T.C.

ATILIM UNIVERSITY

GRADUATE SCHOOL OF SOCIAL SCIENCES

DEPARTMENT OF BUSINESS ADMINISTRATION

BUSINESS ADMINISTRATION DOCTORAL PROGRAMME

THE EFFECT OF CORPORATE GOVERNANCE AND RISK MANAGEMENT AS RELEVANT ACCOUNTING TECHNIQUES ON THE PERFORMANCE OF ISLAMIC VS. CONVENTIONAL BANKS IN TURKEY

Dissertation

Adnan Mohammed Alrujoubi

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Dissertation

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Ankara-2021

ACCEPTANCE AND APPROVAL

This is to certify that this dissertation "The Effect of Corporate Governance and Rısk Management as Relevant Accountıng Technıques on the Performance of Islamıc vs. Conventıonal Banks in Turkey" and prepared by Adnan Mohammed ALRUJOUBİ meets with the commitee's approval unanimously as Dissertation in the field of Business Administration following the successful defense of the dissertation conducted in 26/07/2021.

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ÖZ

Alrujoubi, Adnan. İlgili muhasebe teknikleri açısından kurumsal yönetim ve risk yönetiminin tyürkiye'de islami bankalar ve geleneksel bankaların performans üzerine etkisi, Doktora Tezi, Ankara, 2021.

Bu çalışmanın en temel amacı Türkiye'de İslami bankalar (İB) ile geleneksel bankaların (GB) performanslarını etkileyen değişkenler arasında regresyon analizi yaparak iki banka türü arasındaki korelasyonları belirlemektir. Çalışmanın diğer önemli amacı ise CAMELS modeli kullanmak sureti ile bu banka türlerinin performanslarını karşılaştırmaktır. Bu çalışmanın önemi, banka performanslarının çok geniş kapsamlı kitleleri etkiliyor olmasından kaynaklanmaktadır. Takip eden kısımda araştırmanın ana başlıkları yer almaktadır:

1) Kurumsal yönetişim (KY), risk yönetimi (RY) ile ilgili teorilerin çoğu, iyi KY ve RY uygulamak için fikir birliğine sahip olan ve performans üzerinde mükemmel faydalar sağlayacak olan ekonomik teorilerdir.

2) Türk bankacılık sisteminin temel sorunları bankacılık sektöründe yabancı sermayeye bağımlılık, likidite krizleri ve faiz oranlarının hükümet kurallarıyla değişmesi nedeniyle yerel para birimi enflasyonu olarak sıralanabilir.

3) IB ve GB'ler arasındaki temel farklılık faiz oranlarıdır. Bunun sebebi İslami mevzuatın kullanımıdır. Bu farklılığı ikame etmek için Kar-Zarar Paylaşım (KZP) araçları kullanılmaktadır. Bu nedenle, onları karşılaştırmamız halinde sonuçlarda farklılık beklenir.

Çalışma verileri Türkiye Bankalar Birliği'nin internet sitesinden elde edilmiştir. Üç İslami banka ve 19 mevduat bankası çalışmaya dahil edilmiştir. Korelasyonları belirlemek için SPSS programı ve 2010-2017 yıllarına ait panel verileri kullanılmıştır.

Tüm hipotezler kabul edildiğinde, IB'lerin performansının genel olarak daha sağlıklı olduğu gösterilmiştir, bu bulgular IB'lerin geleceğinin muadil GB'lere kıyasla hala sağlam bir proje umudu verdiğini düşündürmektedir.

Anahtar Kelimeler: Kurumsal Yönetişim, Risk Yönetimi, İslami ve Konvansiyonel Bankaların Performansı, Finansal Muhasebe Oranları.

ABSTRACT

Alrujoubi, Adnan. The effect of corporate governance and risk management as relevant accounting techniques on the performance of Islamic vs. Conventional banks in Turkey dissertation, Doktora Thesis, Ankara, 2021.

This study has main goals. first to identify the correlation by regression analysis among variables that affect the performance (P) of Islamic banks (IBs) vs. conventional banks (CBs) in Turkey. secondly to compare their performances by using the CAMELS model. The importance of this study stems from the fact that bank performance affects a wide range of parties. Next vital steps match research point:

1) Most theories related to corporate governance (CC), risk management (RM) are economic theories have consensus that implement of good CC, RM will give an excellent beneficial on performance.

2) the main problems with Turkish banking system were depending on foreign capital in the banking industry, liquidity crises and local currency inflation due to changing of interest rate by the government rules.

3) There is a main different between IBs and CBs, that interest rate prohibited and clearly defined as Riba in Islamic legislation, they substitute it with profit loss sharing (PLS) tools. Which lead us to expect difference in results if we compare them.

Data are obtained from the websites of the Banks Association of Turkey. Three Islamic banks and 19 deposit banks are included. The SPSS program is used to identify correlations, Panel data for the years from 2010 to 2017 are used. All hypothesizes were accepted, it is shown that the performance of IBs is, in general, healthier, these

findings imply that the future of IBs still a worthwhile project promising compared to their counterpart CBs.

Keywords: Corporate Governance, Risk Management, Islamic vs. Conventional Banks Performance, Financial Accounting Ratios.

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I will always remember my colleagues' courage to complete the task and stimulate discussion before the deadline. Finally, I pray Allah for my father and mother, who are deceased, and I ask Allah Almighty that my work will make a running charity that will reach them in their graves. I thanks my wife for here patient during this long period. Also not forget brothers, friends who had praying for the ultimate success. Without them, I think I have nothing. They gave me enough moral support, encouragement and motivation to achieve personal goals. My government Libya which gave me a chance with scholarship supported me financially, so I only focus on learning and achieving goals without any obstacles along the way.

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CHAPTER 3
THEORETICAL FRAMEWORK AND ANALYSIS OF SUSTAINABLE DEVELOPMENT FROM THE ISLAMIC PERSPECTIVE

LIST OF SYMBOLS AND ABBREVIATIONS

IB (or PB): Islamic Banks (or Islamic Banks)

CB: Conventional Banks

CG: Corporate Governance

RM: Risk Management

P: Performance

PLS: Profit and Loss Sharing

CAR: Capital Adequacy Ratio

ETA: Equity to Total Assets

LATA: Liquid Assets to Total Assets

LASL: Liquid Assets to Short-term Liabilities

ROA: Return on Assets

ROE: Return on Equity

CAMELS Model: Capital Adequacy, Asset Quality, Managerial Competency, Earnings Quality, Liquidity, Sensitivity

FATA: Financial Assets to Total Assets

TLTA: Total Loans to Total Assets

NIITA: Non-Interest Income to Total Assets

OETA: Operational Expenses to Total Assets

LFUTA: Loans under Follow-up to Total Assets

PLFU: Provisions to Loans under Follow-up

BRSA (in Turkish, BDDK): Banking Regulation and Supervision Agency

PBAT (in Turkish, TKBB): Islamic Banks Association of Turkey

BAT: Banks Association of Turkey

AAOIFI: Accounting and Auditing Organization for Islamic Financial Institutions

IFSB: Islamic Financial Services Board

IIFS: Institutions Offering Islamic Financial Services

ERM: Enterprise Risk Management

SEC: Securities and Exchange Commission, an independent government agency responsible for regulating the securities industry in the United States

OECD: Organization for Economic Co-operation and Development

BCBS: Basel Committee on Banking Supervision, a committee of banking supervisory authorities established by the central bank governors of the G10 countries in 1974

IMF: International Monetary Fund

ISI: International Standard Industry

CBRT: Central Bank of the Republic of Turkey

SSB: Shariah Board of Supervisors

CSR: Corporate Social Responsibility

GDP: Gross Domestic Product

OLS: Ordinary Least Squares

LSDV: Least Squares Dummy Variable

VIF: Variance Inflated Factor

LIST OF TABLES

CHAPTER 1

AN INTRODUCTION TO THE MAIN COMPONENT VARIABLES: CORPORATE GOVERNANCE, RISK MANAGEMENT AND PERFORMANCE

There is broad consensus that the economies of all countries depend heavily on the performance of their banks, and it is widely known that banks are the backbones of the economic and financial sectors of any state. The stability and growth of any economy depend mostly on the balance of its banking industry. Historically, banks have been the most crucial sector in Turkey's entire financial system. Turkish banking assets account for more than 85% of the financial system's total assets, with other financial elements such as insurance or factoring and leasing constituting a much smaller part of the Turkish financial system. A positive aspect of this is that financial regulation can be easily achieved if the banking industry is adequately regulated. The consensus in the literature proves that the banking industry has an impact on business growth.

After the global financial crisis, academicians and practitioners tried to create various risk-sharing financial instruments. Accordingly, the Islamic banking system with its unique attributes witnessed rapid development within the international financial industry. This process has allowed Islamic banks to show both their resilience and their contributions to business and economic stability. Mehmet A. Akben, chairman of the Banking and Regulatory Authority (*Bankacılık Düzenleme ve Denetleme Kurumu*: BDDK) in Turkey, said that a complete interest-free financial sector draft law on regulations had been introduced to cover all issues of Islamic financial products. (October 2, 2017, Author: Darren Stubbing, Turkey, the Islamic banking surge). He further said that he hoped that the law would be approved as soon as possible. The head of the Islamic Banks Association of Turkey (Türkiye Katılım Bankaları Birliği) stated: "We expect the private and public sectors of new immigrants to enter the Islamic banking sector for some time." The link between the voluntary standards of corporate governance and risk management is focused on uncertainty, and concerns about its impact on a bank's performance have resulted in practical needs. Historically, Turkey's economic problems are related to currency inflation and

liquidity crises, due to changing in interest rate regulation and deregulation by the authorities. On the other hand, theoretically, Islamic banks prevent interest rate problems and substitute them with new profit and loss instruments connected to real projects. While research gaps remain, the subjectivity existing in this area has generally led to different emphases on corporate governance (CG) and risk management (RM) to improve performance (P).

1.1. Significance and Importance of the Research

The main significance of this study lies in its exploration of the relationship between the variables of CG, RM, and BP. In addition, performance differences between Islamic banks (IBs) and conventional banks (CBs) will be identified. Another aim of this study is to evaluate the compatibility of Islamic banks with sustainable development. Bank performance affects a wide range of stakeholders, whether they are inside or outside of the bank. Financial market traders are interested in future transactions, and investors and shareholders can benefit from evaluating bank performance, especially by focusing on investment success and increased profits. Government officials, meanwhile, care about the economy of the entire country.

Moreover, the significant trends of Islamic banking and financing being seen in Turkey today seem to be necessary in light of the recent economic turmoil and average currency inflation. As Turkish President Recep Tayyip Erdoğan said in a speech at the 12th Islamic Finance and Economy Conference in June 2020: "Thank God, Turkey…passed the COVID-19 stage with minimal damage. It became clear to us during this period that material wealth alone was not sufficient to achieve social justice and equality." He further said: "Islamic economics is the key to emerging from crises. We aim to make İstanbul, the crossroads of continents and cultures, a centre of finance and Islamic economics." At the same conference, Turkish Minister of Treasury and Finance Berat Albayrak stressed: "Turkey's goal is to turn it into a global financing centre without interest, Finally, (October 2, 2017, Author: Darren Stubbing, Turkey, the Islamic banking surge) Melikşah Utku, chairman of the Islamic Banks Association of Turkey (*Türkiye Katılım Bankaları Birliği*: TKBB), believes that the IBs in Turkey are currently in an essential stage of development and possess high potential. Utku is also the CEO of Albaraka Turk, one of the significant Islamic banks in Turkey to adopt

the measures used within the Islamic banking industry to benefit from incentives such as state-guaranteed loans from nonfinancial corporations, tax cuts, and loose banking terms. Turkish authorities, eager to accelerate the growth of Islamic banking, have encouraged the creation of new IBs. Most recently, two state-owned banks, Ziraat Katılım and Vakıf Katılım, have further enhanced the development of Islamic financial production. Halk Bank, another conventional government bank, is also planning to launch Islamically oriented services. Thus, there are currently six IBs operating in Turkey. The last one is the Turkish Emlak Bank, which was previously a CB but was transformed into an IB in 2018 (Görmüş & Alkhawaja, 2019). Current rulings are blamed for the growth of Islamic finance and it is clear that there is a need for more research to spread awareness in society about the meaning of Islamic banking. Regarding Turkish products and service industries, the country's Islamic banks enjoyed remarkable growth in the first half of 2017, with some Turkish Islamic banks reaching a net profit of nearly of TRL769 million ($223 million), or an increase of 36% percent over the first half of 2016. Total assets rose by 8% to $42 billion (TKBB, 2017).

1.2. Literature Review of Comparisons between IBs and CBs

After reading theories related to corporate governance and risk management which all economic theories (agency theory, signal theory, and capital demand theory) have consensus and assumes that implement of good CC, RM in the organization will have an excellent beneficial on performance.

Start to find out empirical evidence support these theories by display the literature review about Turkish Banking History, in order to find out the main problem in Turkish banking system as to determine the suitable ratios that represent our variables CG. RM. and P. implied from economic theories. The literature review refers the main problems with Turkish banking system was depending on foreign capital in the banking industry, liquidity crises and inflation of local currency due to changing of interest rate by the government.

Celasun et al. (1989) explained deregulation saw a sudden rise in interest rate. Large banks raised their interest rate, which led to fierce competition. This led to the closure of six banks and led the Central Bank started to readjust the deposit interest

rate. Saltoglu and Yazgan (2012b) published a report that interest rate regulations played a crucial role in the crisis, inflation, and national economic stability. Alper (2001) discussed the liquidity crisis and the mismatch caused by interest rate until became the main reason for the sharp increase in new account deficits and the sensitivity of the banking system. Saltoğlu (2013) believes that Turkey's development rate is sensitive to the international situation, Turkey's savings rate was at a very low level, leading the economy to face a constrained supply of local investment. Since local funds are insufficient, this situation forces the economy to rely heavily on international finance. Akin et al. (2011) addressed inflation rate as the main issue during this period, Capital outflows were disrupted when the authorities attempted to follow the established managed exchange rate regime to limit interest rate, a difficult undertaking depreciation, many banks went bankrupt, and credit and financial crunches were unavoidable. The Turkish banking restructuring after the financial disaster of 2001 increased the degree of capitalization of banks, which had a significant influence on the Turkish banking industry's avoidance of the most recent global crisis (Saltoglu & Yazgan, 2012b). The minimum capital requirement. (CAR) of at least 12%, while the global requirement is only 8%. In terms of Turkish Islamic banks Erol et al. (2014) performed a study on the Turkish banking industry and concluded that Islamic banks are excellent in terms of asset quality and profitability ratio. They also found that Islamic banks are less susceptible to risk compared to commercial banks. Soon after their work, Karapinar and Dogan (2015) reported that CBs are more sensitive to risk but are also better in managing liquidity and adequacy. More recently, Oumar (2019) noted that in the case of cash return on the shareholder's equity, Islamic banks return higher investments.

