended on the interest rate. Even though many financial crisis since that time emerged such as '1998 Russian crisis or 1918 to 1924 the German hyperinflation and the world financial crisis in 2008. But after the financial crisis majority of the customers cannot trust in some of the financial institutions.

And Central banks and the governments are trying to motivate and encourage the economy by handling and pleading monetary tools. But this sort of the tricks cannot handle the problem easily as most of the people became homeless after the 2008 financial crisis because of the loans and high rate of unemployment. Banks carry out several roles in the economy.

First, the contribution in the growth of the economy operates by the banks. Second banks monitor a particular and timely use of the funds of the depositors and this policy reclaims the information issues between the borrowers and investors. Third is that they operate a significant role in corporate governance. During the time and according to countries these roles may vary but as a whole the banks are critical to the economy of any country (Franklin and Carletti, 2008:1).

After the financial crisis which had a negative effect on the economy of the whole world, the Islamic finance system has come to rise and introduced in as an alternative banking system for the commercial banks to decrease the risks in

the financial crisis. And this alternative or Islamic banking system was offering the system of interest free banking for their customers (PyoRyu, Zhen Piao, and Doowoo, 2012:48-54).

The Islamic banking and finance has originally emerged and started to operate in the Middle Eastern countries such as Saudi Arabia, Qatar, Kuwait and Bahrain where the growth rate of assets of Islamic banking and finance is increasing more than the conventional financial assets. And the phenomenon of interest free banking system has introduced to the world of finance. In the year of 2014, in the Gulf Cooperation Council (GCC) the Islamic banking asset's has grew to 34% (EY 2015). Accordingly the Islamic banking system became famous and an important system not only in the Middle East but also in Asia (IMF, 2017).

According to (IFSB, 2016) the worldwide financial services of Islamic banks were \$ 1.88 trillion in 2015 of which \$ 1.497 trillion were only the asset of Islamic banking. In Islamic banking trading as well as surplus is allowed while there is a prohibition in the usury but in modern banking interests are permissible for its financial services. But in return there no place for the interest mediations in the Islamic banking system in spite of that they offer the profit loss shares (Altan, 2010:125-140).

The Islamic banking systems prefer to operate primarily by the laws of (*Shariha*) that does not allow transactions of interests and in my thesis this will be detailed. Current study is going to discuss the theoretical basis of Islamic banks and conventional banks which are operating in Turkey to inspect the likelihood and distinctions.

2. LITERATURE REVIEW

2.1 Overview and Background of Islamic Banking System

During the 8th and 12 centuries the Islamic form of capitalism were existed and a number techniques and other financial concepts were there in early Islamic system of banking, such as (Mudaraba) limited partnership, exchange bills, (Mufawada) partnership in old form, assignments and ledgers and transactional accounts were existed in the mid Islamic world. But from 13th century many of these capitalism systems was improved (Kettell 2011:24).

- Modern Islamic banking system

The root of the interest free banking system can be traced to the colonial India society. Due to attempts of the Muslim community of India a number of small Islamic financial operations were started to operate on Islamic principles of (*Shariha*) and this attempt was a response to the British who tried to change and westernize the financial system of Indian society. Although on that time still Islamic banking system was not established to operate as an alternative to conventional banks. The other financial projects operated by the Islamic law later established in Malaysia, Pakistan and Egypt between 1950s and 1960s. In order to pave the way for equality and brotherhood society these financial projects started to provide financial loans to the poor who could not afford to get it from the Conventional banks. In Pakistan to assist the poor types of farmer in late 1950s the interest free financial system establish by the rural landlord to help poor people by giving them loans who did not have ability to get loans from the conventional banks. In the same way the first Islamic Bank was established in 1963sin Egypt the bank of (*MitGhamr*) by the leadership and support of (*Faysal*) King of Egypt made an Interest-Free loans to the poor society who could not afford to get it from the Conventional banks. All of these financial assists were performing on the principles of Islamic law (*Shariha*) but soon due to in efficiency and no profit they could only survive few years and

failed after few years of operation. Later in Malaysia in 1963s the saving corporation for the pilgrim established as an Islamic bank and run on (*Shariha*) the purpose of the corporation was to help people perform a religious base practice or Hajj (pilgrimage to Mecca).

Another operation of these corporations was that parents could save and invest money here for their children that they could get married in Mecca. After the success of this organization they started investing the saving of the people into the real estates and plantation of palm trees which pave a way for a great profit and later on these organizations established the first Islamic bank in Malaysia in the name of Bank Islam Malaysia.

And after that the next event was the establishment of Islamic Development Bank, which was the first bank operating international founded in city of Jeddah in Saudi Arabia in 1974 operating under the Organization Islamic Conference (OIC). During the decades to current the Islamic form of Banking has grown rapidly in Numbers and size and now it being practiced in more than 50 countries worldwide. But in Pakistan, Iran and Sudan only Islamic Banking is allowed while in other counties both the Conventional and Islamic banks operate (Chong and Liu, 2009:125-144).

2.2 Principles of Islamic Banking

Islamic banking performs the same operations as the Conventional banks but the difference is that Islamic banks perform according to the principles of (*Shariah*) or (*Fiq al-Muamalat*).

Interest rate is the primary and major principles of earning while it is forbidden in Islam as well as in Christianity. In Quran the holy book of Islam it is said do not consume usury.

As well as in Bible it is reported” do not charge your brother any interest it can be in the form of money, Food or any that may earn interest. In spite of (*Riba*) other types of forbidden practices are there such as prohibition of (*Gharar*) and (*Maysar*), Prohibition of (*Riba*) Usury, Prohibition of illegal investment, (*Musharekat*) joint venture, Cost plus (*Murabaha*) and Safekeeping (*Wadiyah*) and Profit sharing (*Mudaraba*) (Kettell, 2011:24).

4 Quran, chapter 3, verse 130, 5 Quran, chapter 2, verse 275
Deuteronomy chapter 23, verse 19.

6 Bible,

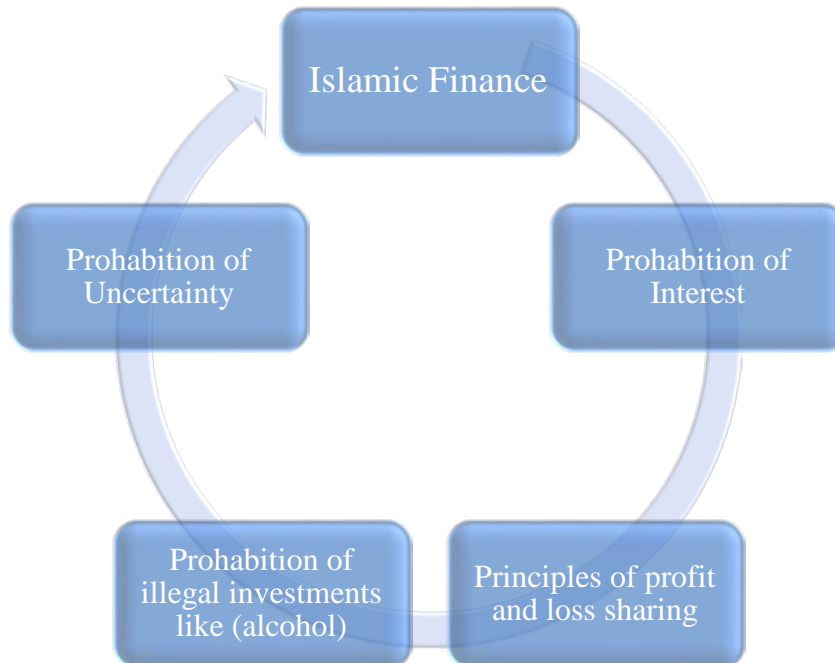


Figure 2.1: Principles of Islamic Banking

2.2.1 Prohibition of Uncertainty (Gharar and Maysar)

The (Gharar) specifies a blur or an uncertain and risky at a traded good. In these situations;

- The agreement is related to items which are not clearly specified.
- When without the determination of the commodities price the transaction is occur.
- When the trade occurs while the seller is not the owner of the selling items.

Thus each of these trade agreements must consist of the following contents such as (a specified selling item, price, subject and the both parties identifications) (Austruy, 2006:53).

2.2.2 Prohibition of illegal investment

As detailed by Islamic law (*Shariha*) it is forbidden to invest in illegal goods or activities which is considered as (*Haram*) in Islam Banks in services such as risk in sharing basis, and some sort of actions and products which are harmful to

the society like investment sectors related to alcohol activities or in relation to game of chance activities, forming of pig or in production of pornography which are impermissible in Islam (Austruy, 2006:54).

2.2.3 Prohibition of Usury (Riba)

It is prohibited for Muslims to attend under any case in (Riba) means usury or getting high interest rates. But most of the Scholars in Islam modify the (Riba) as interest receiving from a pre-determined turnover from a loan. Indeed that basic of this Prohibition can pursued to medieval Arabic traditions due to doubling liability if it could not be paid during the agreement period.

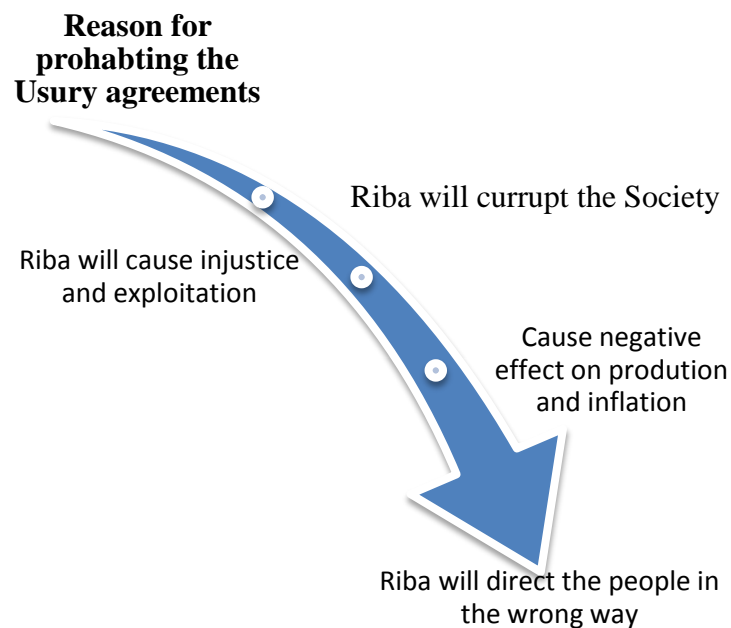


Figure 2.2: Prohibition of Usury (Riba)

Usury (Riba) has two main forms.

- Riba-Annassia: Muslims view this type of (Riba) as an interest getting from a pre-specified return from a loan.
- Riba-Al-fadl: An excess comprehend from a straight exchange of two goods or two same kinds of things which are formerly sold by measuring or by weight (Austruy, 2006:52; Chong and Liu, 2009:127).

2.2.4 Principles of profit and loss

The profit and loss sharing is called as “PLS“ Or Participatory” is a procedural way of finance used in Islamic banking methods or (*Shariha-Complaint*) to fulfill the Religious ban on interest on loans, it has constructed a system of profit and loss sharing. An investor should consign their sources to a contractor that he would share according to (*Shariha*) or profit and loss based on the proficiency of the mentioned asset (Austruy, 2006:54-55).

2.3 Types of Products in Islamic Banking System

Many types of financial operations are performing by the Islamic banks, but the most significant and important are (Musharakah) Joint venture and (Mudarabaha) Profit-Sharing. Even though there are many sort of contracts practice by Islamic banks but not strictly profit and loss sharing in nature such as (Murabaha) Cost plus, (Salam) forward sale, (Ijarah) leasing and (Istisnah) Contract manufacturing.

2.3.1 Musharakah (Joint Venture)

These sorts of agreements are equivalent to joint ventures. The bank with an entrepreneur together contribute funds and run a scheme or a business project, in a pre-determined system all the profit gains or loss for the particular scheme or project would share between the bank and the entrepreneur. The Joint Venture or (Musharakah) is self-determined entity and the banks have the right to disannul or to close the agreement of joint venture gradually after a specified period of time or over the accomplishment certain situation (Chong and Liu, 2009:125-144).

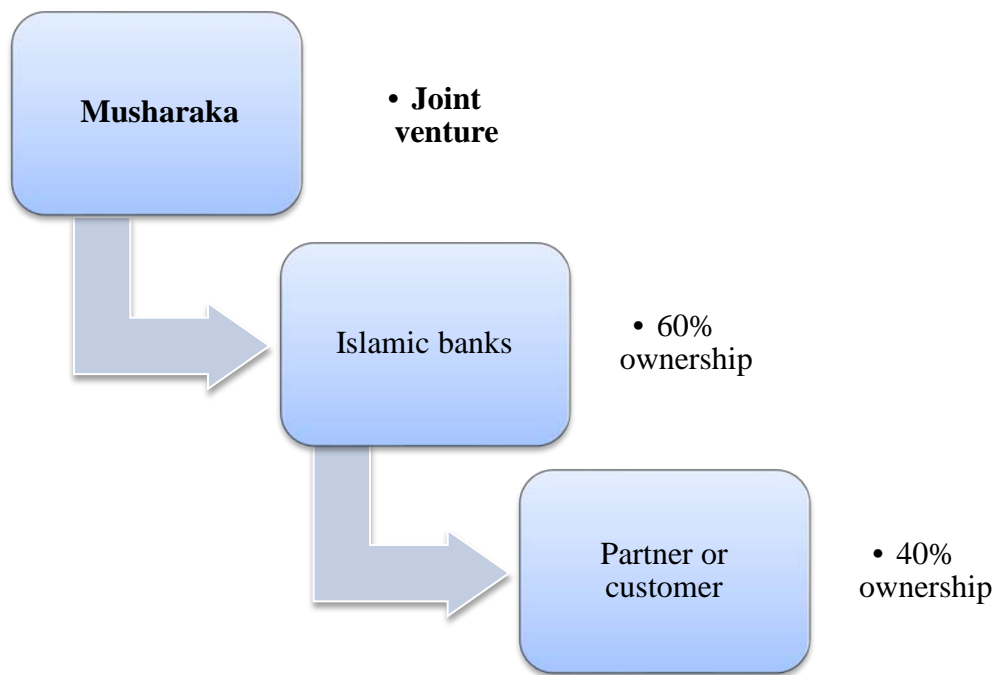


Figure 2.3: Musharakah (Joint Venture)

2.3.2 Mudarabah (Profit-Sharing)

In the (Mudarabah) contracts are existing on the basis of profit sharing settlement, so in (Mudarabah) the bank pays all the funds required to finance a business project and the entrepreneurs provides all the labor and management.

On a defined ratios or pre-agreed base the benefits obtained from that particular business is going to be shared between the bank and the entrepreneur, but in occasion of loss the whole loss borne by the bank (Chong and Liu, 2009:125-144).

2.3.3 Murabahah (Cost Plus)

The principle of (Murabaha) financing is based on the structure of cost plus.

Means a bank is empowered to buy a certain goods or commodities for a costumer and resell at a prearranged price the particular commodities to the costumer plus a profit margin. Both the bank and costumer should be aware of the price plus the percentage of profit in advance (Chong and Liu, 2009:125-144).

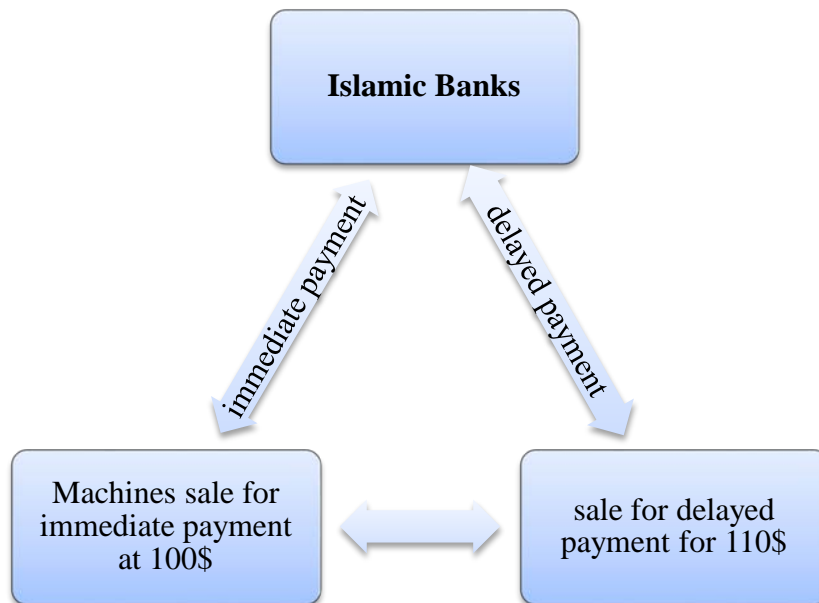


Figure 2.4: Murabahah (Cost Plus)

2.3.4 Salam (Forward Sale)

The basis for Salam type of agreement is future sale intention. This method permit an entrepreneur to sell some particular sort of goods or commodities to the Islamic bank, the price is assigned, specified and paid currently or at the time of the contract but the submission of commodity remains further means in future (Chong and Liu, 2009:125-144).

2.3.5 Istisnah (Contract Manufacturing)

The basis for (Istisnah) agreements are contract manufacturing of Commissioned, which lets a party or one side of the contractor to produce or to generate a determined commodity or good at a pre-specified price but in the future delivery method. This method is useful and has high implementation in the construction projects, goods manufacturing and infrastructure projects (Chong and Liu, 2009:125-144).

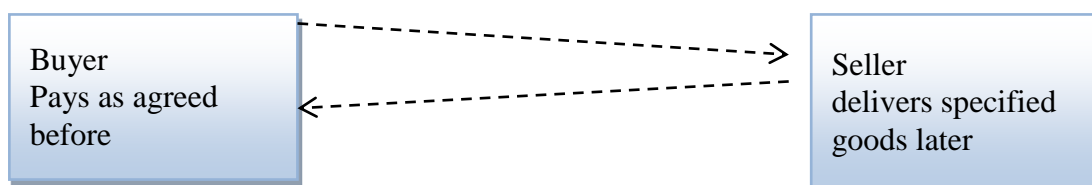


Figure 2.5: Istisnah (Contract Manufacturing)

2.4 Risk Facing in Islamic Banks

In Interest-free banking system the risk can be comprehend in real meaning while seen from the two issues. According to (Shariha) Islamic Law (Gharar) uncertainty, (Istisnah) contract manufacturing and (Salam) are forbidden and due to these agreements it makes the Islamic banks are more risky than the Conventional banking system. Not only these issues but also little risk-hedging appliances and straggled of interbank money market and other things like government securities makes Islamic banks more risky that its alternative ones (Mounira and Anas, 2008:9).

2.4.1 Operational risk

This type of risk occurs due to consequence of accidents or techniques it can occur indirectly or directly from an improper situations such as faults and mistakes from the banks staffs, technical errors such as failing of the systems used by the banks or inappropriate software programs.

Recently data determines that Islamic banks are suffering due to shortage of effective and qualified employees that can conduct and monitor efficiently the Islamic financial performances and transactions. So this can increase the risk affiliated to the use of IT or Information technology in Islamic Banks (Chatti, 2013:10).

2.4.2 Liquidity risk

The liquidity risk turns up while the bank does not have adequate liquidity to perform its current operations. The (Shariha) has prohibited the interest rates for the loans and due to that accentuates this risk in Islamic banks and because of this the banks must sell some of their financial assets to get arrange the cash.

In the system of Conventional banks they have many options to reduce and face this sort of risk. First they may request the markets of Interbank in which they borrow the cash to repay deposits and secondly they have the option to use their fund on balance sheet and the last one they may sell the assets they owned (Chatti, 2013:10).

2.4.3 Market risk

As IFSB detailed the market risk refers to the potential impact of harmful or negative price circulation such as foreign exchange rates, benchmark rates on the economic worthiness of an asset. In general other types of risk such as exchange rate risk, equity price risk and interest rate risk compromise in market risk (Alkheil, 2012:26).

2.4.4 Credit risk

Refers to the potential that a debtor or counterparty fails to meet its commitment or not able to meet its liabilities. This risk is higher in Islamic form of banking. Specially in contracts such as (Mudarabah), (Istisna) and installment sales (Bitaqsit) because the mentioned agreements are all future sales agreements and may cause a debt on the bank as costumers may won't be able to pay the debts back to the bank and its risky.

Still risk exists in other Islamic banking contracts such as in (Salam) or (Ijarahin) there is probability that costumers may fail in the delivery and in (Ijara) probability of failing in paying of the rent. The risk in these types of agreements happens when a partner is the reason for damaging the contract (Chatti, 2013:10).

2.5 Overview of Other Countries

Currently about 300 Islamic banking is practicing over 51 countries worldwide. In countries such as Turkey which is a secular country with around 99% of Muslims and the currency if Turkish Lira. To an annual average starting and comparing from the economic crisis in 2000-2001 the GDP growth is 4.26% and Turkey focusing on more growth.

The (IMF) International Monetary fund has forecasting a higher growth between the years of 20`3 as well as 2014 compared to previous years as 2012. Turkey's growth and developments projections are counted as the second highest for Europe or (Latvia leads), and can be comparable with the IMF's estimates for Brazil (3%, 2013 and 4%, 2014) as well as South Korea (2.8%, 2013 and 3.9%, 2014).Turkey's strength development during the last years was owning by its

SMEs, and this growth development is reflected in the large increase of per capita GDP (Turkey Islamic Finance Report, 2014; IRTI).