For global studies, Ariff (1989) evaluated the performance of Sharia-compliant banks in Malaysia and remarked that, at the beginning of a 6-year period, Sharia-compliant banks showed significant expansion. Samad (1999) examined financial-related ratios at the end of the 1990s. Such studies have shown that conventional banks are better than Islamic banks in risk management related to liquidity and management capabilities. Another study (Rosly & Abu Bakar, 2003) also observed similar outcomes for Islamic banks operating in Malaysia. Hence, Kamaruddin et al. (2008) applied data envelopment technology (DET) to investigate the performance of Islamic

banks in Malaysia in more detail. With a period of testing that spanned from 1998 to 2004, these researchers concluded that Sharia-compliant banks are extra cost-effective in terms of profitability. In one study (Yahya et al., 2012) examining the level of productivity between IBs and CBs in Malaysia using data envelopment analysis, for which the research interval spanned the years of 2006 to 2008, it was found that Sharia-compliant banks could maintain the same level of performance as CBs. Kamaruddin et al. (2008) found that the liquidity ratios and capital adequacy ratios of Sharia-compliant banks were substantially superior to those of CBs. Likewise, Husna and Rahman (2012) concluded that Sharia-compliant banks were superior to CBs in handling capital adequacy ratios and the quality of assets. Comparing banking performances in Bangladesh, Sarker (1999) applied a bank efficiency model to show that Sharia-compliant banking commodities are unique and that prudential regulation must be modified. It was observed that from 1993 to 1998, however, private banks performed worse than public banks in terms of growth in deposits and investments, such as the IBs of Bangladesh. Hassan (1999) also performed a study on IBs and CBs in Bangladesh with a study interval ranging from 2007 to 2014. He employed CAMEL examination technology to evaluate three operating IBs in Bangladesh and he indicated that the selected banks' financial performances were excellent for all CAMEL criteria. Similarly, Safiullah (2010) stated that IBs are far more advanced compared to CBs regarding conditions of liquidity, solvency, business development, and profitability. In another study comparing the performance of Sharia-compliant banks with CBs in Bangladesh, Islam and Ashrafuzzaman (2015) discovered that Sharia-compliant banks play a very important role in maintaining liquidity and capital adequacy. These authors also concluded that Sharia-compliant banks have healthier asset quality than CBs. Iqbal (2001) analysed the performance of IBs and non-Islamic banks in different countries in the period of 1990-1998 and found that the studied IBs were more profitable and stable than CBs and also had higher capital. Al-Bashir and Al-Amine (2001), meanwhile, conducted a study of 8 Middle Eastern nations covering the period of 1993-1998 and discovered that high leverage and jumbo loans had substantial influence on the performance of IBs. Saleh and Zeitun (2006) conducted a study to evaluate the performance of IBs in Jordan from 1998 to 2003. They suggested that Sharia-compliant banks have more growth opportunities in terms of credit

arrangements and profitability. Similarly, another study (Alzghoul, 2015) noted that Sharia-compliant banks are superior in terms of management capacity, liquidity, and profitability. Saif-Alyousfi et al. (2017) reported that, in the context of Saudi Arabia, conventional banks have higher capital ratios, liquidity, and credit risk ratios than banks with Sharia compliance. As higher credit risk, capital ratios, and liquidity ratios are associated with the small shareholder values of CBs, the performance of IBs is better than that of CBs. In the context of Pakistan, Jaffar and Manarvi (2011) argued that Sharia-compliant banks worked better from 2005 to 2009 in terms of building sufficient capital and safer liquidity. In contrast, however, CBs led the way in terms of forming management and profit worth. The asset quality of the two groups of banks was almost the same. It could also be stated that the credit loss rate of CBs is meagre due to enhanced loan improvement policies. Nevertheless, according to Kouser and Saba (2012), Sharia-compliant banks are successful in terms of spending management.

Regarding to literature review that determine ratios measures our choosing variables, for example corporate governance with simple meaning is the rules or procedures issued by authority or government, and in this research taken from the prospect of accounting and financial ratios especially related to problem of turkey history (capital adequacy) and leverage ratios. It is well knowing that CC and RM are interchangeable concepts and very closed to each other, However, after reading deeply Turkish banking, history problem is depending on foreign capital and there is necessary need for government rules that support local investors, Indeed, corporate governance is more broaded concept and it is usually used as a managerial accounting variable with qualitative data to measure some issues as dummy variable like board of director size, gender diversity, CEO turnover etc. these qualitative data are not related to the issue of this research which depending on Turkish banks history problem in determining the ratio. The next studies had used capital adequacy as indicators to measure corporate governance variable (Subedi, 2018), (Fanta, 2013), (Jiraporn et al., 2012), (Peni & Vähämaa, 2012), (Jiraporn & Gleason, 2007). For risk management variable is represented by liquid risk ratios: (LATA) and (LASL), considering Turkish banks historical problems to avoid liquidity crises and bankruptcy of banks, as the studies had used liquidity ratios as indicators to measure risk management variable. (Chowdhury & Zaman, 2018), (Pac et al., 2018), (Arif et al., 2012), (Azureen et al.,

2015), (Sciencedirect, 2019), (Demirgüneş, 2016), (Erol et al., 2014a), (Malihe Rostami & Correspondence Malihe Rostami, 2015). Finally, for performance variable it is well known that ROA and ROE are most representors for performance, the studies had used ROA, ROE as indicators to measure performance variable (Subedi, 2018), (Fanta, 2013), (Erol et al., 2014a), (Choi et al., 2014), (Peni Emlia & Vähämaa, 2012), (Panday & Pandey, 2020), (Epure & Lafuente, 2014) (Aebi et al., 2012a), (Farazi et al., 2013), (Jiraporn & Gleason, 2007), (Azureen et al., 2015), (Sciencedirect, 2019), (Demirgüneş, 2016).

It is clear from the literature that, while there is no universal consensus, in most countries that Islamic banks perform better than conventional banks. At the same time, there has been a significant increase in the volume of Islamic banking operations, which makes the pursuit of new research in this field both attractive and highly necessary.

In brief, we can summarize four important points that build research goals, questions and rest structure:

1) Most theories related to corporate governance and risk management which all economic theories (agency theory, signal theory, and capital demand theory) have consensus and assumes that implement of good CC, RM in the organization will have an excellent beneficial on performance.
2) The main problems with Turkish banking system were depending on foreign capital in the banking industry, liquidity crises and inflation of local currency due to changing of interest rate by the government.
3) There is a main different between Islamic and conventional banks that Islamic banks do not recognize or use interest rate, they substitute with profit loss sharing instruments. Which lead us to expect different in results when we compare them.
4) By reading the literature review to find out what is the ratios had been used to represent our variables CC, RM and P. As taking in account availability which published by BAT. The best ratio represents our variable used in previous study and suitable with Turkish banking history problem are: for CC ratio related to capital structure, capital adequacy and leverage ratio.

For risk management is liquidity risk ratio for performance is with consensus from previous study is ROA and ROE

This study is different from previous studies in terms of its region, sample, variables, timeframe, and methodology.

1.3. Research Issues

Overall, it can be stated that much controversy has been seen regarding Islamic banking and its comparative performance with conventional banking. The research undertaken to measure the determinants of Islamic and conventional bank performances has produced conflicting results for different factors affecting profitability and performance. At the same time, many findings are inconsistent with the theoretical background, while the overall number of such studies performed to date is very limited, especially in Turkey. For example, Ozturk (2014b) explored Turkish Islamic or participation banking systems by evaluating three papers on the Turkish banking industry. He concluded that further research is surely needed. Specifically, he studied the existence of Islamic arbitrage only from the perspective of the bank. As new evidence emerges, the impact of regulatory changes may also provide more information. On the other hand, compared to previous work (González and Sánchez, 2016), differing results were yielded by another study by Ehab Ragab Elbahar examining the relationship among corporate governance, risk management, and performance of banks in the banking industry of the Gulf Cooperation Council (GCC). Proving the determinants of GCC banking performance, thanks to the independent variable, he concluded that no single factor existed to clarify the variations in banking performances. This all emphasizes the need for more examination of these structures in different regions, across different cultures, different periods, and unique conditions. It would particularly be helpful for new studies to utilize another independent variable as a risk-management agent for issues due to changing in interest rate, exchange risk of foreign currency, depending on foreign capital, and liquidity risk.

At the same time, the current development of Turkish Islamic banking faces many challenges. (October 2, 2017, Author: Darren Stubbing, Turkey, the Islamic banking surge) Halit Yanıkkaya, head of the Economics Department at Gebze University of Technology in Turkey, believes that Turkish Islamic banks have unique

problems. Among them, Islamic governance methods vary widely and, due to the heavy reliance on Murabaha financing, the range of products is limited. The public believes that Islamic banks do not always comply with Sharia law, as they are inefficient. Thus, it is necessary to increase public awareness, especially regarding the relationship of IBs with sustainable development and the social goals of IBs, in order to increase public satisfaction and remove the doubts of potential customers.

To emphasize these issues, Turkish authorities are promoting the establishment of a National Islamic Bank Advisory Committee and a Sharia governance framework for these banks, with goals of increasing the variety of tools and improving learning. Supervisory and advisory bodies will be formed under government agencies, such as bank regulators and capital markets commissions. It would be possible to form an advisory committee under the TKBB. However, due to the fact that Turkey does not have a formal Islamic legal governance system, the creation of such a structure would be a highly demanding process.

Vakıf Katılım Bank general manager Ikram Göktaş, (October 2, 2017, Author: Darren Stubbing, Turkey, the Islamic banking surge), another veteran of Islamic banking in Turkey, has said that introducing other Islamic legal frameworks would benefit the industry. It can hence be assumed that awareness is currently lacking regarding the significance of Islamic banks and their procedures or their tools in Turkey. Just as there is a need to understand the contributions that IBs can make to sustainable development, there is also a lack of understanding about the relationship between regulation and risk management and its influence on Turkish banks' performances which will gives benefit to all parties' investors and government, etc.

1.4. Research Purpose

The primary intention of this study is to contribute to the filling of the research gap described above by exploring whether there is a correlation between CG, RM, and P. in comparison with Islamic and conventional banking. The motive in doing so is to influence the impact of practice in these areas by identifying corporate governance standards, especially in the context of the financial crisis, and contribute to the literature on CG, RM, and P. It is hoped that this will serve to raise awareness about the significance of IBs and their procedures and tools in Turkey, particularly by calling

attention to the strong relationship between sustainable development and the activities of IBs.

1.5. Research Goals and Questions

In light of the significance and value of CG, RM, and P in the economic evolution of the Turkish finance industry, the core ideas and aims of this research are as follows:

1) To show that the implementation of corporate governance and risk management are predictors and will provide a comprehensive interpretation of bank performance.
2) To determine whether bank type (i.e., Islamic or conventional) has a significant effect on bank performance.
3) To discover whether IBs perform better than CBs or vice versa by utilizing CAMELS model ratios.

Thus, this research has as its goal a descriptive analysis regarding sustainable development and its relationship with the aims of IBs. In order to accomplish the goal of this study, three main questions will be asked, as follows:

Q1. Will a blend of superior corporate governance and risk management improve the performance of banks?
Q2. Is there a significant distinction between the performance of IBs and CBs?
Q3. Are IBs outperforming conventional banks in Turkey? If so, why?

1.6. Development of the Hypotheses

H1: Corporate governance and risk management are predictors of the performance of banks in Turkey.

A mixture of superior corporate governance and risk management can improve the performance of banks. A bank that implements excellent corporate governance and efficiently manages risks will have the benefit of improving its performance as brought about by bank profits. As the possessor's profit is based on getting a good profit on investment (equity), they will try to force management to implement improved corporate governance and efficiently manage risk, and so the results of this research

will yield answers for this field of inquiry and will further identify the critical factors for well-developed banks' performances, namely corporate governance and risk management.

Directors are considered agents of stockholders, and their primary responsibility is to provide for the interests of stockholders in order to expand the bank's gains and improve performance. Meanwhile, managers are expected to assume acceptable risks that are appropriate for the target return. Simultaneously, managers, as brokers, may have various benefits from their clients (shareholders). Agency theory holds that companies should let managers, as insiders, associate their concerns. This process transfers conflicts of interest to owners or managers and the depositors or public. The regulator protects the public benefit by making regulations to force bank owners and regulators to abide by the rules. In addition, corporate government is believed to be one of the most rational solutions to the agency problem, and each relevant stakeholder has its own role and responsibility. Senior management is also responsible. As long as banks come up with more reliable governance systems, they can continue accomplishing their objectives and enhancing performance.

H2: Bank type has a significant effect on bank performance.

If bank executives manage risk successfully, they will increase performance by boosting yields. Practical and useful risk management shows that a bank's operating activities can be conducted with lower relational risks and smaller conflicts of interest between all related groups. These improvements for superior risk management can enhance bank performance. Superior bank performance can increase reputation and image and can encourage potential depositors to invest in the bank. For this stable relationship between risk and refund, if management intends to realize high gains, then they should maintain the risk at an adequate level. Islamic finance instruments attain this goal by profit and loss sharing (PLS) techniques, which let us assume that the type of bank has a significant influence on the performance of banks.

H3: Islamic banks outperform conventional banks in Turkey.

The third part of this study involves examining the validity of the argument that IBs outperform conventional banks. The CAMEL rating system has been selected here to assess the financial strength and robustness of IBs as compared with CBs. Under

the CAMELS rating system, the performance contrast criteria of IBs and CBs include the capital adequacy ratio, asset quality, management principles, earning, liquidity, and sensitivity to risk. This hypothesis will be studied by building upon the previous assumptions.

1.7. Design of the Study

In any research, the study design is the overall plan for how to answer research questions. Research design is furthermore the science of conducting research design processes in order to obtain the most useful findings. Therefore, research plans deal with matters such as research intention, research strategy, unit of analysis, population and sample, and source. The timeframe for data collection and the research framework will both be briefly discussed below. Based on the predetermined study questions and objectives, the purpose of this study is descriptive (to show the social aims of Islamic banks in parallel with sustainable development and to show corporate governance as a reasonable and useful risk management tool) and explanatory (to examine the association among the variables of corporate governance, risk management, and their impact on the performance of Turkish banks).

1.8. Data and Research Methodology

Data: This study uses empirical analysis of quantitative data using panel data from conventional and Islamic banks in Turkey. In this study, using statistical tests, the regression analysis between variables is tested and ordinary least squares (OLS) is applied to the entire dataset utilizing the appropriate SPSS software. The researcher obtained the necessary data from secondary channels, annual reports from financial statements, and statistical summaries. Secondary data can be collected faster and at lower costs. These data were obtained from the websites of bank associations of Turkey. At the same time, the study of qualitative data poses some difficulties, but it is known that quantitative data are more reliable and are considered to represent a scientific method. The data are available for the period from 2010 to 2017, from the global crisis to the present times. The sample will identify scientific methods that represent a random segment of the population after excluding outliers in the Turkish banking industry. The selected sample constitutes about 50% of the population of both types of banks, with 3 IBs from the existing 5 and 19 CBs from the existing 45.

Relevant OLS analysis of the data was conducted to determine the effects of the independent variables (CG and RM) on the dependent variable (P).