Egypt is another country who practices Islamic banking system, majority of citizens of Egypt is Muslims and the currency is Egyptian Pound even the first Islamic bank has established in Egypt in 1963s. Other countries such as *Pakistan, Malaysia, Iran, Kuwait, United Arab Emirates, Kingdom of Qatar, Saudi Arabia, Bahrain and Indonesia* as well as some parts of Europe and United States of America are holding their shares in Interest Free banking system.

As of 2015 there are 9 core markets in the industry of global Participation banks which are- Saudi Arabia, Malaysia, Bahrain, Turkey, Qatar, United Arab Emirates, Indonesia, Kuwait and Pakistan. These countries all together count about 93% of Industry assets as it measured may exceed of 920 US\$ (World Islamic Banking Competitiveness Report, 2016:4).

2.6 Interest Free (Participation) Banks in Turkey

The Islamic banks are generally called Participation banks in Turkey but the term interest free banking system refers to a wider range when defining the Islamic banking system. The main point in Islamic banks or Participation banks are the relation between the capital and labor. Means that the system takes the trust fund from the labors and invests these funds in the form of capital in the real sectors in order to get profit from real trade and the profit of this business partnership is supposed to share between the equivalents and banks. The origin of the partnership refers to the principles of participation to the profit or loss. The regulations of the Islamic banks are partnership (Islamic Conference Held in Riyad, 1980).

With approval to the commission of banks in 1984 was licensed to launch two Corporations in the name of Private Finance Corporations that operated the system of Interest Free bank functions. Turkey Pursued very significant replacement policy till the 1980s and then changed to conform Export-Oriented strategy that focused to globalization. In the period of this time the aim was to

maintain a stable economy with the intention of external oriented economy reconstruction and strategy.

With the current situation and spread of the world's financial innovations and this strategy of Turkey was focused to comprehend Turkey with the free market economy. With the reflections to those ideas, a new reformation process has launched in the financial system of Turkey and made a sanitation that catered an independent in corporations in financial markets and legal base. Due to that sanitation the establishment of foreign banks came to existence. And 13 foreign banks launched their branches in Turkey and enabled the costumers and the Turkish citizens to appraise their savings in Interest Free based banking system.

On 27/08/1981 the Istanbul Exchange Market were came to existence due to the acceptance of the no 2499 Capital Market Law. And with the exchange market openings all the tools of capital market began to carry out as well as money market within the Turkish Central Bank was opened. And many new systems with the independent of foreign currency exchange offices, factoring companies, leasing and the mediation of capital market were contained to this system. To awake and improve a down economy due to the financial crisis that occurred on that time it paved the way for foreign banks to establish branches in Turkey. The Interest Free banking system that was practiced successfully worldwide was brought out by Bülent ULUSU to the agenda in Turkey. The approval act which was prepared by the (*Turgut Ozal*) has accepted by the President (*Kenan Evren*) in 16.12.1983, with approval no 83/7505. This opportunity allowed the Turkish people to gain advantages from the Interest-free basis (Islamic Conference Held in Riyad, 1980).

Providing foreign sources from Gulf countries such as Kuwait and other Arabian countries to Turkey was another cause for inaugurating Private Finance Corporations. Private Finance Corporations received a huge growth in funds that they gathered. Since 1985 then seven Private Finance Corporation came to existence and operated their activity and found their place respectively in the Turkish Financial Sector a Private Finance Corporation (Albaraka Turk) in 1985 and the Faisal Finance Corporation in the same year. Then (Kuveyt Turk) pious foundations finance corporation in 1989.

In the year of 1995 Anadolu Finance Corporation and (Ihlas) Finance Corporation and finally in 1996 Asya Finance Corporation, Family Finance and Anadolu Finance has integrated in 2001 below the Turkey Finance Participation Bank (Türkiye Finans Katılım Bankası) however the bank yet perform its Participation banking activities.

Currently the Number of the banks that are active and operating in Turkey in 2017 is 52 banks. That out of 52 the 34 of them are deposit banks and investment and developments banks consists of 13, the 3 of these deposit banks are owned by the state and the 9 other are private banks. On December 2017 the bank of China Turkey has started its banking activities and Royal bank of Scotland on May 2017 was compromised. Moreover 5 Participation banks were there (Kuveyt Turk.com.tr; Islamic Conference Held in Riyad, 1980).

Table 2.1: Turkish Banking Sector's Indicators by Segments

Bank	Number of Institutions	Assets			Deposits			Loans		
		2016 TL million	2016 share (%)	2015 share (%)	2016 TL million	2016 share (%)	2015 share (%)	2016 TL million	2016 share (%)	2015 share (%)
Participation Banks	5	132,874	4.9	5.1	81,487	5.6	5.9	84,880	4.8	5.2
Deposit Banks	34	2,455,366	89.9	90.4	1,377,763	94.4	94.1	1,587,245	89.4	89.8
Development and Investment Banks	13	142,807	5.2	4.5	-	-	-	101,621	5.7	5.0
Total	52	2,731,046	100	100	1,459,250	100	100	1,773,746	100	100

Source: BRSB

Participation Banks and Banking Sector: Key Financial Indicators (TL million) (December 2016)

Financial Highlights	Participation Banks			Banking Sector			
	2016	2015	2016/2015 Change (%)	2016	2015	2016/2015 Change (%)	
Deposits*	TL	48,313	40,740	18.6	849,493	719,120	18.1
	FC	29,984	31,406	(4.5)	592,258	519,845	13.9
	FC-Metal	3,208	2,216	44.8	17,518	11,051	58.5
	Total	81,505	74,362	9.6	1,459,269	1,250,016	16.7
Loans**	84,880	79,191	7.2	1,773,745	1,513,969	17.2	
Non-Performing Loans (Net)	1,236	1,775	(30.4)	13,128	12,082	8.7	
Total Assets	132,874	120,252	10.5	2,730,942	2,357,522	15.8	
Shareholders' Equity	11,494	10,642	8.0	300,172	262,271	14.5	
Net Profit***	1,106	409	170.4	37,532	26,052	44.1	
Number of Employees	14,465	16,554	(12.6)	210,910	217,504	(3.0)	
Number of Branches	Branches Domestic	956	1,076	(11.2)	11,664	12,185	(4.3)
	Branches Abroad	3	4	(25.0)	83	84	(1.2)
	Total	959	1,080	(11.2)	11,747	12,269	(4.3)

Source: BRSB reports

* Bank deposits are excluded. Rediscounts are included.

** Loans under follow-up are excluded. Rediscounts are included.

*** Net profit figures compared to the same period of last year.

Source: Banks in Turkey 2017 Publication No: 328 the Banks Association of Turkey Certificate No: 17188 2018.34.Y.5327.328 Page no: 16

2.6.1 Number of Banks as of 2017

Table 2.2: Number of Banks

Number of the banks	2016	2017
Deposit banks	34	34
State-owned banks	3	3
Private banks	9	9
Foreign banks	21	21
SDIF	1	1
Development and Investment banks	13	13
Participation Banks	5	5
Total	52	52

Source: BRSA

2.6.2 Number of branches

The number of branches of participation bank has increased in 73 during the period of one year while there was a decrease in the number of branches in private banks about 119, one in the State Owned banks and 96 in foreign banks.

Table 2.3: Number of Branches

Number of branches	2016	2017	Changes
Deposit banks	34	34	-240
State-owned banks	3	3	-25
Private banks	9	9	-119
Foreign banks	21	21	-96
SDIF	1	1	0
Development and Investment banks	13	13	9
Participation Banks	5	5	73
Total	52	52	-158

Source: BRSA

2.6.3 Sector shares

The assets share of Deposit banks was 90 % in the banking sector while the Development and Investment and Participation Banks were only 5 % for each.

The share was 36% for Private Banks and 24% for Foreign Banks and 31 % for the State- Owned deposit banks.

Table 2.4: Sector Shares

Market shares of groups (2017, percentage)	Asset	Loans	Deposits
Deposit banks	90	89	94
State-owned banks	31	32	33
Private banks	36	35	37
Foreign banks	24	23	24
SDIF	5	6	0
Development and Investment banks	153	5	6
Participation Banks	100	100	100

Source: BRSA

2.6.4 The growth of the banking sector in Turkey.

Table 2.5: The Growth of the Banking Sector in Turkey

Years	Deposit Banks	Share of the Deposit Banks	Participation Banks	Share of the Participation Banks	Development and Investment Banks	Share of the Development and Investment Banks	Total Banking Sector
2002	203.243	95.6%	3.962	1.9%	9.438	4.4	21.681
2003	239.423	95.9%	5.113	2.0%	10.265	4.1	249.688
2004	295.112	96.3%	7.299	2.4%	11.327	3.7	306.439
2005	384.097	94.4%	9.945	2.4%	12.867	3.2	406.909
2006	470.635	94.2%	13.752	2.8%	15.345	3.1	406.909
2007	543.272	93.4%	19.445	3.3%	18.888	3.2	499.731
2008	683.823	93.4%	25.770	3.5%	22.943	3.1	581.606
2009	773.357	92.7%	33.628	4.0%	27.029	3.2	732.536

Table 2.5: The Growth of the Banking Sector in Turkey

2010	932.371	92.6%	43.339	4.3%	30.958	3.1	834.014
2011	1.119.911	92.0%	56.148	4.6%	41.636	3.4	1.006.667
2012	1.247.653	91.0%	70.279	5.1%	52.758	3.8	1.217.695
2013	1.566.190	90.4%	96.075	5.5%	70.136	4.0	1.370.401
2014	1.805.427	90.5%	104.463	5.2%	84.571	4.2	1.994.161
CAGR (2002-2014)	18%		29%				19%

Source: BRSA

2.6.5 Current participation banks in Turkey

2.6.5.1 Albaraka Turk

Albaraka Turk is the first bank established in 1984s and starting its operations in Interest –free Banking principles in beginning of the 1985s and carries on its activities according to the law No 5411.

In the association partnership of Albaraka Turk, the shared of **(9.07%)** belongs to native partners and **(66%)** shares are for the foreign partners plus **(24.93%)** depends on public shares as of **31.03.2017**.

Albaraka Turk is consisting of **212** branches in Turkey plus one branch in abroad total **213** branches as with **3,796** employees as of 2016 (albarakaturk.com.tr).

Table 2.6: Albaraka Turk Katılım Bankası

Albaraka Turk Katılım Bankası	Albaraka Bank
Establishment Date 1985	1985
Main Shareholders	Albaraka banking group (56.65 %) Islamic Development Bank (7.84%) Publicly Qouted (24.84%) Others (1067%)
Chairman	Adnan Ahmet Yusuf Abdul Malek
General Manager	Meliksah UTKU
Headquarters	Saray Mah. Dr. Adnan Buyukdeniz Cad. No:6 Umraniye/ Istanbul/ Turkey
Web site	www.albaraka.com.tr
Phone and Fax	0090 021 6666 01 01 / 0090 021 6666 16 00
Swift Code	BTFHTRIS
EFT Code	211
Number of Domestic Branches	212
Number of Branches Abroad	1
Number of Representative Offices Abroad	-
Financial Subsidiaries Abroad	-
Number of Employees	3,796

2.5.4.2 Kuveyt Turk

The Kuveyt Turk participation bank has established in **1989s**. The shareholders of Kuveyt Turk Participation bank comprises of **(62.24%)** goes to Kuwait Finance House, the share of Islamic Development bank is around **9%** plus other **(9%)** belongs to Kuwait Public Institute for Social Security and **(18.72%)** depends to the General Directorate Foundation and **(1.04%)** belongs to others.

It is currently operating with **385** branches domestically and one branch in abroad with the **5,588** of employees (kuveytturk.com.tr).

Table 2.7: Kuveyt Turk Katılım Bankası A.Ş.

Kuveyt Turk Katılım Bankası A.Ş.	Kuveyt Turk
Establishment Date	1989
Main Shareholders	Kuwait Finance House (62.24%) Kuwait Public Institute for Social Security (9%), Islamic Development bank (9%), General Directorate Foundation , Turkey (18.27%), Others (1.04%)
Chairman	Hamad Abdulmohsen ALMARZOUQ
General Manager	Ufuk UYAN
Headquarters	Buyukdere Cad.No:129/134394 Esentepe/ Istanbul/ Turkey
Web site	www.kuveytturk.com.tr
Phone and Fax	+90 212 354 11 11 / +90 212 354 12 12
Swift Code	KTEFTRIS
EFT Code	205
Number of Domestic Branches	385
Number of Branches Abroad	1
Number of Representative Offices Abroad	-
Financial Subsidiaries Abroad	2
Number of Employees	5,588

2.6.5.2 Turkiye Finans

The Turkiye Finans has established in 2005 previously known as (Anadolu Finans) in 1991.

The shareholders percentage of Turkiye Finans is (67.03%) is for (NBC) The National Commercial Bank, (10.57%) (Gozde Girisim Sermayesi Yatirim Ortakligi A.S.), and (22.40 %) is for other shareholders It has around 285 Branches operating inside Turkey and one branch in abroad and consists of 3,989 employees (turkiyefinans.com.tr).

Table 2.8: Türkiye Finans Katılım Bankası

Turkiye Finans Katılım Bankasi A.S.	Turkiye Finans Bank
Establishment Date	1991(Anadolu Finans): 2005 Turkiye Finans
Main Shareholders	The National Commercial Bank (67.03%) Gozde Girisim Sermayesi Yatirim Ortakligi A.S (10.57%), Other Shareholders (22.40%)
Chairman	Saeed Mohammed A. ALGHAMDI
General Manager	Wael Abdulaziz RAIES
Headquarters	Hurriyet Mah. Adnan Kahveci Cad. No: 131 34876 Kartal/ Istanbul/ Turkey
Web site	www.turkiyefinans.com.tr
Phone and Fax	+90 216 6867000
Swift Code	AFKBTRIS
EFT Code	206
Number of Domestic Branches	285
Number of Branches Abroad	1
Number of Representative Offices Abroad	-
Financial Subsidiaries Abroad	-
Number of Employees	3.989

2.6.5.3 Vakif katılım (Vakif Participation Bank)

The Vakif Katılım is established in February 2016 with 30 branches and 433 employees operating Islamic based financial performances. The main shareholder takes around (99%) is the Turkey's Prime Ministry's General Directorate of Foundations and the remaining one percent belongs to (0,25%) for (Bayazidhan-sani) Foundation plus Mahmud han-evvel Bin Mustafa han foundation also (0,25%) and again (0.25%) for Mahmud han-sani Bin Abdulhamid Han-evvel Foundation and finally the remaining (0.25%) goes to Murad Pasa Bin Abdusselam Foundation.

Table 2.9: Vakıf Katılım Bankası A.Ş.

Vakif Katalim Bankasi A.S.	Vakif Participation Bank
Establishment Date	2016
Main Shareholders	Turkish Prime Ministry's General Directorate of Foundations (99%), Beyazid Han-i-Sani Foundation (0.25%), Murad Pasa Bin Abdulsselam Foundation (0.25%)
Chairman	Ozturk ORAN
General Manager	Ikram GOKTAS
Headquarters	Gulbahar Mahallesi Buyukdere Cad No: 97 Sisle/ Istanbul/ Turkey
Web site	www.wakifkatalim.com.tr
Phone and Fax	+90 212 337 80 00 / +90 212 337 80 90
Swift Code	VAKFTRIS
EFT Code	210
Number of Domestic Branches	30
Number of Branches Abroad	-
Number of Representative Offices Abroad	-
Financial Subsidiaries Abroad	-
Number of Employees	433

2.6.5.4 Ziraat katılım (Ziraat Participation)

Ziraat Katılım has established in 2015 with 664 employees and 44 branches in all over Turkey. The main shareholder is (T.C. Ziraat Bankası) with (99%) shares.

Participation banks 2016 (TKBB) Participation bank association of Turkey, AUDITORS Süleyman SAYGI-Ismail GERCEK.

Table 2.10: Ziraat Katılım Bankası A.Ş.

Ziraat Katalim Bankasi A.S.	Ziraat Katalim Bank
Establishment Date	2015
Main Shareholders	T.C. Ziraat Bankasi A.S. (99%)
Chairman	Huseyin AYDIN
General Manager	Osman ARSLAN
Headquarters	Hobyar Eminonu Mah, Hayri Efendi Cad, No: 12 PK: 34112 Fatih/ Istanbul/ Turkey
Web site	www.ziraatkatalim.com.tr
Phone and Fax	+90 212 404 10 00 / +90 212 404 10 80
Swift Code	ZKBSRIS
EFT Code	209
Number of Domestic Branches	44
Number of Branches Abroad	-
Number of Representative Offices Abroad	-
Financial Subsidiaries Abroad	-
Number of Employees	644

2.6.6 The products of Turkish participation banks

- Types of accounts in Turkish Participation Banks.

The Participation Banks hold three types of account in general such as Current Account, Savings Accounts and Investment Account.

2.6.6.1 Current accounts

In this sort of accounts the costumers are able to withdraw their deposit and any time. Account is focus on the purpose of meeting the needs for consumption of trading whenever they are available for circulation and it enables also the cheque-book opportunities.

These types of accounts are not affected by the profit or loss principles of Islamic banks, means that in case of profit or loss in other activities of the banks these types of accounts are safe and stay unaffected but loans in Islamic Banking is valid for these accounts (Birben, 2013).

2.6.6.2 Saving account

Customers with a little amount of saving that wishes to keep them in a safe place for a future need then the Banks offer them the Saving accounts. Withdrawal system is exactly like the Current account and allows the depositor to withdraw at any time. Banks offers money to the saving accounts but it provide particular distinctions to pay owners such as investing in the light projects and payments sale of consumption goods. The following criterias can be used for to open a Saving account.

- In order to take part in the profit lost strategy the owner of these accounts may switch to Investment accounts instead of Saving accounts.
- Owners can Participate in the profit lost operations of Islamic banks by sharing some of the deposit to the Investment accounts to gain profit or loss and some in Saving accounts to get access to withdraw at any needed time.
- Or just get the advantages of saving accounts without any profit lost strategy.

The Saving accounts are specified as the shipment in Malaysia Islamic Bank. And in other banks loan in Islam. As good manner it is also possible to appraise profits which are paying with no guarantee to Savings owners (Payment of the liability with no condition) (*Advised of Prophet Mohammed*) (Birben, 2013).

2.6.6.3 Investment accounts

Generally interests are forbidden in Islamic based principle *Shariha* and for the costumers who do not prefer any interest in their saving funds so the bank proposes them the Investment account that allows the depositors in participating of the profit sharing investment accounts and they receive a certain amount in a certain period of time according to their saving and time (Birben, 2013).

3. CONVENTIONAL BANKS

Even though here, the Conventional and Interest free Banks has introduced. Further the early form of the Conventional Banks is about 5000 Years older than Interest Free Banks or Islamic banks, but if analyzing their vast numerous progress than Conventional banks have around 500 years of historical privilege (Perišin, 1996:102).

3.1 Overview and Background of Conventional Banking System

The primary forerunners of the Banks pursued or traced back to the ancient times or (Greece, Middle East, Rome) during this time from 3400 BC to 3200 BC in Middle East the origin and development of the Banks were dependent and linked to some kind of religious beliefs, so the founder of the banks were the temples. But after the Hammurabi's Code on Banks from the year of 2500 BC, the whole system of banks has changed from a religious view of activity to type of commercial activity, means it got out from the temples and then the actual and true banking practices began. The Lombardy region of Italy was the first place that the modern banking system took its shape and (Casa di San Giorgio) considered to be the first bank in Genoa Italy that came to existence in 1407 (Perišin, 1996:102).

Through the history a huge Growth in human needs in arena of trade and scale of production was a reason of growth in banking system. Raise in the toward capital in production and trade influence and develop in attention of capital in the banking system. These situations means politically and economically has paved the way for the establishment of current banking system as we know today. So during the 19th century and world war first is characterized by bank specialization, but actually the improvement of the modern and new banking system has seen in the globalization processes (Nikolić and Pečarić, 2007:198).

So the modern banking system can be traced in the Italy in the cities of Genoa, Florence and Venice. The bankers in Italy used to give types of loans to Princes, for the support of their bounteous lifestyle as well as the war, Also they used to give loans to merchants as well to assist them engaging in international trade. The Bardi and Peruzzi for the comforting their business operations who were overcoming in the 14th century in Florence established some other branches in many parts of Europe. And both of these banks prolonged sort of vital loans to Edward 3th of England to fund the 100 years of war versus France. But Edward and the banks both failed (Hoggson, 1926:1).

3.2 Types of Products in Conventional Banks

3.2.1 Credit card and overdraft

Credit Card are usually is to get cash from ATMs and facilitates to but goods from supermarkets or any other sort of payments without carrying cash in your pocket. But the easiness of Overdrawing is also attainable for the costumers of Conventional banks but the interest charges may apply. It is similar to the Credit Cards but the limit of the withdrawal amount is set by the banks. It is similar to (Murabaha) profit sharing types of facility which is proposed only by the Islamic banks but differences are the here the banks hand you cash to get your favorable good but in (Murabaha) the banks offers you the particular good instead of giving you cash. Conventional banks charge interest for this loan they give you but Islamic banks in (Murabaha) Type only the profit is gained after the good is received by the costumer and as no extra charges may apply as it is forbidden by the law of (*Sharia*) (Hanif, 2014:166-175).

3.2.2 Agricultural loans

The agricultural loans offered by the Conventional banks are divided into short-term loans and long-term loans. Basically farmers may request for short-term loans to access fertilizer and other related or seeds according to their needs and the long-term of these loans may apply by farmers in case of accessing new technology or spreading their agricultural lands. Loans plus a pre-determined percentage of interest may returned back to the banks after the farmers sell their products. Islamic banks offer such types of loans as well but contracts are

different and in every of the agreements conditions may apply, contracts such as (Salam), (Mudarabah), (Musharakah), (Murabaha) (Hanif, 2014:166-175).