1.9. Methodology

Appropriate methodologies have been selected for the current research to resolve the questions and attain the proposed goals. Namely, this research seeks to investigate the association between corporate governance (CG), risk management (RM), and the performance (P) of banks. The philosophy of positivism is considered best suited to achieve this goal because it depends on empirical support rather than individual perceptions. In addition, this study utilizes a quantitative paradigm based upon which numerical data are collected and analysed, which allows the researcher to explore the association between factors empirically. Empirical and quantitative processes are used in the inference method, depending on the theoretical framework we can summarize that all economic theories (agency theory, signal theory, and capital demand theory) have consensus and assumes that implement of good CC, RM in the organization will have an excellent beneficial on performance. Proposed and the assumptions made to explain the anticipated correlation. In addition, for the process of hypothesis testing, three hypotheses and three constructive related variables have been used. Appropriate statistical techniques used to test hypotheses and accept or reject relationships based on the theory chosen.

Variable ratio: it is well knowing that corporate government and risk management are interchangeable concepts and very closed to each other, considering previous studies noted that capital adequacy and leverage ratios represent corporate governance by CAR and by ETA in next studies(Subedi, 2018),(Fanta, 2013), (Jiraporn et al., 2012),(Peni & Vähämaa, 2012),(Jiraporn & Gleason, 2007) However, in this study after reading deeply Turkish banking history problem is depending on foreign capital and there is necessary need for government rules that support local investors.

Indeed, corporate governance is more boarded concept and it is usually used as a managerial accounting variable with qualitative data to measure some issues as dummy variable like board of director size, gender diversity, CEO turnover etc. qualitative data are not related to the issue of this research which depending on Turkish banks history problem. Capital adequacy ratios are more reliable and suitable to

represent corporate governance variable with this research aim. For risk management variables are represented by liquid risk ratios: (LATA) liquid assets/total assets and (LASL) liquid assets/short liabilities, in these studies e.g.,(Chowdhury & Zaman, 2018),(Pac et al., 2018),(Arif et al., 2012),(Azureen et al., 2015),(Sciencedirect, 2019),(Demirgüneş, 2016), (Erol et al., 2014a),(Malihe Rostami & Correspondence Malihe Rostami, 2015). considering must of the previous studies as well as Turkish banks historical problems to avoid bankruptcy and local currency inflation, so liquid risk ration is more suitable to represent risk management variable.

For performance variable it is well known that ROA and ROE are most representors for performance and they used with these previous studies, (Subedi, 2018),(Fanta, 2013),(Erol et al., 2014a), (Choi et al., 2014),(Peni Emlia & Vähämaa, 2012),(Panday & Pandey, 2020), (Epure & Lafuente, 2014) (Aebi et al., 2012a), (Farazi et al., 2013), (Jiraporn & Gleason, 2007),(Azureen et al., 2015),(Sciencedirect, 2019),(Demirgüneş, 2016).

Another important point is validity and reliability analysis of variable had been used to avoid multicollinearity due to cross loading. The researcher choose three rations for every variable for example performance ratio was income before tax but it did not give overall significant results even though their high consensus it has been used widely to measure performance variable, but in this research omitted due to cross loading analysis. So, the researcher had made several analyses in order to find the best model with significant correlation predicting that effect on performance of banks in Turkey.

1.10. Research Structure

Chapter 1 present the conceptual definition of corporate governance, risk management, and Turkish banking performance. All components of the research are described in this chapter, starting with a general introduction, the significance and importance of the research, a literature review, the research issue, the purpose and goals, questions, hypothesis development, and study design. The methods used as tools to achieve the research goals are discussed while explaining the various expected connections that arise from the research goals and problems. Several research concepts, paradigms, and methods suitable for the current research are presented. The research objectives are also addressed through the study design. This chapter describes

the most appropriate methods to test the correlation between corporate governance, management of risk, and proxy variables for banking performance. The proxy variables selected for this study for investigating particular variables related to corporate governance, risk management, and bank performance are chosen. Lastly, this chapter describes the data analysis procedures and related statistical processes used to analyse and test the model, with a summary and conclusion.

Chapter 2 outlines the history of Turkish banks from the Second World War to the present day, focusing on the rebuilding of the market, with a summary and conclusion of the opportunities and risks of Turkish banks. Islamic banking is then presented in detail, including explanations of its historical practice in Turkey; the definition of Islamic banking; previous research related to perceptions and awareness of Islamic banking; the types of contracts used by Islamic banks; Islamic bonds, profit and loss sharing plans; modaraba, Mosharaka, Murabaha, and ijarah; monetary policy and central banks in the Islamic context; the investments and financing of IBs; funding sources; bai'salam and istisna contracts; the meaning of Islamic Sharia law and its sources, characteristics, and features; principles of the Islamic finance ownership concept; the meaning of Riba in the Qur'an; the definition of interest, its origin, and its history; the Islamic banking structure of IBs in Turkey; the background of the economic environment in Turkey; and the evolution of the Turkish banking system. Opportunity and risks of Turkish banks.

Chapter 3 summarizes the theoretical background and the relation of sustainable development with the activities of IBs. This chapter explains the theories related to corporate governance and the management of risk and study their influence on the performance of the banking industry. These theories are taken from different approaches considering regularity, economics, and political economy, and they are mentioned in this research with the intention of improving on the research hypotheses. This chapter also offers a descriptive analysis of the role of IBs in achieving sustainable development through social, environmental, and economic dimensions.

Chapter 4 introduces statistical findings and discussions and examines the correlation between the proxy variables of corporate governance, management of risk, and bank performance. This chapter begins with an analysis of the independent

variables employed in the current research, and OLS analysis will be used to support the outcomes acquired from the bivariate analysis. The findings are discussed. In general, this chapter aims to answer the research questions and ascertain whether IBs perform better than their conventional counterparts by employing CAMELS model ratios.

Finally, Chapter 5 presents and summarizes the main conclusions of the study. It also highlights the contributions of this research to the current knowledge in this field while noting the limitations of the study in hopes of providing helpful advice for future research.

1.11. Corporate Governance in the Banking Segment

The BDDK and TKBB logically raise the following question: What is corporate governance? Corporate governance involves a sequence of interactions among company management, the directors' board, stockholders, and other shareholders. Corporate governance also establishes the general framework that defines a company's objectives and categorizes tactics to accomplish the specified goals while simultaneously monitoring performance. In other words, corporate governance is a broad concept, and it has both similarities and points of intersection with the concept of risk management. By the simplest definition, corporate governance constitutes the rules or procedures issued by a relevant authority or government, and in this research, it is particularly explored from the perspective of accounting and financial ratios, and especially those related to the interest rate and inflation problems of Turkey, rather than other dimensions such as managerial, environmental, or political aspects.

It is also valuable to consider why corporate governance is important. Corporate governance provides leadership with the means to resolve any conflicts of interest amongst managing personnel, the board, stockholders, and other stakeholders in order to protect the interests of all stakeholders. It allows for the setting of the company's vision and mission statement, as well as strategic goals. These strategic goals are accordingly achieved by ensuring that best practices are applied considering internal control system compliance, accounting and auditing, risk management,

information disclosure, socially responsible enterprises, and compliance with the law (Gregory, 2002).

For the banking industry, governance can entail a combination of regulatory, legal, and other related volunteer private entities that manage banks to organize financial and human capital, operate effectively, and ultimately create supportable economic value for their stakeholders while not ignoring the interests of investors and society as a whole. For the Islamic banking industry, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB) have been set up to improve the governance of Islamic banking. In the standards presented in the guiding principles of IFSB-3, the following management framework is established: A set of structural arrangements to align management institutions' actions of providing Islamic financial facilities with the interests of their stakeholders as much as possible must be provided. Appropriate incentives to achieve compliance for governing bodies such as the directors' board, the board supervisors of Shariah, and general management should also be provided. Main goals include the promotion of active monitoring, thus inspiring Islamic financial services to use funds more efficiently and fulfil all duties according to the instructions and principles of Sharia law (IFSB, 2006). From the above clarification, we can now perceive that the task of governance in the Islamic banking industry is threefold, involving the following:

1) Ensuring that activities are not only entirely in line with Islamic teachings but also aimed at realizing them.
2) Improving the evolution, effectiveness, and credibility of Islamic banking (Grais & Pellegrini, 2006a).
3) Dealing with a variety of types of risks, such as trust/reputation risk, operational risk, and transparency risk (Mirakhor & Zaidi, 2007).

In short, Islamic governance must be consistent with Islamic teachings while recognizing the profit motives for stakeholder wealth (Aziz, 2007). A successfully functioning governing spirit of Islamic banking needs to be built on tawhid (the concept of indivisible oneness) and Shariah rules and principles. Following tawhid, all stakeholders have the same goals for the unity of Allah and living for the realization

of farah, and everyone is responsible to Allah. The rapid growth of business areas has also increased the role of management in these areas' business operations. Management in turn has sought the most excellent way to conduct its duties with the aim of expanding the volume of shareholder capital. Because of the disconnection between owners and managers, the executive branch needs to maintain the trust of its shareholders. Unluckily, this confidence—or lack thereof—has been influenced by many scandals that have led to the closure of several companies, such as Maxwell, Credit and Commercial Banking, WorldCom, and Enron (BCCI) (Maschinen et al.,2000). As a result of these collapses and scandals, some crucial questions emerge regarding the association between stockholders and company management. Furthermore, issues related to how to coordinate this relationship to realize the best ways to manage capital and utilize resources also need to be reconsidered. Expert agencies and organizations have started to believe that it is possible to establish a procedure to ensure that these crashes do not happen again. Therefore, the concepts of corporate governance and management of risk have emerged to solve these problems. Transparency, fairness, responsibility, and accountability are the main principles of efficient corporate governance. These principles are essential to give legitimacy to banking, especially for company-level institutions (OECD, 2004). In addition, these principles are crucial to the growth of the banking industry and the entire economy, as outlined in a 2006 World Bank report (Ferreira & Walton, 2005). In addition, the provided information shows that states can improve the lifestyles of their populations while enforcing contract rules and provisions and removing barriers to new businesses. The development of the concept of enterprise risk management (ERM) reflects the goals of cost reduction and risk reduction. Simultaneously, management must do its best to expand revenue in line with the addition of adding actual value to business corporations.

According to the Organisation for Economic Co-operation and Development (OECD) (Goodhart, 2011), corporate governance is a union amongst all shareholders, encompassing the management, the directors of the board, stockholders, workers, clients, and investors. At the same time, corporate governance also represents the company's organizational formation, internal controls, and business activities. Corporate governance highlights the significance of responsibility and accountability,

along with the company's main shareholders. It focuses on the rules and procedures for making corporate affairs decisions. In addition, corporate governance offers a structure that identifies the enterprise's objectives and classifies methods to achieve these goals and observe performance (Basel Committee Banking Supervision Committee Strengthening Corporate Governance Principles, October 2010). Based on the previous information, it is possible to suggest that there is no universally recognized meaning of corporate governance. However, all existing definitions should certainly share fundamental core meanings. In other words, corporate governance certainly constitutes the process of directing, managing, and controlling corporate matters and plans, no matter what party is ultimately responsible for the company. Corporate governance also provides the structures that define the corporation's goals, and through these structures, the question of how to achieve these goals and monitor performance may be answered (Goodhart, 2011).

In summary, corporate governance strives to preserve a balance amongst all concerned parties within the company, namely the managing team, the board of directors, and the CEO, as well as those outside of the bank, namely the stockholders and other participants. Hence, in order to ascertain the targets of corporate governance, it is necessary to consider the power of corporate governance to achieve this equilibrium amongst parties. In general, four significant main powers can be recognized for corporate governance. Tuan (2014), for example, found that these would open the path from strong corporate governance to high brand performance ownership, and all of those powers ought to be balanced within the bank. However, there is a difference between who possesses the money and who operates the company (John & Senbet, 1998). This separation moves power from stakeholders to the board, enabling them to organize business more efficiently. These core goals of areas of power of corporate governance may be listed as follows:

A. Maintaining a successful scheme to help banks accomplish their targets.
B. Monitoring and rewarding executives' behaviours and accomplishments.
C. Selecting committees to protect stockholders' interests by expanding their wealth and adjusting managers' actions in banks.
D. Mitigating controversies of interest amongst stockholders, the board, management, and other stakeholders.

According to Arun and Turner (2003a), the corporate governance of banks is essential in improving economies for many reasons. First, banks have an absolute advantage in improving the currency system and are essential drivers of economic development. Secondly, because monetary markets are often underdeveloped, banks in emerging economies are often the most critical source of funding for mainstream companies. Thirdly, banks in developing countries are usually not the central place of deposit for economic investment funds, except in cases where the banks can provide a generally accepted payment method. Fourthly, many developing financial systems have, in recent times, liberalized their banking structures via privatization, divestment, and deregulation. As a result, bank supervisors in these financial systems have gained better liberty in operating banks. In general, it can be said that the particular characteristics of banking companies necessitate that banks accept corporate governance, a condition that encompasses both shareholders and depositors. Specifically, the nature of banking companies makes control critical in securing or protecting depositors and the entire financial system.

1.12. Risk Management Concepts in the Banking Sector

Risk management in the Republic of Turkey has been developing quickly over the most recent periods of time. Simultaneously, social, political, and economic environments have been growing increasingly more turbulent throughout the world. Under such conditions, the management of risk has entered the global agenda, particularly in the banking industry. Banks recognize the need to manage compliance, finance, the hazards of operation, and strategic risks within the enterprise. They can comprehensively integrate these activities with the company's risk and the goals that are desired. Even though there are many kinds of risk, such as liquidity risk, credit risk, and bankruptcy risk, previous studies have found these to all be reasonably similar and close to each other. In the present research, liquidity ratio is taken as a represent or of risk. The prevailing definition of risk management is that it is the procedure of detecting, measuring, and selecting various hazards. Once a risk is identified, the risk director will develop a plan to reduce or remove the influence of related damaging events. Gordon et al. (2009) pointed out in their research that five related factors are particularly relevant for the banking industry: environmental uncertainty, company size, company complications, industry competition, and board management. Public

policymakers around the world have simultaneously begun to ask questions about the appropriateness of corporate governance as currently applicable to financial societies. In the work of Aebi et al. (2012), financial expertise was believed to play a vital role in this process. Other more concrete actions include the establishment of a devoted risk team or the designation of a corporate risk officer (CRO) responsible for all related risks within the organization. For example, various researchers (Aebi et al., 2012; Sabato, 2010; Mongiardino & Plath, 2010) have pointed out that despite the effects of financial disasters, the risk management of extremely regulated banks has been enhanced and expanded to a certain scope. Generally, in the banking industry, there is a strong association between the performance of banks and risk management, since the primary goal of bank supervision is to raise bank revenues and improve performance and this crucial aim cannot be met if the bank is lacking a strong risk management group that can reduce risks to tolerable levels (Akkizidis & Khandelwal, 2007; Greuning & Bratanovic, 2009). In most cases, financial risks include market, liquidity, and credit risks. Credit risk can be defined as the likelihood that partners may be unable to pay their obligations. As the sector has shown that banks have more than 70% of their assets on the balance sheet, however, no one is concerned that credit risk could be the most prevalent cause of bank failure. At the same time, banks face a variety of other risks, such as interest risk, market risk, off-balance-sheet risk, foreign exchange risk, solvency risk, liquidity risk, and bankruptcy risk. A bank's enthusiasm for risk management derives from those relevant risks that can be connected to poor bank performance.