3.2.3 Short, medium and long-term loans

Short-term loans are there for any individual regardless of its wealth or any firm may face the shortage of cash flow. And these sorts of loans are offered by banks plus a pre- determined percentage of interest with a particular return time.

For some reasons most of the firms may apply for the long term or medium loans to attain their organizational goals. The medium loans arrive when firms desire to access more equipment or specified tools but the banks feels a huge study and arrange a provisional plans for these agreements from any angle as it is risky because of the duration of the loan and firms may even ask for an extend (Hanif, 2014:166-175).

3.2.4 Housing finance

The most maintained form of funding is Housing loans for both Conventional and Islamic banks in Conventional banks as traditionally the loans is paid for a percentage rate of interest while in Islamic banking system the banks uses their (Musharakah). And in (Musharakah) the house is gained by the bank and Customer (Hanif, 2014:166- 175).

3.3 Risks in Conventional Banks

3.3.1 Market risk

The market risk arrives from a doubt of gains from variations in situation of market. While the market parameters are not stable then this type of risk can occur (stock indexes, interest rate and exchange rates) so the outcome of the volatile marketplace new technology and liberalization are along by a considerable rise in market risk (Thirupathi and Manoj, 2013:145-153).

Market risks include the below ones.

3.3.2 Credit risk

Credit risk focuses on the bank borrowers when they fail to return the specified loans back to the banks on an agreed period of time. As described before these

types of accounts usually holds as the riskiest ones and threatens the banks health (Thirupathi and Manoj, 2013:145-153).

3.3.3 Exchange risk

The exchange loans arise in the banks from borrowing as well as lending in a foreign currency more than a year. Or it can occur when the bank is facing an inadequate exchange rate (Thirupathi and Manoj, 2013:145-153).

3.3.4 Liquidity risk

Liquidity risks enters when banks face shortage of liquidity to deal with some unanticipated of its needs. If depositors find out of the condition they may panic and ask for cash withdrawal and this panic of the depositors may lead to bank to an unexpected bankruptcy (Thirupathi and Manoj, 2013:145-153).

4. RESEARCH METHODOLOGY

In this chapter, it will be determined that which method is going to be used in this study as well as the scope of the study will be specified with all the data collection method , dependent and independent variable and the analysis tools or methodology will be introduced and detailed.

4.1 Data Collection

The whole data has gathered from the annual reports from the (BDDK) Banking Regulation and Supervision Agency of the Participation and Conventional banks in Turkey. The research has done on thirty two Conventional banks and five Participation or Islamic banks which are currently available and performing in the banking sector of Turkey.

The data has been gathered though the Primary and secondary sources, in primary sources data has been gathered through the interviews and visions of some Participation banks as well as Conventional bank's managers and staffs regarding their opinions of Participation and Conventional banking system in Turkey, secondary data sources has been collected from(BDDK) or Banking Regulation and Supervision Agency in Turkey, In secondary data all the consolidated balance sheets and income statements of three Conventional and three Participation or Islamic banks in Turkey has been gathered between the 2012 and 2016 for five years to examine and test the performance of Participation and Conventional banks in Turkey. The five Participation or Islamic banks that the data has gathered are (*Turkiye Finans*), (*Albaraka Bank*), (*Kuveyt Turk*), (*Ziraat Katılım*) and (*Vakıf Katılım*) and the Conventional Banks consists of thirty four banks which are listed in BDDK official site.

4.1.1 The profitability ratio

Basically profitability ratios in the banks are the symbol of determination of the capability and the strength of the banks to produce and generate the gains

compared to the expenditure and other related costs in a specified period of time. So to appraise the profitability of a bank's performance it is required to utilize the ratios such as (ROA) Return on Asset and the (ROE) Return on Equity, Gross margin profit, and Net margin ratio.

- The formula regarding finding the Return on Asset is equal to = Net profit / total asset, the superior value of the (ROA) indicates the greater ability of a firm.
- The formula for Gross margin profit is that gross margin profit/ sales and multiplied by hundred. The higher the ratio shows the better performance of the firm.
- The formula behind the Net margin is net profit / sales and multiplied by hundred. The higher the ratio shows greater performance of the firm.
- The formula behind the (ROE) is equal to = Net Profit / Equity. So the greater value of (ROE) determines the greater financial performance. It signifies the effectiveness of how banks use the funds of their shareholders.

The factor which determine the profitability of a bank;

- Profitability
- High percentage of loans in total assets
- High proportion of customer deposits
- Good efficiency
- Low doubtful assets ratio
- Higher capital ratios also increase the bank's return, but only when return on assets (ROA) is used as the profitability measure.

4.1.2 The liquidity ratio

The liquidity ratio specifies the availability of the cash in a bank to pay to depositors and other borrowers in case of demand. Or it is a ratio among the assets liquidity and liabilities of banks or other financial institutions.

The liquidity ratio consists of current ratio or loans/ deposits ratio, and can be measured as follow:

- The formula for current ratio is the current assets / by current liabilities. So the higher the value of the cash deposit ratio means the more liquidity of the banks.
- Loans to deposits can be found by dividing the gross loans to deposits and multiply by hundred. And it determines the liquidity ratio of a bank.

The Composition of the liquid assets of a bank;

- Balance of cash management with other banks
- Availability of cash in hand
- The advances
- The investments

The factors that specify the liquidity or cash availability in a bank;

- The nature of bank account
- The banking habits of costumers
- The structure of the banking system
- Nature of the advances
- The types of the deposits

4.1.3 Asset quality ratio

The asset quality ratio sometimes also defined as the loss in loans ratio or it can also measures the loan impairment charges during a certain period of time as a percentage of advances or loans paid to the costumers.

- To get the asset quality ratio we need to define the asset quality ratio as well as the loan quality ratio.
- To find out these two ratios for measuring the asset quality ratio the following formulas would be used.

Asset quality ratio = Non performing loans / Total asset

And Non-performing loans / Gross loans.

5. DATA ANALYZE

5.1 Data Analysis Approach

To test the financial performance of the both Islamic and non-Islamic banks, we need to examine and evaluate the financial ratios of the bank. The financial ratios to evaluate the financial performance of the banks were presented and introduced by Cole in (1972) cited in (Rosly and Bakar, 2003).

Here the ratios that are supposed to evaluate are divided under the three classes or categories such as profitability ratio, liquidity ratio and asset quality ratio, and are going to be tested and evaluated according to their values to help us gain knowledge about our selected bank's financial performance.

So to define the profitability ratio of the banks we need to take the return on asset and return on equity. The liquidity ratio is defined by taking by dividing the loans to deposits.

And the asset quality ratio is determined by dividing the loans impairment charges to total asset and the non-performing loans divide by gross loans.

And to test the financial performance of both Participation and Conventional banks we will evaluate the T-Test as well in our study as it helps us define and assess the mean of our financial ratios like profitability, liquidity and asset quality of both types of banks and evaluate it statistically to understand whether the mean is there any significant difference between our two banking models or no.

These financial ratios determine and describe the financial weaknesses and the financial strengths of both types of banks from the values that need to be obtained from the annual reports and income statements of the banks.

Table 5.1: Five Years Ratios of Turkish Conventional Banks

Ratios in %	2012	2013	2014	2015	2016
ROA	1.84	1.63	1.36	1.18	1.51
ROE	16.81	15.11	13.29	11.96	14.95
LOANS/DEPOSITS	101.88	109.30	116.63	117.98	117.49
NPL/TOTAL ASSET	1.73	1.71	1.81	2	2.21
NPL/GROSS LOANS	2.93	2.97	2.84	3.09	3.37

Source: Banking Regulation and Supervision Agency (BDDK)

Table 5.2: Five Years Ratios of Turkish Participation Banks

Ratios in %	2012	2013	2014	2015	2016
Roa	1.47	1.26	0.15	0.35	0.92
Roe	14.69	13.75	1.58	4.08	10.69
Loans/Deposits	104.94	107.91	107.71	108.24	102.47
Npl/Total Asset	2.15	2.35	3.05	3.60	2.45
Npl/ Gross Loans	3.01	3.42	4.54	5.40	3.92

Source: Banking Regulation and Supervision Agency (BDDK)

Indicators of profitability ratio

Indicators of Liquidity ratio

Indicators of Asset quality ratio

5.1.1 Profitability ratio

Return on asset and return on equity ratios are the key determination of describing the profitability ratios of banks. Profitability ratios are used to express the potential and capability of banks to generate more profit and more earnings compared to their expenditures in a certain period of time.

- The return on asset (ROA) and return on equity (ROE) are going to use to gain knowledge about the profitability performance of banks.

- Net profit / Total asset is equal to return on asset and Net profit / Shareholder's equity is the determination of return on equity. The higher value ratios are the indicator of greater performance and higher profitability.

5.1.2 Liquidity ratio

The rate of the liquidity ratio in the banks is the determination of available asset that may convert to cash at any time needed or required for the depositors or borrowers. So for measuring this ratio we may divide the loans to deposits to get the ratio of the liquidity. The higher ratio is the indicator of being more liquid or holding enough cash to meet the needs of the depositors.

5.1.3 Asset quality ratio

One of the most critical areas to determine and pointing out the overall financial conditions of a bank is indicated by the asset quality ratio. Basically loans in banks are typically consists of bank's major and a large portion of its assets and it can also hold a significant amount of risk to the live of a bank. In spite of that there are other factors that can affect the asset quality such as securities, real estates and other assets like off- balance sheet items or cash due from accounts and other things like fixed assets and promises.

The management system to administrate and handle the overall conditions in financial areas is required a significant talent, knowledge and other resources like loan portfolio, so to successfully manage this sort of problems the evaluators and examiners must focus on overall situations and review a bank's assets.

5.2 Findings

In this section the financial performance of both Participation (Islamic) and Conventional banks in Turkey will be evaluated according to the data that has been gathered from Banking Regulation and Supervision Agency (BDDK) and measured according to the formulas that has specified before. After the evaluation and measurement the result would be illustrated.

Table 5.3: Means of Profitability, Liquidity and Asset quality ratios from 2012 to 2016

Means	Conventional banks	Islamic Banks
ROA	1.5	0.83
ROE	14.42	8.95
Loans/deposit	112.65	106.25
NPL/Total asset	1.89	2.75
NPL/Gross loan	3	4.05

Source: Banking Regulation and Supervision Agency (BDDK)

5.2.1 Profitability comparison

According to our evaluation as indicated by figure number one, it presents that the return on asset of Conventional banks is equal to 1.5% while the return on asset for the Participation banking 0.83% .

So the current calculation indicates that the ratio for Conventional banks is higher which means Conventional banks in Turkey are performing better than the Participation or Islamic banks in terms of return on asset.

In terms of return on shareholder's equity the ratio for Conventional banks stand 14.42% while the ratio of Islamic or Participation banks is 8.95%. So it is pointed that non Islamic banks are having a higher ratio on return on equity compared to Participation banks which are currently performing in Turkey.