1.13. Performance of the Banking Sector

In the latest years, a high degree of attention has increasingly been paid to bank performance within the banking scheme. After the 2008 financial disaster, given the changes in the economy and markets, bank management began taking action to improve and enhance banks' performance evaluation capabilities. There are several ways to evaluate bank performance, such as profitability, return on equity (ROE), return on assets (ROA), and net interest margin (NIM). These variables make it possible to explore business-related benefits, efficiency variables, liquidity, asset quality, and productivity. Anbar and Alper (2011), for example, showed that banks can increase profitability by increasing bank size and non-interest income and lowering

the credit/asset ratio. Furthermore, higher real interest rate can lead to higher bank profitability. In this research, profitability, expressed in terms of ROA and ROE, is used as a proxy for P. Focusing on ROA means focusing on the proportion of a bank's net income in total assets. This variable was used extensively in earlier literature to evaluate P. The ROE, on the other hand, is the bank's net revenue divided by universal equity. ROA and ROE can be understood as evaluating the existence of equilibrium, or, in other words, management's ability to ensure assets and equity returns.

1.14. Summary

The main components of this research are corporate governance, management of risk, and performance of banks in comparison with CBs and Ibs. Due to both the significance of corporate governance and risk management as well as these factors' impacts on bank performance, this study discovers and analyses the association between them to help stakeholders, stockholders, management, and investors achieve their business targets. This research more specifically concentrates on corporate governance and risk management procedures in the Turkish banking industry and tries to measure their influence on the performance of the banks. The outcomes of this research are established by examining and analysing the associations among selected variables that reveal the performance of the banking sector in Turkey. Since the crashes, and Turkish crises of 2001, corporate governance has become a top priority worldwide. The global financial crisis of 2008/2009 had some harmful effects in the economic realm, prompting more research and investigation into its origins. Furthermore, one of the main reasons behind such crises and crashes is poor corporate governance and risk management (liberalization or deregulation of interest rate) within the financial scheme. For this reason, as a satisfactory resolution, adherence to good corporate governance and appropriate risk management is necessary to prevent financial crises.

CHAPTER 2

HISTORY OF TURKISH BANKS

2.1. From the Second World War to 1960

As Ozturk (2014b) describes, like in many other developing nations, development banking has been used to support Turkish entrepreneurship and industrialization. Starting in the 1930s, the country's banks became a leading force for industrialization. For example, Sümerbank and Etibank supplied tremendous help in national projects to assist in the country's industrialization. However, the Second World War disrupted the growth of state-led industrialization processes. Eventually, Turkey entered the 1950s and made significant changes and progress. However, the 1950s also proved that the country had reached its limits for growth through state-led industrialization strategies. Soon after, the government moved its policy focus to the private sector. This policy shift resulted in a large amount of credit and foreign exchange allocations in private areas. In the 1950s, the private banking business also made great steps.

Öztürk and Gultekin-Karakas (2010) explained that the authorities also private ownership in the country. The established order of financial institutions also embraced the goal of revitalizing private entrepreneurship and free markets. Its goals of facilitating the private sector, spurring private and overseas capital in businesses, and assisting the establishment of a national capital market in Turkey were of the highest priority. Assistance to state-led industrialization remained prominent until the late 1950s. The government stepped up investment, and then inflation began to rise.

2.2 Development and Industry Period from 1960 to 1980 (Stability Plan)

Öztürk and Gultekin-Karakas (2010) detailed how, with the intervention of the army, the liberal regulations of the 1950s ended in 1960, with the intentions of stabilizing plans and maintaining that stability. As a result, the previous expansionary fiscal policy became a national development strategy, and a national organization was established. With the establishment of the National Planning Organization (*Devlet Planlama Teşkilatı*: DPT), the concept of planning through the international standard industry (ISI) became a significant part of Turkish economic decision-making. During

the ISI period from 1960 to 1980, the importance of development banks increased significantly and many new development banks were created. Denizer et al. (2000) are in agreement on the fact that, until the 19th century, Turkey's economic system had expanded under the protection of monetary and regulatory guidelines designed to help national development plans. Particularly after the early 1960s, commercial banks controlled the financial instruments and operated under a structure of limited interest rate, targeted credit-scoring plans, high reserve requirements, and different restrictions, including restrictions on access to financial intermediaries.

Even though these financial and regulatory rules have contributed to Turkey's industrialization, they caused deterioration in the competitiveness and effectiveness of the banking system. Interest rate control led to non-price competition within the branch network. This situation and the restrictive access policies of 1960-1980 led to a concentrated market dominated by industrial corporations that were owned by public and private banks with large networks of branches and high overhead costs. Looking back on this period, it can generally be said that this mix of factors created a non-competitive market and an inefficient banking system.

2.3. The Liberal Period of Crisis in Turkey: 1980 to 2001

Ozturk (2014a) outlined how the 1980s represented a brand-new route for the development banking industry because the ISI approach could not be continued, mainly due to the shortage of foreign exchange. Therefore, 1980s brought about structural changes in the role of the state, which was the primary tool for investing efficiently in the economy. A large number of national regulations and interventions then yielded way to deregulated markets. Development banks tended to abandon medium- and long-term credit facilities, and credit was at the centre of the activities of development banks, which, like other commercial banks, were more willing to provide short-term loans.

Throughout the liberalization period, the condition of development banks within the banking system deteriorated. In June of 1980, the government implemented financial liberalization and deregulation procedures as part of a far-reaching stabilization and structural adjustment program aimed at developing an efficient and competitive financial sector. Reforms lifted the interest rate controls, relaxed access to

new financial institutions, and allowed the use of new tools. Several policy measures were also undertaken to strengthen the stock and bond markets (Denizer et al., 2007).

Despite occasional obstacles and policy reversals in interest rate control and the banking crisis of 1982, these reforms brought about significant adjustments in the industry. Other regulatory limitations attracted many banks both in Turkey and abroad to join the system. The reforms also successfully prevented the decline of financial intermediaries, thereby promoting financial activity and the revitalization of the stock market. At the same time, the range of products continued to grow, making financial services more extensive. Turkish banking institutions became more integrated with external financial international institutions and gradually advanced their financial technology and human capital.

Isik and Hassan (2003) discussed Turkey's adoption of free economic policies to promote improvements in the currency market and enhance the effectiveness and productivity of financial districts through competition between banks. As a consequence of this policy, Turkish banks reacted by supporting the restructuring of businesses and investments in new technologies. Isik and Hassan (2003) studied the productivity gains, performance changes, and technological advancements of Turkish commercial banks through the deregulation of the Turkish economic market. They found that various types of Turkish banks, regardless of their sizes, recorded huge production profits, driven primarily by efficiency gains rather than technological advances. This is often attributed to expanded resource management practices rather than size. In this new environment, private banks began to narrow the performance gap with public banks.

Celasun et al. (1989) explained how, in June 1980, the authorities issued financial reforms following structural adjustments and extensive liberalization policies. The goal was to develop a competitive and effective financial instrument that would help build a more liberal economic system. This was expected to be achieved with deregulation and by facilitating access to the system, removing interest rate restrictions on deposits and loans, relaxing market access, and granting approval to new financial instruments and institutes. Deregulation saw a sudden rise in interest rate. Large banks raised their interest rate, which led to fierce competition and

enormously high real interest rate. This, coupled with the financial woes of the actual sector, led to the closure of six banks during 1983 and 1984.

These changes led in turn to a partial reversal of reforms. It was not until 1988 that the Central Bank started to readjust the deposit interest rate, and it was not periodically adjusted in 1988 to maintain a positive real rate of return. In 1988, deposit rate was once more liberalized, and this policy was maintained while there were many temporary interventions at the time. Therefore, although the reform process began in 1980, the shift to cost competition did not entirely occur until the end of 1988. The stock of financial assets rose from 28% of the GDP in 1980 to 47%, consistent with financial liberalization policies. Even with reduced reserve requirements, liquidity ratios increased, which in turn created a wedge between deposits and loan rate. Denizer et al. (2007) concluded that variable inflation and unstable growth patterns affected banking efficiency in Turkey. Moreover, the effectiveness of financial reform in developing countries depends on the establishment of a stable macroeconomic environment. Another important conclusion is that, in Turkey's case, the issue of scale may be both caused and exacerbated by the unstable macro monetary situation. In this regard, boom and inflation fluctuations made short-term scale adjustments especially tricky, and it was difficult to lend to the government at high-level interest costs, which did not motivate people to move towards the optimal scale.

2.4. From 2001 to the Rebuilding of the Market

Saltoglu and Yazgan (2012b) published a briefing on the Turkish financial crisis of 2001, covering the period from the beginning of the 2001 crisis until market rebuilding. Their report found that interest rate regulations played a crucial role in the crisis, inflation, and national economic stability. Turkey has suffered two banking and currency crises. In 1999, with the help of an agreement with the International Monetary Fund (IMF), Turkey signed a 16th stop contract to address issues regarding the sustainability of its debts. At the beginning, a fair amount of market members thought that the IMF plan might succeed based on the evidence of inflation. Some banks, however, were even more optimistic and decided to take on greater liquidity and balance sheet risks than others.

Demir bank, for example, took on a significant interest rate risk. Towards the end of November in 2000, the financial markets suffered from a dramatic sell-off, an event that triggered widespread panic and led to capital outflows from Turkey's economy. At this point, the Central Bank of the Republic of Turkey (CBRT) was unable to provide liquidity to Demir bank, a failure that resulted in a sudden capital outflow eroding a full one-quarter of the foreign exchange reserves of the CBRT. Ultimately, the Turkish FDIC was forced to take over Demir bank. A liquidity crisis accompanied the exchange rate crisis.

On the heels of these events, the financial system suffered many other significant disruptions in February of 2001, with some private banks going bankrupt as a result. As trust in the financial market plummeted, the exchange rate crisis was worsened, and Turkey switched to a flexible exchange rate process to replace its constant exchange rate system. This caused local currency to depreciate by 50%, and with the banking system's restructuring more than 40% of the Turkish GDP evaporated. Since then, many new financial reforms have been undertaken.

Berument and Malatyali (2000) studied the determinants of interest rate in Turkey, reporting that real interest rate fell as the inflation rate increased, Empirical evidence also shows that as inflation increases, maturity decreases. In general, this suggests that the government uses the interest rate and maturity of each auction as a policy tool to reduce the government's debt service burden because Turkish lenders choose shorter maturities and require higher risk premiums.

Alper (2001) also agreed with the previous research. He discussed the liquidity crisis and the mismatch caused by interest rate until interest rate became the main reason for the sharp increase in new account deficits and the sensitivity of the banking system. This was a result of the actual return of savings and government bonds. Together with the expansion of the risk and maturity mismatches, it seemed it could be possible to prevent a liquidity crisis caused by an underestimation of interest rate.

Saltoğlu (2013) further agreed with the previous research that, after the reform following the crisis, the Turkish banking industry made significant progress with its restructuring. First, large amounts of capital were funnelled into the affected banks. Furthermore, after the crisis, an independent banking regulator, the Banking

Regulation and Supervision Agency (BDDK), was established. These reforms helped Turkey quickly stabilize its macroeconomy as a whole. Turkey's annual inflation rate had reached incredible levels, and strict fiscal discipline was a positive factor in improving the Turkish economic system. After implementing fiscal reforms, the ratio of government debt to GDP in 2011 dropped to reach values below 40%. One useful feature of public debt, however, is its reasonably long maturity.

As a result, the reforms facilitated the expansion of Turkey's public debt portfolio. The Turkish Treasury increased the maturity of its liability to five years in 2012. Compared to many developed countries, this is a fairly long period. As a result, the Turkish treasury decreased the macroeconomic risks facing the Turkish economic system within the period in question. It should be remembered here that the worldwide economy had its highest level of appetite for risk between 2002 and 2007 and this also contributed to the successful implementation of Turkey's treasury reforms. Due to huge international liquidity crises, strong capital flows to Turkish government debt instruments helped to steadily lower the interest rate. Without such a suitable global environment, it seems clear that these reforms would not have been conducted so easily.

A study by Aysan and Ceyhan (2007) showed that after 2000, productivity gains were entirely due to technological advances, indicating the presence of structural modifications in the Turkish banking industry. They also observed that the pure technical effectiveness of the sector was enhanced since 2000, reflecting the rising significance of the quality of bank management.

Akin et al. (2011) addressed excessive inflation rate as the main issue during this period. Global agencies proposed liberalized foreign trade guidelines and handled exchange rate regimes. Excessive borrowing by the public sector required banking regulations, and the resultant high interest rate coupled with government commitment to a controlled exchange rate regime led to sizeable short-term capital inflows. Capital outflows were disrupted when the authorities attempted to follow the established managed exchange rate regime to limit interest rate, a difficult undertaking. During the subsequent depreciation, many banks with several open positions went bankrupt, and credit and financial crunches were unavoidable.

Emre Alper et al. (2007) conducted a study on the prediction of interest rate and they suggested further research, including the effectiveness of yield and spreads in predicting real GDP growth in Turkey. Testing whether interest rate are associated with maturities may help verify the validity of anticipated assumptions. It is also potentially of value to research the impact of changes in monetary policy on different maturity rate to explore channels for the Turkish currency conversion mechanism.

Consistent with the analysis of Saltoglu and Yazgan (2012a) on the asset corrosion of Turkish banking activity, the main asset class of Turkish banks is the loan portfolio, which accounts for about 60% of total overall assets. The total number of Turkish banking securities in the industry's hands (including investment portfolios), meanwhile, only accounts for one-fourth of its total assets. Previously, such assets were much larger in volume, and loan portfolios were much smaller. Generally, a higher loan portfolio in the banking sector creates a stronger connection between financial and economic entities. As a result, after the crisis, it was seen that the banking sector provided greater assistance in normalizing the Turkish economy, and Turkish deposits were utilized for financing the fiscal needs of the private segment. Although the share of securities on the balance sheet was diminishing, shares of loans were rising quickly. In the newest statistics for 2012, the ratio of total loans to total assets was about 60%, compared to 30% by the statistics for 2002. The declining demand for public sector borrowing decreased the profitability of treasury and bond investments. With the help of regional and international development, the Turkish Ministry of Finance adopted a new public debt program that led to interest rate significantly smaller than those in times of crisis. As a result, the amount of credit provided by banks increased. Simultaneously, reasonably low borrowing costs led to rapid expansion in demand for loans.

Interestingly, despite the sharp increase in the bank loan portfolio, the risk of credit in the bank loan portfolio is still manageable. It should be noted that during the 2001 crisis, the non-performing loan ratio was about 40%. In recent years, the rate of non-performing loans has gradually dropped. As of 2012, the non-performing loan ratio in Turkey was about 3%, which was very small compared to the capital level of Turkish banks.

Regarding the capitalization of Turkish banking, as mentioned earlier, the banking restructuring after the financial disaster of 2001 increased the degree of capitalization of banks, which had a significant influence on the Turkish banking industry's avoidance of the most recent global crisis (Saltoglu & Yazgan, 2012b). The minimum capital requirement needed as per Turkish banking regulator BDDK is higher than in many countries. For example, according to BDDK requirements, Turkish banks must realize a capital adequacy ratio (CAR) of at least 12%, while the global requirement is only 8%. It is indicated that, in reaction to the recent worldwide crisis, the new financial procedures outlined in the Basel III rules call for a gradual increase in the lowest CAR. These rules were overseen by the Basel Committee on Banking Supervision (BCBS), a committee of authorities from the field of banking supervision established in 1974 by the governors of the central banks of the G10 countries. The main goal of the BCBS is enhancing the global understanding of critical supervisory issues and improving the global quality of banking supervision.

2.5. Islamic Banking in Theory and the History of Its Practice in Turkey

2.5.1. Definition of Islamic banks

Islamic banking may be characterized as a modern banking style established according to Islamic legal beliefs, with risk sharing serving as its primary process, preventing Riba financing based on predetermined returns. Like conventional finance, the Islamic financial system intends to organize global funds to promote growth and support the world. The main aims of the Islamic economic system are equal wealth distribution and social justice.

2.5.2. Differences between conventional finance and Islamic finance

The fundamental difference between conventional financing, which is based on interest, and Islamic financing, lies in their understandings and treatments of money. Conventional financing, based on interest, asserts the inherent value of money itself, accordingly holding that money can intrinsically generate returns without asset creation. On the other hand, Islamic finance does not recognize any intrinsic utility of money itself beyond its use in creating assets. Other Essential Points of Islamic Finance:

- Prohibition of involvement in “haram” or impermissible economic activities involving substances or services such as non-halal food, alcohol, pork production, or prostitution.
- Encouragement of and direct connections to productive economic activities.
- Avoidance of maisir (speculation or gambling).
- Avoidance of darar (preventable uncertainty or ambiguity in transactions; “the sale of what unclear or is not yet present”).
- Prevention of exploitation and oppression.
- Provision of safety-net mechanisms to assist the poor through zakat, Sadaqat, wakf (the establishment of trusts), and Qard hassan (loans without interest).
- Fostering universal moral, social, and ethical values with a focus on maslahah (public interest).
- Attainment of Adalat (justice) and musawah (equality) or fairness in the distribution of resources.

Principles that shape the basis of Islamic financial methods are as follows (Görmüş & Alkhawaja, 2019):

1) Riba, a word that means “increase, expand, or grow”, is banned. Riba technically describes the insurance premium that the borrower must repay to the lender with the debt as one of the conditions of a loan or an extension of its means. In such a situation, Riba means interest. Forbidding Riba means that it does not matter whether the revenue constitutes a fixed or variable percentage of the principal. This system simply considers the total amount to be paid in advance or by the deadline. Alternatively, it considers whether a gift or a service is a requirement of the loan.
2) Darar is also prohibited. This is a form of communication in which one or more of the involved parties are deceived by the neglect of essential elements of communication and regional development.
3) The offering of false goods or deceptive prices or false descriptions of products are prohibited.
4) The selling of goods that the seller cannot deliver is prohibited.

Thus, the most common criteria for an institution to be accepted as an IB are the prohibition of interest (Riba) and the advanced distribution of profit/loss. As IBs have changed direction, trying to adjust the tasks of conventional banks to Islamic law, and as Muslims have grown more enthusiastic about financial markets, there is still a common standard between IB and CB models. Banks, as common money mediators, are sensitive to financial risks. Foreign exchange of currency-related dangers, such as liquidity risk and credit risk, can lead to terrible crises and even bankruptcy. In any case, credit risk is crucial for banks because banks are the benefiters in the creation of bank loans. While there are many universal principles in common between IBs and CBs, IBs consider credit risk and credit risk management the same. It is worth indicating that due to the restrictions of Islamic law, credit opportunity management in IBs is more complicated than in CBs.

2.5.3. Previous research related to perceptions and knowledge of Islamic banks

Çakar and Yıldırım (2018) investigated the level of awareness of Islamic banks. According to their results, the critical factors impacting the intentions of using Islamic banking among Small to Medium Enterprises (SMEs) are perceptions of increased service quality, reliability, and transparency. Religious sensitivities were reported to not have any influence on the intentions of these SMEs to become clients of Islamic banks. Studies to investigate consumer awareness of Islamic banking include those of Naser et al. (2013) and Metawa and Almossawi (1998a). Researchers have investigated the motivations for the preference for Islamic banks, including Yildirim and Cakar (2016), Polat et al. (2014), and Ergec and Kaytanci (2014). Studies designed to determine customer contentment with Islamic banks include that of Okumuş (2015).

Research was conducted by Tayran (2018) in a survey with 250 participants, most of whom were middle-aged customers, both male and female. Increased customer satisfaction, profit-sharing ratios, revenue levels, transaction costs, and the diversity of products were reported to be the most important reasons for preferring Islamic banking. In other words, it was found in this work that Islamic banking clients favour this framework because they can execute transactions in a short time, because these banks are trustworthy, because they provide superior quality and reasonable

administration, and because their employees are well received. Toraman et al. (2015) assumed that many study participants did not have sufficient data on interest-free banking, while most participants believed that they were religiously committed to working with Islamic banks. Yildirim and Cakar (2016) investigated the status of Islamic banks in the banking industry. Based on results of the perceptions of service quality among financial consumers, service quality was concluded to be the most important factor driving participation or usage of Islamic banking. Other factors influencing the customers of this sector were found to be awareness, transparency, and accountability. Soloiman (2013) presented empirical findings showing that customers of CBs had higher awareness of banking products and services than IB customers in Kuwait and Qatar. Naser et al. (2013) studied the awareness and client satisfaction of institutions providing interest-free financing tools.

They administered questionnaires to 429 IB customers in Kuwait. As a result of their survey, these researchers determined that clients were not given information on several commodities and services. Masood et al. (2014) further reported that, usually, customers only use current accounts and savings accounts and do not use different financing methods, because there is less understanding of IB products and financing methods. Even bankers themselves do not fully understand all Islamic banking products and services. It was concluded that books or brochures should be published to raise awareness and understanding of Islamic banking products. Different organizations should be used to spread awareness, and the public could be invited to events to raise general awareness. According to these authors, this is the time to formulate the right strategy, which should include appropriate and problem-free follow-up actions.

Mettawa and Almossawi (1998b) highlighted that Islamic banking has won worldwide recognition and that many global banks have begun to produce Islamic banking ventures. Their research was performed in Jordan to ascertain customer satisfaction and the visibility of Islamic banks. After agreeing to participate in the study, IB customers stated that they were pleased with IB projects and facilities, but they were largely unaware of particular Islamic banking products such as Mosharaka, Murabaha, and modaraba. In the research conducted by Özsoy et al. (2013), customers of three IBs in Bolu, Turkey, were asked about their preferences for Islamic banking.

The survey showed that IBs are favoured for their corporate image, reliability, product quality, and religious and environmental variables. Ramadan (2013) explored choice criteria for customers of Jordan Islamic Bank. When bank customers were asked to rank the significance of selection criteria, they listed excellent service, product prices, and Islamic images. These being the three main criteria suggests that customers choose the bank for many reasons, not only religious reasons.

Concerning motivation, Lee and Ullah (2011) established that banks cooperating with Sharia regulations had the most significant impact on bank customers' preferences for IBs in Pakistan. Marimuthu et al. (2010) also examined the reasons why customers chose an Islamic bank. As an outcome of their analysis, it was noticed that variables such as service, comfort, cost advantage, and circles of friends played an important role in customers' tendencies to choose Islamic banking. Kaytancı et al. (2013) ranked the reasons behind preferences for IBs in a study of 500 IB customers in Eskisehir and found that recommendations from families and friends, fast and flexible resolutions, and investment counselling were the top three reasons, while religious reasons ranked fourth. Bilir and Özgen (2010) used surveys to quantify client satisfaction with Islamic banks in the Turkish province of Hatay; the results of their study revealed that the services provided by IBs are not enough to meet customer needs. Yılmaz (2010) conducted a study to determine the satisfaction of clients of Islamic banks in 12 cities. It was concluded that demographic and socioeconomic factors affect the satisfaction of IB customers.

In the literature, data on preferences for IBs are generally obtained from individual clients and information is gathered using questionnaires. There is little or no literature research on the corporate customers of IBs. In the research conducted by Aysan et al. (2016), some banking entities stated that they financed SMEs. In the study conducted by Savaşan et al. (2013), 1,045 businesspeople completed questionnaires with the aim of determining awareness of Islamic banking and products. They concluded that Islamic banking has not been fully recognized or developed, the issue of the legal infrastructure is not fully understood, and issues of competition do not seem to be resolved. It was emphasized that Islamic banking could grow more rapidly if the necessary advocacy actions are carried out together with the training of the human resources in the sector and the supplying of a legal infrastructure.

2.5.4. Types of contracts used by Islamic banks

Table 2.1 outlines the most important contracts and tools used in Islamic banking (Egresi & Belge, 2015).

Table 2.1: Most important contracts or tools used in Islamic banking

Name	Type	Explanation
Murabaha	Trade contract	The agreement permits banks to buy goods for customers. The customers then buy the goods from the bank at mark-up prices that represent the bank's gains. The customer can pay on instalment according to the agreement with the bank.
Ijarah	Leasing	Under this agreement, the bank purchases assets (buildings, equipment, etc.) and leases them to customers at a predetermined price. By the end of the deal period, the assets can be returned to the bank or permanently moved to the client depending on details in the contract.
Mosharaka	Leasing; Business financing and profit and loss sharing	This is a business agreement between two or more partners, which may involve banks or monetary institutions. All groups should participate in the partnership, and the specified parties will participate in labour and managing. Gains will be prorated based on all contributions (work, principal, managing, etc.). However, losses will only be distributed in percentages according to the amount invested.
Modaraba	Profit and loss sharing	An agreement is established between the principal possessor (bank) and entrepreneur (investing executive). The former finances joint ventures, while the latter is the management or workforce. Losses and earnings are allocated in a predetermined proportion.

Istisna	Trade contract	According to the agreement, the bank purchases a piece of property, overseeing production, or does so through a subcontractor, and then the customer buys it at a predetermined mark-up price.
Salam	Trade contract	Goods are sold at a cash price to be paid in advance; all relevant specifications are agreed upon at the time of the contract and the goods are delivered at a future date.
Qard hassan	Charity loan; loan	A loan is issued and the same amount is repaid at the end of the period agreed upon. The investor's bank has neither direct nor indirect profit. This is social help.
Wakala	Profit and loss sharing	This is an agreement between the customer of a bank (depositor or owner of money) and a bank investor. Customers deposit cash into savings accounts, which the bank then utilizes to finance ventures. Banks treat customers as shareholders who are entitled to the profits of the bank.
Sukuk	Bonds	This is the Islamic form of regular financial bonds. According to the contract, the bank, company, government, etc. can issue Islamic bonds to investors at an approved price and guarantee to repurchase at a higher agreed price at a specific future date.

Table 2.2: Comparison of Financial Instruments

Conventional Banks' Key Features	**Islamic Banks' Key Features**
Deposits are given to the bank as loans	Depositors are stockholders rather than providing loans
Resources are financed in constant revenue securities and credits	Risk is distributed across loss and profit-sharing instruments
The bank is unprotected in terms of assets and obligations do not match risk	Assets and obligations are usually matched
The bank has constant requirements for deposits but ambiguity on assets' profits	Moral and socially responsible assets

Mansor and Bhatti (2011) explained that in the Islamic commercial framework, commercial dealings managed according to Islamic regulations (mu'amalat) contrast sharply with conventional commercial frameworks. First and foremost, Islamic finance is asset-founded, unlike conventional debt-based finance. This indicates that every transaction ought to be connected to a tangible, identifiable asset. In keeping with Sharia law, it is possible to defer instalments to buy or provide something, and the lender will treat the resulting debt as a receivable. This may differ from lenders in conventional finance systems, which focus on the ongoing benefits of obligations arising from transactions and obligations on financial benefits. Secondly, and vitally, all forms of interest (riba) are entirely illegal, agreeing with the primary schools of Islamic law.

Thirdly, the Islamic banking industry prohibits uncertainty, and any party to a transaction must clearly recognize the terms and conditions of any harm created by a transaction. This means that, corresponding to Sharia law, the sale of possible things with uncertainty cannot be the subject of a contract. Common examples presented by Islamic researchers include the sale of unborn animals or fish in the sea. More modern examples of such prohibitions include transactions in futures and subsidiaries and the purchase of insurance. Fourthly, and just as importantly, money can only be invested in activities that comply with Islamic regulations. Investments in alcohol, gambling, or pork trades are entirely prohibited. Most Islamic researchers argue that banning interest is the main reason for choosing such banks and financial structures. This

system is reflected in the pursuit of the basic types of equity sharing of profit and loss strategies present within Islam, which are called modaraba (trust financing), Mosharaka (participation financing), Murabaha (cost-plus financing), and sukuk (Islamic bonds).

Modaraba (trust financing) can be understood as a solid form of financing in Islam; a partner makes an investment (rab-ul-maal) and then another partner (modarib) also invests in this business investment. Benefits are shared at a predetermined percentage. Modaraba transactions may include two or more parties, including investors, who provide money and develop partnerships with working partners (modarib), who bring skills and value to the deal. Profits are allocated in a fixed proportion, and capital providers bear the losses. In practice, because Islamic banking is built on a high level of trust, financing in Islamic banking is often restricted, and banks are often reluctant to sign such agreements because of the risks.

Mosharaka (participation financing) means sharing and can become a framework for projects. Partners can share their profits according to a predetermined share and reach a predetermined percentage. However, Mosharaka agreements are always unique as they involve a full share of the losses based on the proportion of contributions. This arrangement is suitable for partners who desire to strengthen their financial assets for business transactions. Several types of Mosharaka agreements have become popular recently and these are often used to finance home purchases. For instance, diminishing partnership is also recognized as Mosharaka muntahiyah ("partnership is decreasing"). In Australia, this is referred to as ijarah muntahiyah bittamlik. Such a business deal is suitable for financial mediators who do not want the bank to become a permanent partner in the venture and want their investment to be liquid. As a result, in smaller Mosharaka agreements of diminishing partnership, the bank's share of equity is reduced yearly via partial capital payback. The bank's regular revenues are built on its decreased equity and the customer's shares grow over the period, with the customer eventually owning the assets completely.

Murabaha (cost-plus financing) is characterized by a sales contract, where the client requires the IB to acquire the product from the provider and then sell the product to the client under the agreed terms at the original buying cost plus fees and agreed

benefits. This financial tool is one of the prevalent methods used by IBs and commercial organizations; globally, 70% of all Islamic deals are done in Murabaha format. Because the Qur'an allows transactions but forbids usury, Murabaha is considered a useful sales framework. According to Islamic regulations, the sale of commodities for trade purposes is permitted. It should be noted here that some jurists classify the benefits granted in such sales as "interest", but most Islamic academics believe that the benefits here are different from the benefits due to the cost of purchase via interest. All parties benefit in this agreement. Transactions must also meet the following criteria to be considered as Murabaha procedures:

- The subject matter of the transaction must exist at the moment of sale and should be confirmed by the buyer.
- The seller ought to possess the subject matter being sold at the moment of sale, and the sale must be immediate, absolute, and unlimited; the subject should be valuable property.
- The subject ought to be judged allowable by Islamic jurists and should not be a subject that is not accepted, such as alcohol or illegal drugs.
- The price of the product delivered to the buyer must be determined. A common type of Murabaha is called bai bithaman ajil (BBA), or "deferred payment sale", whereby the instalment of payments is deferred. This is one of the most famous Islamic financing tools and has been recognized by Islamic jurists around the world. The BBA includes payment delays and it is not necessary for both parties to know the cost and mark-up, although conventional Murabaha requires both parties to know the cost and profit/mark-up.