According to our current findings the non-Islamic banks or Conventional banks in Turkey are performing better and are more capable for generating higher profit for their shareholders as well as for their assets rather than the Participation banks.

Table 5.4: Profitability Comparison

	Return on asset	Return on equity
Conventional banks	1.5	14.42
Islamic banks	0.83	8.95

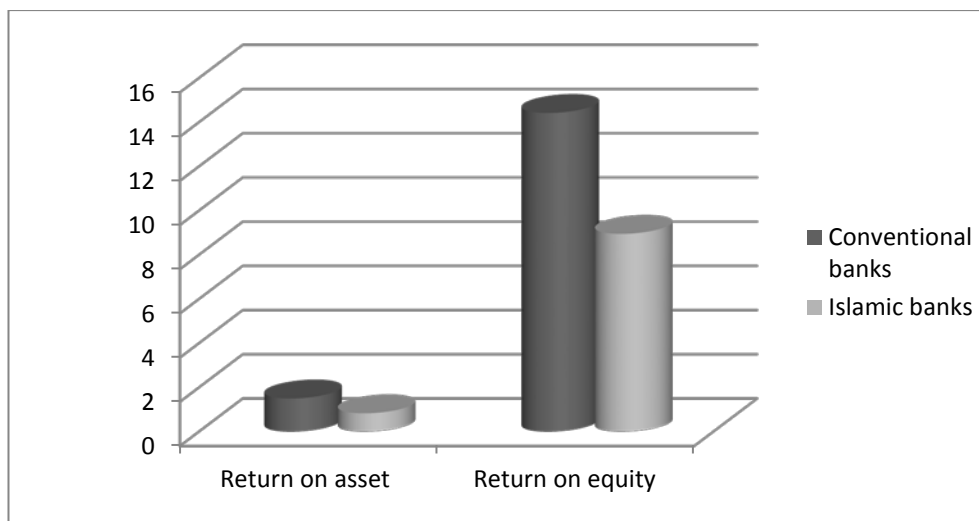


Figure 5.1: Profitability Comparison

5.2.2 Liquidity comparison

As figure number two presents the comparison between Participation and Conventional banking system in term of average liquidity ratio.

So the measurement indicates that the average liquidity ratio or cash deposit ratio of Islamic banks is around 106.25% whereas the average liquidity ratio for Conventional banks is 112.65%. According to our current data after the evaluation the data illustrated that non Islamic banks in Turkey are more liquid rather the Participation or Islamic banks.

Turkey is a secular country and according to the estimation of the government of Turkey the population ratio related to religion the Muslims stand around 99.8% where some other sources indicated a lower ratio which is 96.4% of population are Muslims.

So the Islamic banks has a limited scope and must be more liquid as they can't invest in any business or they only invest according to Islamic law (shariha).

But here the data is showing that Conventional banks are more liquid that the non-Islamic banks.

Table 5.5: Liquidity Comparison

	Liquidity ratio
Conventional banks	112.65
Participation banks	106.25

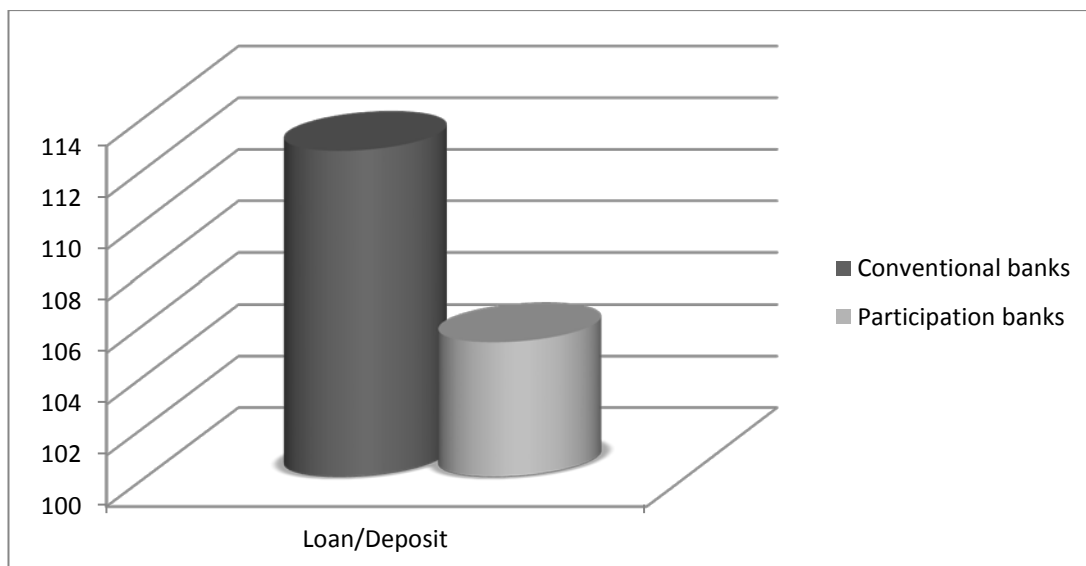


Figure 5.2: Liquidity Comparison

5.2.3 Asset quality comparison

In figure number three it is pointed out the ratios that can define the asset quality comparison between Participation banks and Conventional banks in Turkey.

The rating of asset quality ratio reflects the potential and quantity existing of credit risk which is associated with investment portfolios, loans, other assets and other real estate owned as well as some other transactions like off-balance sheet transactions.

Here the management capability to identify and control the risk is also reflected. The evaluation of asset quality some tips are there that should be considered while evaluating like the adequacy of the allowance for lease losses and loans, or weigh the exposure to issuer or counter-party or maybe the borrower loss under the implied contractual deals.

All other defaults which may affect the marketability or value of a financial institution's assets including but may not be limited to market, reputation, operation, strategic or compliance risks also should be considered.

Here to evaluate and compare the asset quality of two banks or two financial institutions we must consider the asset quality ratio and the loan quality ratio as illustrated by the figure number three, after dividing the non-performing loans to total asset we got the asset quality ratio and according to our calculations we

received the average asset quality ratio for Conventional banks 1.89% while the average asset quality for Participation or Islamic banks is 2.75% respectively.

The illustration indicates that non Islamic banks have a lower ratio in terms of asset quality while Islamic banks have a higher one which is the indicator of being or having a poor asset quality. Need to mention once again that in term of asset quality a higher ratio is the indicator of having a risky asset quality while a lower ratio is determining of having a good asset quality.

In terms of loan quality the measurements point out that Non Islamic banks has an average ratio of 3% whereas the Islamic banks has an average ratio of 4.05%. The current result is pointing out that Non Islamic banks are having a lower ratio in terms of asset quality which means they have a strong asset quality compared to Islamic banks.

Table 5.6: Asset Quality Comparison

	NPL/Total asset	NPL/Gross loans
Conventional Banks	1.89	3
Participation Banks	2.75	4.05

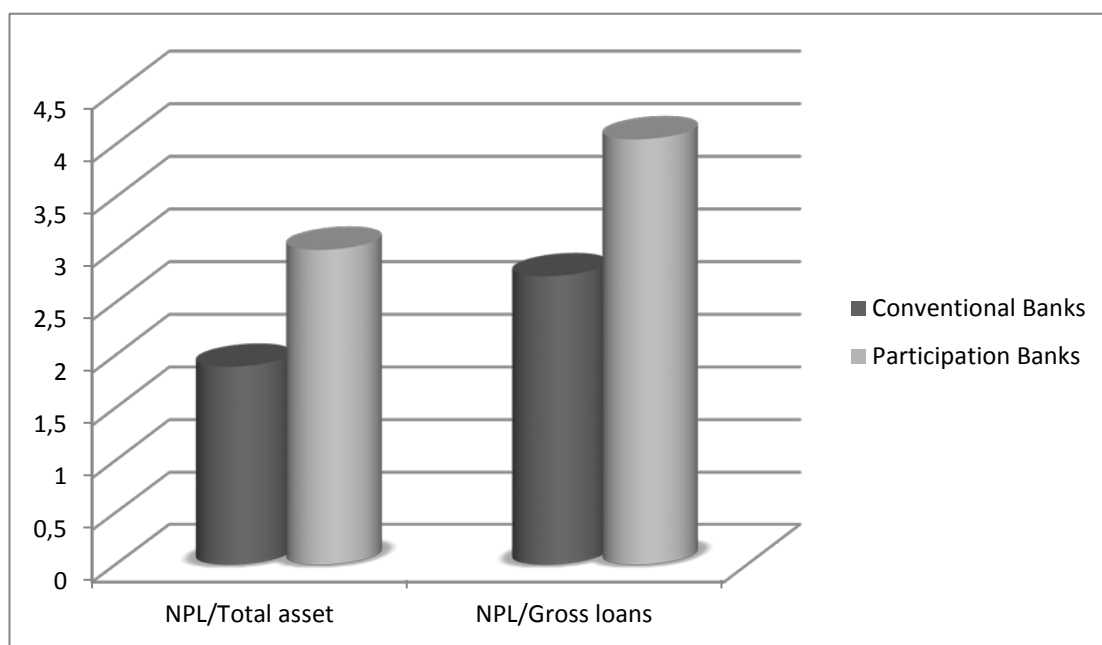


Figure 5.3: Asset Quality Comparison

6. Result

The general objective behind this study is to determine and to compare the financial performance of both Participation (Islamic) and Non Islamic banks in Turkey and to compare their financial ratios in terms of Profitability, Liquidity and the asset quality whether in current financial situation of Turkey which banking system getting more profit and which one of these two banking system is more liquid or have a better asset quality between the period of 2012 to 2016.

There must be mentioned that the current observation is only providing information about Turkish banking sectors it can't prove the same result for any other country. Here in general, Islamic banking system actually totally based on the principles of (shariha) and act as interest free banking system while Non Islamic banks are based on interest. The interest rate is forbidden in Islamic law or (shariha) while the Non Islamic banking system is based on interest rate system (Widagdo and Ika, 2008).

According to the (shariha) law principles the (Riba) or transactions which is included the interest is forbidden, the economic activities or other financial operations which are involving oppression or (zulm) is also prohibited as well as other financial operations like speculation (Gharar) prohibited too.

While Non Islamic banking system is operating according to debtor- creditor relationship which is occurring between a borrower and the bank or between the depositor and the bank.

We used three financial ratios which are Profitability ratio, Liquidity ratio and the asset quality ratio to compare the financial performance of Participation and Conventional banking system, so these three financial ratios are our independent variables and the financial performance of Islamic or Participation and Non Islamic or Conventional banks are our independent variable.

The banks chosen here in this study are 32 Deposit banks which are current actively operating in Turkey and 5 active Participation or Islamic banks. All the data has been collected from the BDDK which is the banking regulation and supervision agency of Turkey and expresses the balance sheet, income

statements and other related data of all the banks which are currently active and under operation in Turkey.