2.5.4.1. Islamic bonds

As mentioned before, the Islamic financial structure is asset-based and limited in debt-based tools, while interest (Riba) is entirely illegal. Within this framework, Islamic investors have created Islamic bonds. Unlike traditional bonds, Islamic bonds do not earn interest. Instead, they are built on non-interest guarantees, which gives investors ownership of the basic assets. The AAOIFI recognizes fourteen standard Islamic bonds, classified by traceability. In this scheme, Mosharaka and modaraba-based Islamic bonds are combined. The Malaysian government has been seen as a

pioneer in the global Islamic finance market. It issued the world's first sovereign Islamic bonds for $600 million in 2002.

Typically, Malaysian banks issue Islamic bonds by providing clients with financing for custom assets over the same period through a purchase/lease arrangement. Given that Malaysia is heavily engaged in Islamic markets, in May 2010, the Australian government and the National Bank of Malaysia signed a document of understanding to support the improvement of Sharia-compliant goods in Australia. Britain has also entered the Islamic market and will soon be the first Western country to allow banks to issue Islamic bonds. It seems that Australia will lead the way for Islamic bonds, which are growing fast and are considered by Australia to be one of the most attractive Islamic commodities due to their elastic nature and capability to adapt to standard financial structures. That is why their representatives have recently advertised Islamic bonds as a discount opportunity for the Australian financial sector.

2.5.5. Development of Islamic banking in Turkey

Egresi and Belge (2015) traced the history of the promotion of Turkish Islamic banks, or Islamic banks, as they are called in Turkey. In 1983, with the goal of attracting more funds from the Middle East, authorities established a legal context for IBs to do business in Turkey. These were called "special financial institutions" (*özel finans kurumları*), but there was no direct mention of their Islamic nature and these special financial institutions were strictly structured with secular bureaucracies and had a different status from conventional banks. As a consequence, they were not considered safe according to the Turkish Central Bank's insurance policy and were not permitted to invest in government securities, so they faced competitive shortcomings in contrast to conventional banks. Their position has since developed with changes to banking practices in 1999 and 2001. In 2001, an association was established to offer an improved supervisory structure for special financial institutions. When the economic crisis hit the Turkish economy, Turkey's Islamic banking structure was already greatly developed, and Islamic banks have continued improving throughout this last period.

In 2005, Article 5411 of the Banking Law replaced the term "special financial institutions" with "Islamic banking" (*katılım bankacılığı*), and the Special Financial

Institutions Federation was converted to the Islamic Banks Association of Turkey (*Türkiye Katılım Bankaları Birliği*: TKBB). The state also extended its deposit guarantee of 50,000 lira to Islamic banks. This encouraged people to invest money in Islamic banks. Moreover, the law was made consistent so that IBs and CBs work under the same rules today. On the whole, these reforms produced a more satisfactory regulatory structure for Turkish Islamic banks; as a result, Islamic finance began to improve faster in the country. There are currently five Islamic banks functioning in accordance with Sharia law: Albaraka Türk, Türkiye Finans, Kuveyt Türk, and, most recently, Ziraat Katılım and Vakıf Katılım, three of them which are stated owned will be stablished one root.

2.5.6. Major moments in the growth of Turkish Islamic banking

Table 2.3: Incidents Shaping the Growth of Turkish Islamic Banking (Egresi & Belge, 2015)

Date	Event
1983	Establishment of a legitimate context that allows Islamic banks, called "special financial institutions", to conduct business
1985	Opening of the first subsidiary of Albaraka Bank
1985	Faisal Finans (Saudi Arabia) opens its first subsidiary in Turkey
1989	Kuveyt Türk launches business in Turkey
1991	Anadolu Finans, with domestic capital, begins to work in Turkey
1995	İhlas Finans, with domestic capital, launches in Turkey
1996	Bank Asya, with domestic capital, begins to work in Turkey
1999	Financial institutions are developed subject to Banking Law No. 4389 that controls the Turkish banking scheme
2000	Turkish holding company Ülker purchases Faisal Finans and changes its name to Family Finans
2001	Bankruptcy of İhlas Finans
2001	Formation of the Special Financial Institutions Federation
2004	Government expands its 50,000 lira assurance to deposits of special financial institutions

2005	"Islamic bank" becomes the new name for "special financial institution" and the Islamic Banks Association of Turkey (*Türkiye Katılım Bankaları Birliği*: TKBB) replaces the previous federation
2005	Türkiye Finans Islamic Bank is started with the merger of Anadolu Finans and Family Finans
2008	Saudi Arabia's National Commercial Bank (NCB) purchases 60% of Türkiye Finans
2010	Structure for corporate sukuk is established
2010 (August)	Kuveyt Türk announces the first sukuk in Turkey at a total of US $100 million
2011	The first Islamic index is introduced by the stock exchange in İstanbul
2012 (September)	Sovereign sukuk issuance at US $1.5 billion
2012 (October)	Sovereign sukuk issuance at US $904 million
2013 (March)	Bank Asya issues the first lira-denominated sukuk of Turkey
2014 (July)	Mutual fund rule applied for Islamic umbrella fund containing cash with no interest-bearing securities
2015	Liquidation of Bank Asya
2015	Establishment of Ziraat Islamic Bank
2016	Establishment of Vakıf Islamic Bank

2.5.7. Turkey's regulatory structure

TKBB (2017) reports that both conventional banks and Islamic banks can collect funds through various mechanisms and allocate them as loans as all kinds of banking are regulated by the BDDK within the framework of a single Banking Act and related rules. The BDDK oversees all aspects of banking production. The Central Bank alone deals with foreign currency operations and reserve constraints. Islamic banks are not a mere alternative but an integral part of Turkish banking activity. They are a

distinct kind of bank alongside deposit banks (conventional banks), development banks, and investment banks.

Islamic banks are similar in function to conventional banks. However, their methods of gathering and borrowing funds are different. They have an interest-free banking regulatory environment. There is no independent rule over Islamic in banking. Nevertheless, the law differentiates between deposits and participation in banking. The laws on fund collection and use differ between these two kinds of banks, and there are small differences in accounting procedures. The law takes into account the nature of the participating income and also permits small differences in the methods of calculating the capital adequacy ratio of Islamic banks.

2.5.8 Report of the TKBB overall attitude toward Islamic banks (September 2017)

1. Islamic banks are a portion of the Turkish banking scheme and bring idle cash into the system.
2. These banks give alternative financial opportunities to manufacturers and retailers via financing.
3. Based on the working principle of profit and loss sharing, Islamic banks are generally influenced by the profit and loss sharing system and healthy loan processes. That is why they were less impacted by the financial and economic crisis in 2001.
4. Islamic banks are capable of distributing suitable gains to their depositors (shareholders).
5. Islamic banks are able to finance business and manufacturing sectors at competitive and lower costs.
6. Audits have greatly helped develop the operating principles of Islamic banks.
7. Islamic banks can perform an essential task in attracting extra capital to Turkey as observed in the Gulf region. With the issuance of sukuk by the Turkish Ministry of Finance in 2012, the potential exists to attract a large amount of investment from the Gulf to Turkey. Therefore, the issuance of this instrument has contributed to the Turkish economy.

8. From July 1, 2012, in the banking sector, the last implementation procedure of Basel II began.

Although after the financial crisis of 2000 and 2001, nearly 50% of funds were removed by depositors, Islamic banks have been able to survive and even thrive. They have placed no extra burden on the Turkish economy or the public, as they have survived with their internal advantages, summarized as follows:

1. On the balance sheet, on the liability side:

- In comparison with a fixed debt ratio, the profit and loss method helps Islamic banks overcome crises.

2. On the balance sheet, on the asset side:

- Due to the distinctive operating principle of Islamic banks, all credit lines (loans) are utilized for real and reliable ventures, so the cash is paid immediately to the seller (product provider), subsequently for purchasing the invoiced equipment. This approach makes it easy to control credit and customers. The policy of instalment loans and repayment every month generally controls the cash flow and liquidity needs and strengthens loan security.
- Invoice lending prevents businesses from using credit and increasing their debts beyond their needs, thereby impeding illogical behaviour.
- With the support of a credit technique for Islamic banks, the credit method called "leasing" provides firms with a credit method similar to their currency flow. In other words, the method offers investments that will be funded through long-term financing.
- These methods improve asset quality by increasing credit assurances. Because Islamic banks' principles are based on invoices and official certificates, they help the government fight against the informal economy.

In conclusion, Islamic banking is not only a banking business based on interest-free functions. These banking businesses or firms can also bypass liabilities based on higher credit and credit securities with fewer risks and more excellent asset quality.

2.5.9. Corporate governance of Islamic banks

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) published its current governance standards for the Sharia Board of Supervisors (SSB) after a meeting on the advancement of the Islamic bond market organized by the World Bank and the Arab Monetary Fund in Abu Dhabi (April 22, 2015), particularly addressing selection, structure, and reporting. The following main points were outlined for the formation of the SSB:

- Islamic doctrine revision.
- Internal Islamic commentary.
- Audit and Governance Commission.
- Autonomy of the SSB.
- Principles of governance.
- Corporate social responsibility (CSR).
- Chosen by stockholders at yearly meetings.
- At least three members.
- Islamic business law experts.
- May include a member with Islamic financial knowledge.
- May not include principal stockholders or board members.
- External consultants can be employed to assist with SSB tasks.
- Terms of employment should be in agreement with the agency and clearly stated in the offer.

The main functions are to be as follows:

- Direct, review, and watch the events of institutions to ensure obedience to Islamic principles.
- Ensure Islamic teachings and directing principles.
- Ensure goods and services in keeping with Sharia.
- Ensure Islamic education.

Habib Ahmed, a professor at the Durham University Business School, describes the current scope of this Sharia-centred governance as follows:

- Sharia governance relies on organizational measures and regulatory procedures.
- Some stakeholders have control and power over international financial institutions, while others have no direct influence.
- Some regulators provide a framework for the administration of Sharia, and others are responsible for following financial institutions/IFSB-IFI Islamic governance standards.
- Sharia governance standards (2008) include four main aspects at the organizational level:
    - Issuance of Islamic teachings (completed by the SSB),
    - Ensuring compliance with Sharia declarations (completed by the internal Sharia compliance department),
    - Internal Islamic compliance review and audit (completed by the internal Islamic review/audit department),
    - Annual Sharia compliance audit (to ensure that internal Sharia audits are performed correctly).
- Role of regulators: no single mode or single specification.
- Proposed establishment of governance committees (audits and independent non-executive managers) to protect the interests of other stakeholders; no such committee exists in IBs.
- No clear policy related to the achievement of other Sharia requirements.

2.5.9.1. Capital adequacy ratio

In the Banking Law of March 2011 (1), Article 45 on capital adequacy ratio (CAR) refers to the loss that may be caused by the risks faced in order to implement this law while maintaining sufficient funds. Banks are obliged to calculate, obtain, keep, and report CARs within the framework of regulations issued by the BDDK, which must not be less than 8%. The board of directors should be empowered to raise the lowest CAR, establish distinctive ratios for every bank, and modify the risk weight structure of assets built on an internal system in which participating accounts consider assets and financial conditions.

Sufficient liquidity: By Article 46, banks shall compute, accomplish, maintain, and inform the lowest degree of liquidity following the standards and measures formulated by the board of directors after authorization by the Central Bank. Elimination of excess: By Article 47, restrictions and excessive proportions are specified, and the guidelines issued by this law are intended to remove them within the framework of the standards and measures established by the board of directors. If there is excess in the restrictions and specification ratios combined with a specific ratio of the resources due to the probable reduction of resources, under the circumstances, such excess shall be excluded within the prescribed time. The provisions of this rule do not apply to administrative charges.

2.5.10. Corporate governance differences between IBs and CBs

Shibani and De Fuentes (2017) detailed the ways in which the corporate governance of IBs is distinct from that of conventional banks. The SSB was established as a Religious Council or Islamic Supervisory Board to guide the unique structure of such banks (Safieddine, 2009). As explained by Quttainah et al. (2013), the Islamic Financial Services Commission in Malaysia defines the Islamic Sharia governance scheme as follows: "The Islamic Sharia governance system [constitutes] a series of systems, and organizational arrangements through which institutions…providing Islamic financial services can ensure compliance with Islamic teachings [together with] effective independent supervision". The corporate governance mechanisms of IBs and conventional banks differ from each other and resemble each other within different categories for internal mechanisms, external mechanisms, and independent auditing.

Internal mechanisms determine a set of controls that a company uses to manage and observe the company's progress and actions. Internal mechanisms include the board structure, ownership structure, management oversight, and the company's debt structure. In IBs, the structure of the bank's board differs from that seen in conventional banks because of the existence of religious committees. The board's roles may be separated into two levels of macro and micro roles. In some states, including Malaysia, the SSB is established at the level of the central bank or regulator (Hamza, 2013). The Islamic Sharia Committee plays an important role at the macro level in

unifying fatwa law (legal judgment) and serves as the highest Islamic Sharia body for Islamic financial organizations. At the micro level, the board should identify suitable governance forms and procedures for operations and arrange them in such a way that practices are followed and effectiveness is regularly reviewed. As stockholders play an essential part as active and aware participants in the policy and decision-making contexts, all parties to the company (board, Sharia board, stockholders, and stakeholders) are accountable under the shura system (advisory system) as a group (Cernat, 2004; Hasan, 2009).

In exterior corporate governance mechanisms, Islamic banks have a variety of financial resources, such as current accounts, investment accounts, or issuance of ordinary shares. The term of a current account is restricted and owners can withdraw cash under particular circumstances. In contrast, investment accounts most typically are built on profit sharing and loss obligations (i.e., modaraba agreements). In these kinds of contracts, banks handle the resources for their owners. While earnings are divided between the bank itself and the investment account holder (IAH), if the IAH incurs losses, the contract will not provide the IAH the right to handle resources (Aggarwal & Yousef, 2000; Safieddine, 2009).

There are two categories of IAHs. The first entails restricted investment accounts (RIAs). With these accounts, the investor determines a particular investment and the duration of the investing. They require banks to invest in certain classes of assets and economic segments under the modaraba agreements. IBs engage with the assets of the Restricted Investment Account Holder (RIAH) in a property pool that is separate from the bank's own assets. The RIAHs have no rights to intervene in the managing of their assets, which is one of the terms in the modaraba agreement, and infringement of this policy may invalidate the agreement. The second category of IAH is the unrestricted investment account (URIA). In this form of investing, the IAH authorizes the bank to finance the account holder's resources in the modaraba agreement via any approach that the bank believes is suitable, without any constraints on the location, method, or purpose of funds. Under this arrangement, banks can combine IAH funds with their holders (possessor of equity) and other resources, and they can obtain prior authorization from investors. The bank has the right to utilize the present account or any other assets as per the modaraba agreement. Ownership is

concentrated. RIAHs increase the size of the bank's principal and face losses (Safieddine, 2009). In other corporate governance models, ownership is concentrated among internal stockholders who are to agree on their contributions to bank capital, and these are also the company's main decision-makers. In such cases, large shareholders with high capital ratios have the right to gather data and monitor directors (John et al., 2016).

In interior audits, the board and senior management should consider that an independent and active interior audit task is essential for effective governance processes. The internal audit function should be the responsibility of the board of directors for all issues; it has to be independent in audit activity and have enough reputation, authority, and funds in the bank. Within IBs, there is also a unit called the Interior Sharia Compliance Review Unit, which is responsible for verifying compliance with Sharia requirements. Any non-compliance is to be recorded, reported, and resolved or corrected as much as possible.

The nature of Islamic banking is different from that of conventional banking. IBs have a group of standards that set them apart, including participation in profit and loss, ownership-based trading principles, and prohibition of interest or riba, while conventional institutions are defined by interest. The corporate governance structure of a conventional bank comprises executive managers, a board of directors, stockholders, and other stakeholders. However, another component of Islamic banking is the Sharia Commission, which is tasked with ensuring that IBs monitor banking functions and avoid interest-bearing transactions. Thus, prohibiting the processing of interest ("Riba" in the Islamic view) is the focus of establishing Islamic banking concepts and applying Islamic banking. The principles of Islamic law and the establishment of corporate governance structures are thus similar in the nature of their work, while Islamic institutions are sensitive to Islamic society and the people's trust is the foundation of their success (Grais & Pellegrini, 2006b; Abu-Tapanjeh, 2009).

2.5.11. Risk management in Islamic banks

Cobanoglu (2015) reported on two main organizations that have had relevance for banking risk management according to the TKBB:

1) Basel III: As an international regulatory structure for banks, Basel III constitutes a collection of globally recognized procedures established by the Basel Committee on Banking Supervision (BCBS) in reaction to the 2007-2009 financial crisis. These procedures are targeted at consolidating regulation, control, and risk management of banks. The aim of Basel III is for banks to improve their capital and liquidity situations. According to the regulations of the BCBS, the plans for Basel III entail two primary goals:
   - Improve international capital and liquidity procedures for the promotion of more flexible banking.
   - Enhance the capability of the banking industry to withstand the impact of fiscal and economic pressure, thus lowering spill over risks from the financial industry into the actual economy.

   In order to meet these targets, Basel III is split into three key parts addressing the following main fields:
   - Principal improvements (involving capital quality and quantity, comprehensive risk treatment, the introduction of leverage and principal protection buffers, and counter cyclical capital buffers),
   - Liquidity reform (long-term and short-term ratios),
   - Other components related to the overall improvement of the steadiness of the financial scheme.

2) The Islamic Financial Services Board (IFSB) is a worldwide standard-setting association that encourages and improves the robustness and steadiness of the Islamic financial service sector by issuing global prudential criteria and guidelines for businesses. In its scope, it includes banks, capital markets, and insurance.
   - To clarify the execution of Basel III, the IFSB issued IFSB-15 in December 2013, which introduced a framework of capital adequacy ratios and liquidity needs.
   - The purpose of IFSB-15 is to introduce a framework for capital ratios and liquidity needs to ensure effective risk management in the Islamic banking industry.
   - IFSB-15 analyses the exposure of Islamic financial products (such as profit-sharing investment accounts and Islamic bonds) and services and proposes

capital ratio requirements and other matching rules. IFSB-15 also provides rules for capital hedge buffers and leverage ratios.

- Like Basel III, IFSB-15 also defines popular stock as Tier 1 core capital and favoured stock as additional Tier 1 capital. However, it must be noted that in a few jurisdictions, favoured stocks are only believed to be a Sharia-compliant instrument.

2.5.11.1. Credit risk management in Islamic banks

In IBs, credit risk is seen in terms of agreements with financial products. For instance, in a Murabaha or ijarah contract, if the customer is not able to pay instalments on time, there is a risk. In salaam or istisna contracts, risks occur when the manufacturer fails to provide the goods or products within the agreed time. However, in the case of Mosharaka or modaraba, the relationship between the bank and the partner may be based on a partnership relationship rather than a creditor/debtor relationship, and so a financial firm may not be responsible (Akkizidis & Khandelwal, 2008: 119). Credit risk occurs when income is anticipated, with CBs operating according to capitalist rules and IBs agreeing with Sharia law (Iqbal, 2007).

In the last few decades, in spite of the numerous credit risk management strategies advanced by certification bodies, there is still no special mainstream credit risk management method for developing Islamic banks, which has enabled IBs to take advantage of conventional Islamic credit risk management in line with strategies based on Islamic teachings (Lekpek, 2018). The credit risk management of IBs is cumbersome because Sharia law prevents banks from delaying additional cash from instalments. After all, it is considered interest, so customers can delay instalments or avoid payments because they know they should not be fined (Abdul-Rahman et al., 2014). Islamic commercial projects are exposed to varying degrees of risk, like debt-based projects such as modaraba and profit and loss sharing financing projects such as Mosharaka and modaraba. Salam is less risky because previous debt includes planned instalments, and equity-based businesses are based on profit and loss relationships, so IBs tend to focus more on debt-based investments (Khan, 2015).

Unlike credit guarantee agencies, IBs do face credit risks. In any case, if the modarib in a modaraba contract or sharik (partner) in Mosharaka does not pay benefits

to the bank, the profit and loss sharing model will bear credit risk. When the borrower hides information from the bank, this can particularly happen, and there are risks if debt-based contracts such as modaraba have a fixed rate of return and planned instalments do not happen (Siddiqui, 2008). Studies have shown that IBs are more sensitive to credit risk management than CBs because IBs have a more considerable burden for assessing and examining risk (مجحم et al., 2016; Alfawwaz et al., 2016; Masood et al., 2012; Hachem & Sujud, 2018).

One way to increase the credit risk from modaraba contracts in IBs may be an exchange through which traders buy assets and sell them to buyers at an agreed percentage of gains plus costs. These days, IBs are an important part of the deal (van Greuning & Iqbal, 2007). Since a modaraba contract bears the risk of failure to pay, it is considered a credit risk. It is stated that when the defaulting bank is unable to increase the instalment amount, the bank should be allowed to charge late fees and fines to customers who delayed their instalments for no reason because the tool will be unable to provide additional cash to charities to expand the bank's benefits (Ahmed & Tiby, 2010). Salam contracts may be illustrated by the sale of a clearly defined item that will be sold at a price to be paid in the future, with the seller obligated to the buyer until the buyer receives the product (al-Fijawi, 2016).

In any case, in a salaam contract, credit default may result if the customers cannot pay their debts to the bank in full accordance with their obligations, or if the seller fails to transfer the product within the prescribed time or with the promised quality. In such a case, the bank can request an advance payment. Istisna can be a contract with a manufacturer or a contract with a worker to manufacture goods based on specific measures, and a certain percentage can be paid in advance (Borhan, 2019). In istisna, contractual credit risk arises when the buyer is unable to purchase the negotiated project or cannot pay the planned instalment after receiving the project (Akkizidis & Khandelwal, 2008).

In ijarah, the lessor (owner) of a contract has the right to lease specific property or commodities for a particular time with agreed-upon cash (Fatima, 2006). Contractual credit risk may arise in Murabaha if the customer is unable to pay the agreed cash to the bank (Vejzagic, 2014). However, in a modaraba contract, the

relationship between the bank and modarib (funded partner) may be based on profit sharing. The bank cannot participate in the management of the funded enterprise or supervise the modarib. Therefore, the bank as a whole has a relatively large income and the issue of high credit risk losses is related to the mudarib's ability to efficiently manage joint projects because he or she can intentionally or unintentionally harm the bank's equity (Kabir Worthington & Gupta, 2015). Mosharaka is a joint venture based on profit loss or business where partners share benefits or losses according to predetermined proportions. The difference between Mosharaka and modaraba is that in Mosharaka the association includes the sharing of losses and the sharing of benefits, while in modaraba, the association only includes the sharing of benefits (Hamdouni, 2011). If partners do not pay the bank a share of returns, or if the business results deviate from the bank's prospects, credit risk arises in modaraba (Akkizidis & Khandelwal, 2008).

2.5.12. Summary

In brief, main problems depending on foreign capital in the banking industry, liquidity crises and inflation, due to changing interest rate, necessity of increasing capital adequacy ratio (CAR). The authority from time to time regulate and deregulate interest rate in an attempt to decrease inflation of local currency but have failed to reduce the inflation rate to acceptable levels. Saltoglu and Yazgan (2012b) published a report that interest rate regulations played a crucial role in the crisis, inflation, and national economic stability. Akin et al. (2011) addressed inflation rate as the main issue during this period, Capital outflows were disrupted when the authorities attempted to follow the established managed exchange rate regime to limit interest rate, a difficult undertaking depreciation, many banks went bankrupt, and credit and financial crunches were unavoidable.

Alper (2001) discussed the liquidity crisis and the mismatch caused by interest rate until became the main reason for the sharp increase in new account deficits and the sensitivity of the banking system. From 2001 to the Rebuilding of the Market: Saltoğlu (2013) believes that Turkey's development rate is sensitive to the international situation. Turkey's savings rate was at a very low level, leading the economy to face a constrained supply of local investment. Since local funds are

insufficient, this situation forces the economy to rely heavily on international financing. The Turkish banking restructuring after the financial disaster of 2001 increased the degree of capitalization of banks, which had a significant influence on the Turkish banking industry's avoidance of the most recent global crisis (Saltoglu & Yazgan, 2012b). The minimum capital requirement. (CAR) of at least 12%, while the global requirement is only 8%.

2.5.12.1. Opportunities and risks of Turkish banks

Saltoğlu (2012) summarized important perspectives on banking in Turkey (2012b) published a report that interest rate regulations played a crucial role in the crisis, inflation, and national economic stability. Saltoğlu (2013) believes that Turkey's development rate is sensitive to the international situation. If the global economy starts to grow, Turkey's economy will grow much more sharply than what will be seen in other countries. However, if the global economy shrinks, the economy of Turkey will be substantially slowed in comparison to other developing economies.

The excessive growth fluctuations are connected to the structure of the Turkish economic scheme. Initially, Turkey's savings rate was at a very low level, leading the economy to face a constrained supply of local investment. Since local funds are insufficient, external funds should be regularly brought into the development of the economic scheme. This unique situation forces the economy to rely heavily on international financing. The short maturity of bank deposits in Turkey has likewise brought the banking industry to depend more heavily on global funds. Heavy dependence on global capital flows could also lead the Turkish banking sector towards a higher-risk route.

In brief, it is clear from the historical presentation of the Turkish banking system given above that the main problems with Turkish banking system were depending on foreign capital in the banking industry, liquidity crises and inflation of local currency due to changing of interest rate by the government.

CHAPTER 3
THEORETICAL FRAMEWORK AND ANALYSIS OF SUSTAINABLE DEVELOPMENT FROM THE ISLAMIC PERSPECTIVE

3.1. Introduction

This chapter critically reviews the most commonly used theories in the literature on banking regarding the issues of corporate governance, risk management, and performance of banks. The most popular approaches relevant to this dissertation are political economics methods, regulatory methods, and economic methods. A summary of these methods and theories will be provided in this chapter together with conclusions.

The theoretic structure guiding a study makes it possible to identify the variables to be assessed and the statistical associations. A thorough review of research methods (Trochim et al., 2008) pointed out that research has two main areas, namely theory and observation. Theory takes place in the minds of researchers, while observations take place in the external world. In order to conduct meaningful research, both of these two areas must be thoroughly addressed. Theory directs all areas of research and makes it possible to develop research problems, goals, and assumptions.

The theoretical debate on risk management and corporate governance within the Turkish banking industry is built on the core assumption, among others, that these two variables of corporate governance and risk management affect the performance of Turkish banks. There are various theoretical frameworks relevant for the banking industry, including agency theory, capital market theory, stakeholder theory, regulatory methods, legitimacy theory, and signal theory. These methods and theories will be explored in detail to evaluate their significance as the basis for explaining and analysing the corporate governance, risk management, and performance of the Turkish banking industry. To date, no extensive review of the corporate governance literature has been made available. However, in this field, agency theory and stakeholder theory can be said to be the most popular paradigms.

Abdullah and Valentine (2009) explained the core theories in the field of corporate governance as being management theory, stakeholder theory, agency theory,

and politically and morally oriented theories, such as those exploring business ethics and honesty ethics. In the opinion of these authors, the theories mentioned here focus on causality among variables such as board members, audit committees, dual roles, or the departures of independent directors and CEOs. As the conclusion of their research, they reported that combining a variety of theories will be the most meaningful way to explain excellent corporate governance practices, instead of concentrating on one theory.

3.2. Regulatory Approaches

Two popular theories in particular are relevant to regulatory approaches, namely public interest theory and private interest theory. One of the latest entries to the field is economic theory, which should offer guidelines and legislation for public rights in an effective or fair market (Riahi-Belkaoui, 2002). Legislation should be helpful and should benefit all shareholders in society.

Supervisors should furthermore represent all stakeholders, operating for the benefit of the broader society. The theory of private interest focuses on the interests of special groups to help industry. In addition, as Riahi-Belkaoui (2002) pointed out, the provisions underpinning public theory are applied to improve public social welfare, whereas the provisions underpinning private interest theory are applied to increase the capital of particular interest groups.

Davis and Menon (1987) argued that consideration of both public and private interests must form the basis of any new regulations. Pound (1993) stated that public interests are safer considerations than other interests since laws and rules are constituted by governments that effectively monitor the governance scheme and the performance of various departments. The regulatory development of every sector relies on various factors, such as the sector’s competence and efficiency, social and political concerns, and environmental matters. The theory of public interest deals with bankruptcy through two concepts: externality and efficiency. Due to the collapse of a massive number of banks, the external costs of the economy, credit and loan costs, and the entire investment scheme were all significantly influenced (Bernanke, 1983).

As Friedman and Schwartz (2008) pointed out, due to the massive collapse of the banking industry, the macroeconomy was severely influenced in the form of changes in the capital supply. Careful supervision and specialized supervision may be suitable resolutions to reduce the effect of bank failures and reduce the influence of external macroeconomic factors. Government policies and laws can be used as tools to control existing banks by placing more restrictions on paid-in principal or limits, or by controlling who is able to get new business licenses, for example. Special management and supervision by a government department may also ensure that commodities and prices remain competitive and make it possible to track and evaluate the implementation of legal constraints on banking activities.

Public interest goals may be influenced by private interests, such as those of particular investors, bankers, customers, suppliers, or political groups. In such situations, a corporate governance scheme would permit the most successful resolution, making it possible to accurately monitor government agencies.

As can be seen here, there are many constraints attached to the regulatory approach to banking activity, which may influence the bank's corporate governance applications, as well as its risk management and its performance. While the issue of regulatory approaches is, to some extent, important in the context of this dissertation, the use of these approaches alone is insufficient to clarify the relationship among the three variables being explored here, corporate governance, risk management, and performance.

3.3. Economic approaches

Economic methods usually focus on targets, aims, and the maximizing of profits. Moreover, they focus on the interests of both sides: stockholders (principals) and executives (agents). The significant theories addressing the economic approach to banking are agency theory, signal theory, and the theory of the capital market.