The study has reviewed and evaluated the five years financial performances and after the evaluation pointed out that in terms of profitability which is determined by return on assets of the banks and return on shareholder's equity Conventional banks are performing better than Participation banks in Turkey which indicates that Conventional banks are two times more profitable than the Participation banks.

The reason here is because the principle of Deposit banks or Conventional banks is based on the interest which is happening between the borrowers and the bank or between the depositor and the bank.

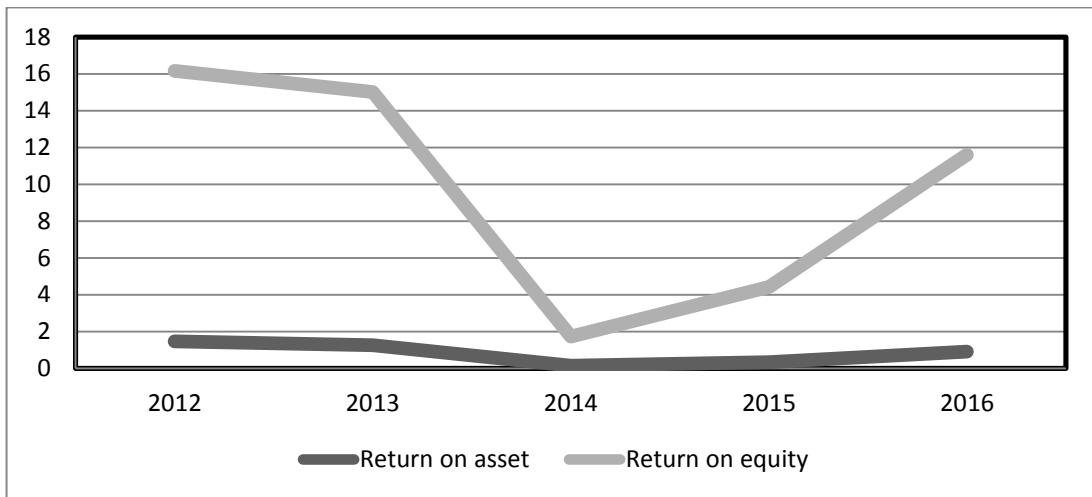


Figure 5.4: The Five Years Profitably Ratios of Participation Banks

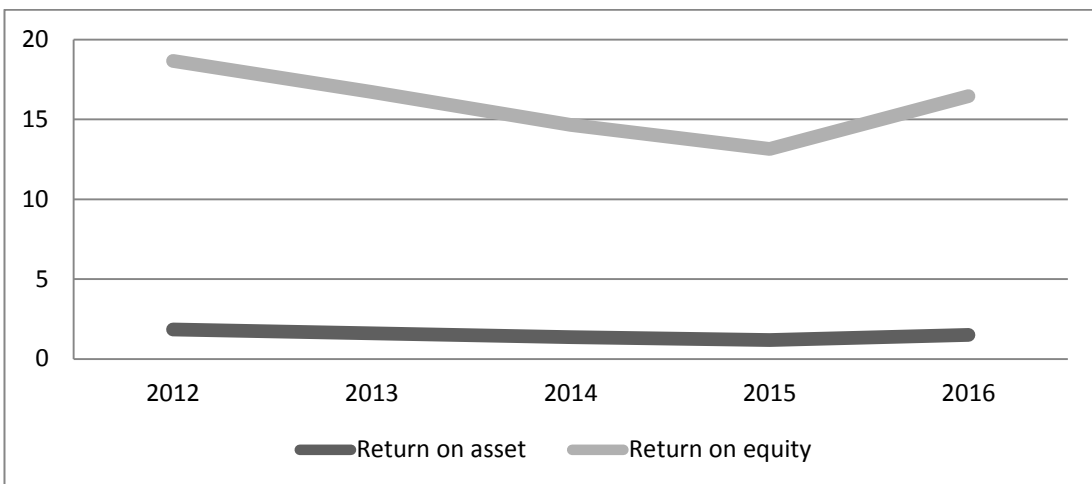


Figure 5.5: The Five Years Profitability Ratios of Conventional Banks

Figure number six and seven indicate the profitability ratios which are return on asset and return on equity there is no significant differences between the Participation banks and Conventional banks between the year of 2012 to 2013 but after these two years the graph suddenly falls down which is minimized from the profitability of Participation banking system in Turkey.

In terms of the liquidity data indicates that Islamic banks are poor in liquidity than the Conventional banks. Actually there is no such a huge difference the data has pointed out a small difference in between, in reality the Islamic banks must be more liquid than the Conventional banking system because their transactions are limited by the Islamic law or (shariha) and this principle doesn't let them to all sort of agreement as they are allowed to perform and hold only limited business activities while Conventional banking system can invest in any type of business but still data is indicating a small difference between these two banking system.

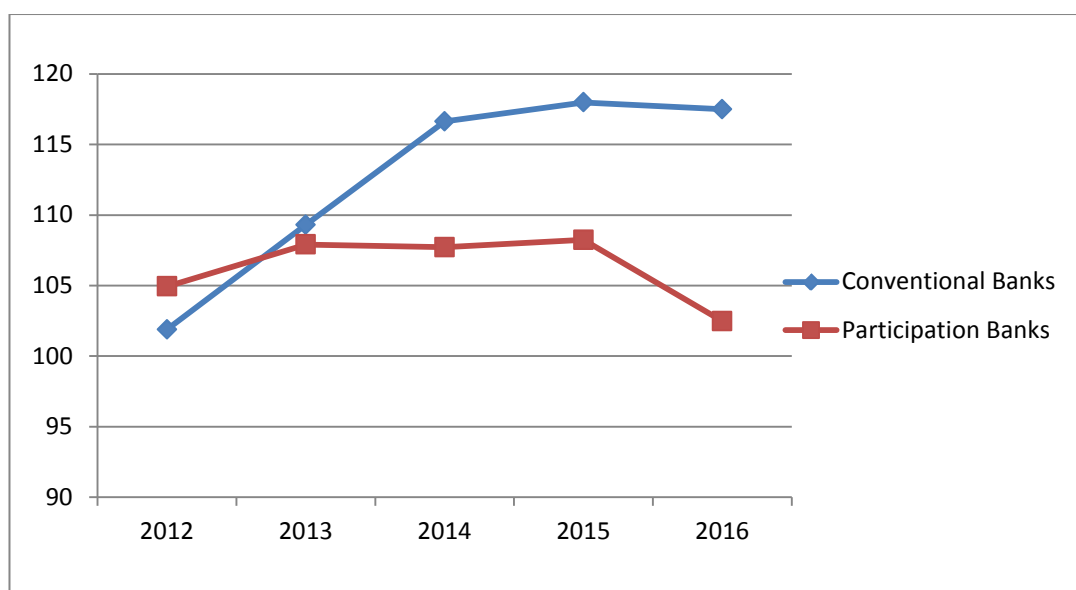


Figure 5.6: The Five Years Liquidity Ratio Comparison of Conventional and Participation Banks in Turkey.

The data that had collected from the BDDK or banking regulation and supervision agency has successfully evaluated and after the evaluation the measurement shows that Participation banks are more liquid between the year of 2012 and 2013 rather than the Conventional banks but after 2013 the liquidity rate of Participation has fell down and the liquidity rate of Conventional banks just increased after that.

To compare the asset quality ratios between the conventional and Participation banks the study points out all the evaluation and measurements in figure seven.

The figure number seven indicates that Non Islamic banks are holding a better asset quality than the Islamic banks, to measure and understand the asset quality ratio of the banks we need to take few steps in order to get a specific answer, asset quality ratio can be evaluated by taking the non-perform loans to total asset and again the non-performing loans to gross loans. After measuring both of these ratios we may get the mean of them and evaluate according to the requirements.

It should be noted that high rate of ratio in asset quality is the determination of having a poor asset quality and low ratio rate of asset quality means of holding a wealth and strong asset quality.

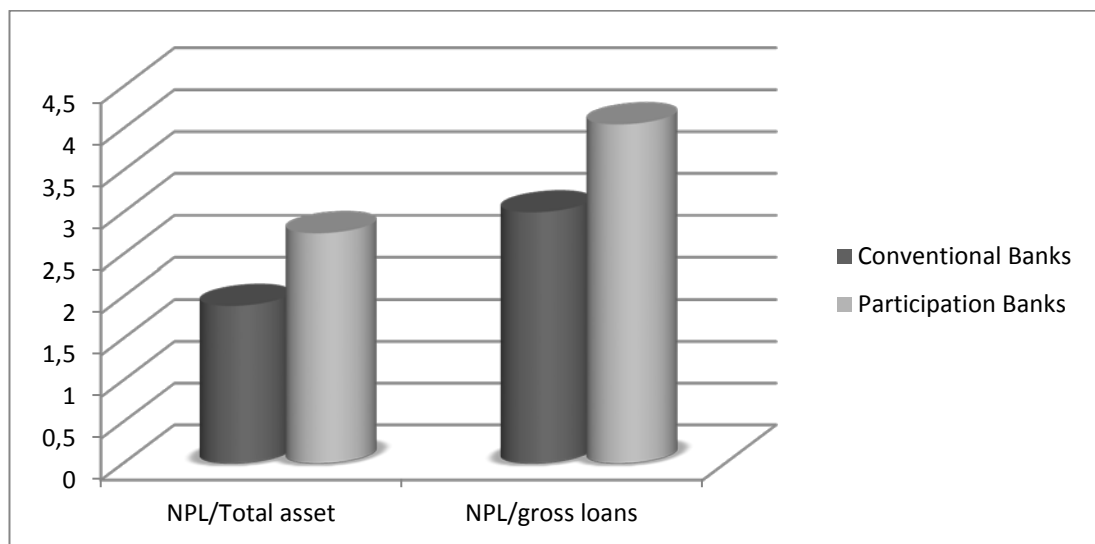


Figure 5.7: The Asset Quality Ratio of Participation and Conventional Banks in Turkey

The above data calculations is indicating that the ratios for Participation or Islamic banks are higher than the Conventional banks and that means that participation banks are holding a poor asset quality rather than the Conventional banking system.

If we show it in graph it shows that Conventional banks are getting more better and better since during these five years and graph is describing according the given ratios, on the other hand while looking at the ratio rates of participation

banks from 2012 we can notice that their asset quality is just starting getting poor and poor according to figure number 8.

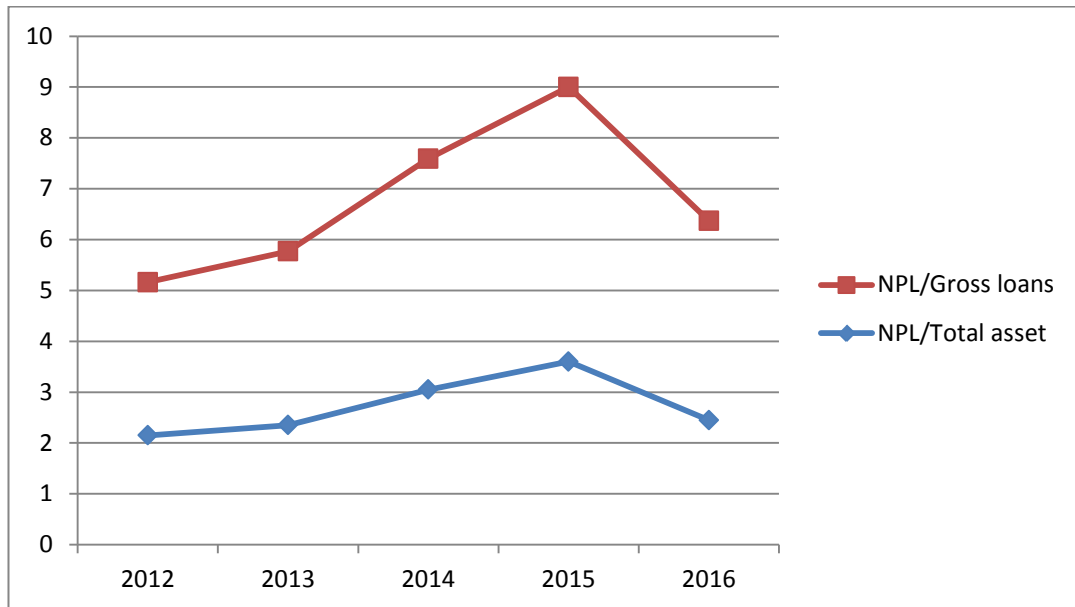


Figure 5.8: The Five Years Asset Quality Ratios for Participation Banks of Turkey.

6.1 Conclusion of the Study and Suggestions

The purpose of this research was to study the differences and similarities of financial performances of the Conventional banking system and Participation banking system for five period years which is from 2012 to 2016 only in Turkey.

The study wanted to implement a research to determine the profitability, liquidity and asset quality of these two banking system.

Here after we got all the data and analyzed all together and got our research's main objectives which has pointed out that in Turkey between the years of 2012-2016 the Conventional banking system was more profitable more liquid and hold and better and stronger asset quality while the Participation banks is still behind.

Table 5.7: Values Are According To Percentage

Financial Ratios	Means of Conventional banks	Means of Participation banks
Profitability		
Return on Asset	1.5	0.83
Return on Equity	14.42	8.95
Liquidity		
Loans/Deposit	112.65	106.25
Asset Quality		
NPL/Total Asset	1.89	2.75
NPL/ Gross loans	3	4.05

Interest is prohibited in Islamic financial agreements. So the Islamic banking system holds a participatory sort of business transactions it means they are working according to the Islamic law (Shariha) which is profit sharing and that is the reason Islamic banks are called Participation banking system.

The study focused on the period of five years from 2012-2016 which presented in general the Non-Islamic banks are performing better in terms of profitability, liquidity and asset quality as we reviewed the five years ratios of both of these banking system the non-Islamic banking system had a bigger and better performance and accessibility to turkey and owned a higher market share than the Participation banks. The Turkish Participation banking system and products are finite and their scope is limited. But still the study suggests for more research that must be done after the 2016 because due to these five years period the two new Islamic banks established and their data are limited to only two to three years and due to this reason study is suggesting for more research as well as maybe in future they perform better and as the government planned to increase the market share of Turkish Participation banks from 5% to 15% by the year of 2023.

And this will increase their financial functions and financial productions. And another reason that the study suggests for more research and for more study is because, according to data which are appeared in graph type also after 2013 there was huge loss in the Turkish Participation banking system but just at the end of 2016 it just got better and performed a little bit better as the graphs

indicate better so more studies should be taken for this research and that would be better if they take the years after 2016.

As the number of participation banking is increasing so it is also clear that the Turkish participation banks are increasing in size and in number and gets more available and accessible to more people in Turkey.

While the Islamic banks started their activities in Turkey they were offering only about 6-8 products according to Islamic law of (shariha) which made their availability reach to a narrow and limited but they are also progressing each year and the new participation banking products has focusing for their customers more and more accessibility for all people in every aspect. But still there are some weaknesses and strengths of the participation banking in Turkey.

The strengths of the Turkish participation banking system is that the Turkish government is supporting the growth of the Islamic financial system by announcing the goal and plan to increase the market share of the Turkish participation banking from 5 % to 15% by the year of 2023.

And as the number of Turkish participation were little but two other state-owned banks planned to open their Islamic banking operations in 2014 and this establishment can cause the public awareness of Islamic banking system and gradually will increase their customers. But there is weaknesses as well as their market share stands only at 5% of total banking sector which limits their banking activities in the society.

Another weakness is that still there is a huge gap and a big difference for Turkish participation banks to understand and comprehend the real Islamic finance.

Table 5.8: Five Years Ratios of Turkish Conventional Banks

Ratios in %	2012	2013	2014	2015	2016
ROA	1.84	1.63	1.36	1.18	1.51
ROE	16.81	15.11	13.29	11.96	14.95
LOANS/DEPOSITS	101.88	109.30	116.63	117.98	117.49
NPL/TOTAL ASSET	1.73	1.71	1.81	2	2.21
NPL/GROSS LOANS	2.93	2.97	2.84	3.09	3.37

Table 5.9: Five Years Ratios of Turkish Participation Banks

Ratios In %	2012	2013	2014	2015	2016
Roa	1.47	1.26	0.15	0.35	0.92
Roe	14.69	13.75	1.58	4.08	10.69
Loans/Deposits	104.94	107.91	107.71	108.24	102.47
Npl/Total Asset	2.15	2.35	3.05	3.60	2.45
Npl/ Gross Loans	3.01	3.42	4.54	5.40	3.92

REFERENCES

- Academy for International Modern Studies (AIMS), (2011).** (n.d.). Conventional vs Islamic banking system Retrieved September 28, 2011, from <http://www.kan takji.com/fiqh/Files/Banks/c1010.pdf>.
- Adekanye, F.** (1993). “A Multivariate Regression Analysis Approach to Commercial Bank’s Performance in a Developing Country”, *PhD Dissertation, Department of Banking and International Finance*, City University of London, London.
- Adnan, M., and Ramlan, H.,** (2015). The Profitability of Islamic and Conventional Bank: *Case study in Malaysia, Procedia Economics and Finance*, 35, pp. 359-367.
- Akhtar, M.F., Ali, K. and Sadaqat, S.** (2011). “Liquidity Risk Management: A Comparative Study between Conventional and Islamic Banks of Pakistan”, *Interdisciplinary Journal of Research in Business*, Vol. 1 No. 1, pp. 35-44.
- Akhtar, S.** (2007). Islamic Finance Growth, Competitiveness and Sustainability, 14th World Islamic Banking Conference, Bahrain, Dec.
- Altan,** (2010).
- Altan, Mikail,** (2010). “Faisiz Bankacılığın Temelleri”, *Islam Hukuku Araştırmaları Dergisi*, sy.16, s.125-140
- Ansari, S. and Khalil-ur-Rehman, S.Z.** (2011). “Comparative financial performance of existing Islamic Banks and contemporary conventional banks in Pakistan”, *2nd International Conference on Economics, Business and Management*, IACSIT Press, Singapore
- Article of Institute of Islamic Banking and Insurance** (2012). Retrieved from (islamicbanking.com/islamic-finance.aspx).
- Attijari Wafa Bank Database** (2008-2014).
- Austruy, Jaques** (2006). “L’Islam Face Au Développement économique”, *Collection Économie Et Humanisme, Les Éditions ouvrières*. Paris, pp.52-55
- Banks in Turkey,** (2017). Publication No: 328 *The Banks Association of Turkey Certificate No: 17188 2018.34.Y.5327.328* (kuveytturk.com.tr).
- Birben, Birol.** (2013). “Developments of New Interest – Free Banking Instruments in Turkish Participation Banking Sector” 109673051, Yüksek Lisans Tezi, İstanbul Bilgi Üniversitesi Sosyal Bilimler Enstitüsü.
- Chong, B.S. and Liu, M.H.** (2009), “Comparative.....”, *Academica Brâncuși* publisher, issn 2344 –3685/issn-l 1844–700 b.s. pacific-basin finance journal 17 (2009) 125-144’
- El-Gamal, M. A.** (2006). Islamic finance: Law, economics, and practice.
- Faruq, Ahmad Abu Umar and Hassan, M. Kabir,** (2007). “Regulation and Performance of Islamic Banking in Bangladesh”. *Thunderbird International Business Review*, 49, no. 2: 251-277.
- Franklin and Carletti,** (2008). “bb.org.tr”.
- Hawalidar, I.T., Pinto, P. and Loksha.,** (2016). “An Empirical Analysis of Performance of Retail and Wholesale Conventional Banks in Bahrain”.

British Journal of Economics, Finance and Management Sciences, 12(1), 1-10.

Islamic Conference Held in Riyad, (1980). (PDF) Performance comparison of Islamic (participation) banks and commercial banks in Turkish banking sector. *Islamic Financial Architecture*, 479.

Islamic Finance (2012). Journal of Islamic Research and Training Institute (IRTI) Cambridge University Press of Turkey survey with focus on retail

Kettell (2011).

Organization Islamic Conference (Oic). Academica Brâncuși” Publisher, Issn 2344 –3685/Issn-L 1844 – 700.

Tarawneh, M. (2012). “Comparison of Financial Performance in the Banking Sector: *Travel & Tourism Economic Impact, Turkey*.

Turkey Islamic Finance Report (2014). Fundamentals and the Promise of Growth (2014), IRTI, Thomson Reuters

Yudistira, D. (2003). Efficiency in Islamic banking: An empirical analysis of 18 banks.

APPENDICES

Appendix A: The list of all 32 Deposit Banks in Turkey

Appendix B: List of all Participation (Islamic) Banks in Turkey

Appendix A: The list of all 32 Deposit Banks in Turkey

1	Türkiye Cumhuriyeti Ziraat Bankası
2	Türkiye Halk Bankası
3	Türkiye Vakıflar Bankası Akbank
4	Alternatif Bank
5	Anadolubank
6	Fibabanka
7	Akbank
8	Tekstilbank
9	Türk Ekonomi Bankası
10	Turkish Bank
11	Türkiye Garanti Bankası
12	Türkiye İş Bankası
13	Yapı ve Kredi Bankası
14	Adabank
15	Birleşik Fon Bankası
16	Burgan Bank
17	Citibank
18	Denizbank
19	Deutsche Bank
20	QNB Finansbank
21	HSBC Bank
22	ING Bank
23	Odea Bank
24	Turkland Bank
25	Bank Mellat
26	Habib Bank Limited
27	JP Morgan Chase
28	Portigon AG
29	Royal Bank of Scotland
30	Société Générale
31	Arap Türk Bankası
32	Şekerbank

Appendix B: List of all Participation (Islamic) Banks in Turkey

1	Albaraka
2	Kuveyt Turk
3	Turkiye Finans
4	Vakif Katilim
5	Ziraat Katilim