3.3.1. Agency theory

Agency theory is a well-known theory that is widely used in the literature on corporate governance and risk management. It has been employed in several areas, however, including accounting, economics, marketing, finance, politics,

organizational behaviour, and sociology (Eisenhardt, 1989). On the heels of the disconnections that have occurred among ownership and management (or interior control), agency theory is now often utilized to elucidate the relationships between them. Agency theory concentrates on correlations between two groups, whereby capital is the owner and the agent is the manager. Such an association includes giving certain decision-making rights to the agents, i.e., managers (William & Michael, 1976). Therefore, executives have the right to use various assets (human assets, financial assets, etc.) and, accordingly, they have all the data regarding the bank. In contrast, owners have the right to employ directors, and they will need to demand much knowledge in order to evaluate performance. A potential problem in this situation is the truthfulness of the information being provided. Generally, it is believed that people act for their own interests to increase their benefits, and agency theory shows the existence of a contradiction of the interests of the agent (executive or manager) and the capital (owner). According to this contradiction of interests, executives will make decisions that support their interests, but not the owner's interests. In order to prevent such conflicts of interest, multiple procedures should be used to evaluate and observe the behaviour of agents, resulting in increased agency costs.

In the background of corporate governance and risk management, this irregularity of information is known to be one of the motives for strengthening corporate governance schemes. Corporate governance is clearly a vital instrument for reducing the costs of agency (Craswell & Taylor, 1992).

Agency theory predicts that, eventually, the conflict of interest occurring between the manager and the owner will damage the value of the company. It is assumed that the disconnection of ownership and management will worsen conflicts of interest between the parties. As agency theory understands ownership structure, it can be expected that when a manager has considerable ownership in a firm, for example, it will reduce conflicts between groups. At the same time, the existing stockholders will gain from narrowing the gap between the interests of managers and stockholders.

In addition, many authors have criticized agency theory's assumption that agents (or managers) take actions with the aim of increasing their benefits, arguing that the incentives for managers to take action for/against the benefit of owners are

overestimated. There are also external and internal stresses that guide managers' performances and lead them to work for their own interests in parallel with the interests of the owners. This, of course, will mitigate any problems of conflict of interest that may happen.

Decentralized ownership forms also have a vital position in decreasing agency conflicts because decentralized ownership is an essential element in ensuring excellent corporate governance. Shleifer and Vishny (1997) claimed that decentralized ownership will affect corporate governance mechanisms and that the impact of the free-rider problem on ownership concentration will affect the impact of shareholders (which account for the majority of ownership) on supervisors. Hence, ownership formation will have a crucial function in the corporate governance process.

Claessens (2006) was in agreement with the stance of agency theory that superior corporate governance assists firms in their efforts to decrease their equity costs. A possible explanation for this is that, since outsiders may be able to secure greater investment returns through better governance, they may bring about more financing with anticipation of lesser rate of gains.

Agency theory also reveals that many methods can be used to alleviate a corporation's agency problems. These include managers' motivations to compensate themselves for the profits of the owners, and dividends to reduce management's intentions to make over-investment decisions that might be funded by internal free cash flow. Bond mechanisms can also be used to decrease moral threats for managers that may happen when bond contracts and bankruptcy pose restrictions. It is also important to choose a board with a respectable reputation in terms of direct stockholder interference. Regarding market collapse, since external market issues are believed to be beyond the scope of agency theory, agency theory alone cannot resolve the agency problems. The government holds a significant position in supervising and controlling banks for maintaining the public interest, for the following reasons:

1) The banking/financial system and the entire economy is critically significant.
2) A critical role for government is dealing with the anti-competitive behaviour of individual banks (Llewellyn, 2001).

Arun and Turner (2003) claimed that the limited approach to corporate governance views this theme as a process through which stockholders can ensure that executives act for their benefit, as early as Adam Smith, it was understood that executives did not always take action in the greatest interests of investors. The advancement of today's firms exacerbates this problem, specifically in the context of the Anglo-Saxon background. A company comprises a massive number of investors and scattered interests, leading to a split of ownership and management. This, in turn, leads to separation of ownership and control. Organizational staff, or management, runs the company for its own benefit and not for stockholders (Watts & Zimmerman, 1983; Fama & Jensen, 2005). This makes it possible to evade supervision or establish a broad financial empire, possibly even on large scales. In any case, corporate governance is relevant in the context of strategies for managers providing financial control. Arrangements to make sure that money is not forfeited in order to obtain entrepreneurial profits are particularly relevant (Oman, 2001; Shleifer & Vishny, 1997; Vives, 2000). As can be noticed from the above debate, there are some limitations to agency theory. Though it is essential to describe and support this research, this theory alone cannot clarify corporate governance overall.

3.3.2. Signal theory

Information flow is one of the critical new issues of research in the business sector. The emphasis of signal theory is that information asymmetry can be eliminated or diminished by sending information signals to all concerned parties (Connelly et al., 2011). It has also been argued that this theory reveals how to eliminate or reduce asymmetry when one party with extra information communicates it to other groups (Morris, 1987).

Signalling is a widespread phenomenon that applies to any marketplace with asymmetric information. Signal theory is like agency theory because it accepts the split between ownership and management power and understands that the pressures of the market encourage managers to engage in their work more transparently. In addition, the latest scandals have once again raised concerns about corporate transparency. Studies have shown that companies with improved corporate governance expect superior performance. If there is an information irregularity between the executive

party and the investor, the company can signal to the investor to remove this asymmetry (Karasek & Bryant, 2012). In other words, if the information is asymmetric, investors do not understand the real position of the company's functions. Earlier studies have shown that investors depend on information from firms to make investment decisions (Poitevin, 1990). In fact, banks with excellent corporate governance and performance regularly pass on messages to the community to increase optimistic impressions of their banks.

According to signal theory, managers with problems of agency are encouraged to signal the market with efficient internal corporate governance and try to decrease agency costs. Company value increases with transparency and assures stakeholders that management can do their duties very well. Executives have more information about the firm than stakeholders, such as owners and investors. Directors may want to provide signals to interested groups, such as investors, owners, and government agencies. Signal theory assumes individuals are acting for their own benefit. Agency theory has received similar criticism. Many authors have also criticized the assumption of equivalent sharing of power. They trust institutions that practice power, but not individuals. In addition, the signalling procedure is complex when multiple participants or several clients are engaged. Regarding the interface between signal theory and agency theory, Morris (1987) concluded that agency and signal theories are very nearly identical and there is some important intersect between them. Both of them realize logical behaviour. Agency theory implies information asymmetry. In agency theory, quality can be classified as a variable; some linkages in agency theory imply signal costs. As discussed above, it can be noted that signal theory is, to some degree, relevant to describe and sustain the research presented here, but no single theory will clarify the structure of this study's variables in all cases.

3.3.3. Capital demand theory

According to capital demand theory, directors are encouraged to bring about excellent corporate governance, risk management, and performance and encourage others to support the process of financing banks and growing funds at the least potential cost. In order to obtain principal in the form of stocks or bonds at a lower cost, the bank's supervision should notify all shareholders of bank enhancements and

developments to help reduce depositor uncertainty and information irregularity. Existing governance theories, like agency theory (Fama & Jensen, 1983) or capital theory (Lin, 2008), aim for two co-existing procedures that affect the behaviour and fiscal results of an enterprise. First, there is the incentive of managers to fulfil stakeholders' interests through practical competitive actions, and second, the organization's ability to take on sufficient competitive action, which may be improved through corporate governance procedures.

Moreover, company capabilities, including even non-board components of the corporate governance scheme (e.g., executive compensation or institutional ownership), are primarily motivational adjustment tools. Therefore, it is impossible to fully understand the role of the board without considering capital theory because board memberships enhance the company's ability to identify and apply strategy.

3.3.4. Economic approach evaluation

All theories of agency, signals, and capital needs are taken from economic approaches. These approaches have some shortcomings, as they are founded on a wish for gaining revenue and avoiding losses. Meanwhile, economic methods concentrate on increasing earnings and reducing costs while ignoring other important goals, and the economic approach concentrates on only two political groups (directors and investors) while overlooking other vital parties in the public such as creditors, workers, providers, governments, consumer groups, and tax authorities. In addition, economic methods cannot be examined in isolation from the social, political, and institutional context in which economic actions happen (Gray et al., 1995).

Due to the previously mentioned shortcomings of these economic methods, many studies have accepted political-economic methods that consider relationships among society and various institutions.

3.4. Political and Economic Approaches

Political and economic methods address the interface among economic and political activities, society, and institutions. Thus, the focus is placed not only on the association between administration and stockholders but also on other stakeholders. In addition, the political economy approach emphasizes the matter of power and wealth

distribution in the community, which indicates that it identifies the interactions among the parties mentioned above. The well-known corporate governance theories arising from these methods are the stakeholder, legitimacy, and institution theories.

3.4.1. Stakeholder theory

All parties or alliances may affect the corporation's performance (Freeman & McVea, 2001). As stated earlier, agency theory focuses only on the association between two sides. Stockholders act as principal and administrators act as agents, and stakeholder theory stresses the relationships among all stakeholders, such as managers, stockholders, employees, suppliers, customers, and governments. According to stakeholder theory, all parties who care about the company's performance are waiting for the benefits of their own participation (Crowther & Jatana, 2007). Sternberg (1997) indicated that a fundamental shift has taken place away from those who influence the company towards those who are influenced by the firm because they own shares in it. Also, according to stakeholder theory, companies need the support of all stakeholders in order to maintain their business in long-term operations (Van der Laan Smith et al., 2005). In practice, it is possible to divide stakeholders into two broad categories. The first category comprises the main stakeholder classes, including those that are critical to the continued development of the enterprise, such as stockholders, investors, suppliers, employees, and governments. The second group comprises secondary stakeholders, including society, and constituting stakeholders not crucial to business continuity (Riham Ragab Rizk, 2006). Under stakeholder theory, accountability has two sources: management responsibility and moral responsibility. According to stakeholder theory, executives have a responsibility to evaluate the significance of each stakeholder group, and they ought to do their best to convince them. In the stakeholder structure, the role of the executive will be even more critical because it will not only manage key decisions of top management in the interests of shareholders but will also satisfy all other stakeholders to ensure that the firm continues moving forward. From certain viewpoints, the stakeholder approach is said to reduce management's unnecessary attention on short-term financial performance and turn the focus to long-term total performance. The focus of stakeholder theory is that organizations trust stakeholders to succeed, and each stakeholder has the enterprise's interests in mind. According to stakeholder theory, managers must represent all

stakeholders, not just the shareholders who increase their interests. Also, in the long run, shareholders will gain as key stakeholders. Sternberg (1997), however, criticized stakeholder theory and considered it contradictory with companies and with corporate governance. It eliminates business goals and maximizes the owner's value as a long-term vision. Furthermore, this theory means that companies should be responsible for everyone, encouraging administrators to not violate their established responsibilities to everyone. Sternberg pointed out in his research that stakeholder theory challenges private accountability and property, and balancing stakeholder interests was argued to be an infeasible and unreasonable goal. Contradictory to Sternberg, Turnbull (1997) stated that experimental evidence does not agree with the first two critiques of Sternberg. Instead, Turnbull believed that stakeholder relations are legitimate; they can even be used to defend private property, agencies, and capital. Three main aspects of stakeholder theory can be categorized: descriptive, instrumental, and normative (Donaldson et al., 1995). The first aspect, descriptive, involves explaining and clarifying particular firm attributes and behaviours. The second, instrumental, includes links between stakeholders, management, and the accomplishment of business targets. The third clarifies the business's tasks and related ethics.

3.4.2. Legitimacy theory

As described by Gau (2011), the theory of legitimacy addresses the relationships between business corporations and the community, as these relations can be defined as social contracts. Legitimacy may be defined as the general recognition that decisions and procedures undertaken by an entity are appropriate and acceptable according to the social scheme of norms, definitions, and values. Suchman (1995) focused on the original content according to the theory of legitimacy, whereby all corporations and their agents are eventually seeking legitimacy. The fundamental hypothesis in institutional theory is that all social players seek legitimacy in the institutional environment and re-create legitimacy norms. Even though this is common in environmental and social settings, many corporate governance findings have concluded that the theory of legitimacy is not sufficient to completely describe social reporting behaviours (O'Dwyer, 2002; Guthrie & Parker, 1989a). Also, in formulating research hypotheses, it may be hard to evaluate or control for society's ethics and values. However, the social values of an enterprise affect the way in which it operates

and reports its performance. In addition, it is stated that considering the political or social contexts may help resolve the motives of corporate social choices (Adams, 1998).

The theory of legitimacy is founded on the notion that commercial companies have social agreements with the community as a whole, and business companies agree to operate in accordance with desired and accepted behaviours (Guthrie & Parker, 1989b). According to the theory of legitimacy, the behaviour of firms is regularly observed and evaluated by the public. Thus, companies must struggle to gain social recognition and satisfaction. In addition, commercial companies are influenced by many environmental considerations. According to the theory of legitimacy, corporations will only succeed if they are deemed socially acceptable in terms of their operations and they act within an acceptable framework (Riham Ragab Rizk, 2006). In order to legitimize their actions, all companies need to accept four strategies:

1) The business has to share information about the company's performance and inform its relevant stakeholders.
2) The views of relevant stakeholders should be considered with no modification of their real actions.
3) Appeals may redirect consideration from matters of worry to other related concerns, thereby manipulating views.
4) Outside prospects may be changed for performance gains.

3.4.3. Institutional theory

In the development of old institutional economics (OIE), institutions are an essential part of recognizing institutional economics theory. Hence, what does "institution" mean? "Agency" also has some different definitions according to economics and the social sciences. Potts (2007) that institutions are entities coordinating procedures between individuals and social mechanisms creating economic value. These structures for coordination processes are also crucial to clarify the relative benefits of economic activities and production factors. The term "agency", meanwhile, refers broadly to establishing official regulations (North, 1990), ex-ante agreements (Bonchek & Shepsle, 1996), or informal forms of shared interface arrangements. These are drawn from guidelines that may include regulatory

constructs, government associations, laws, professions, courts, or other assorted social and cultural traditions that enforce compliance difficulties (DiMaggio & Powell, 1983). At its core, institutional economics involves recognizing the parts of the development procedure and the role of institutions in forming economic actions. Veblen (1908) argued that institutional economics has come to be a theory of continuous changeover that is seen as an arrangement of total change, recognized as self-sustaining or self-spreading, and without periodization. Institutional economics concentrates on recognizing the roles of the development process and institutional shape in economic actions. Its unique concentration is on social etiquette. Institutional economics highlights the broader examination of institutions and the marketplace due to the complex collaborations between these institutions, e.g., individuals, society, companies, countries, and norms. This can be thought of as a market. Based on the definition given here, it can be assumed that institutional economics is a coordination process between social and individual forms when generating economic value by considering the value of specific rules. Traditionally, the theory of institutions has concentrated on different groups, exploring how organizations guarantee their status and legitimacy by obeying the laws and norms of the institutional ecosystem (Meyer & Rowan, 2006). This is old institutional economics (OIE) from the viewpoint of economists. With development, people expect banks to fulfil the tasks of decreasing transaction costs, diminishing waste due to asymmetry of information, and adjusting motivations through active monitoring. Due to information asymmetry, the inefficiency of intermediary capabilities seems to ultimately increase the cost of seeking chances among entrepreneurs. This creates a "search cost" that can be confirmed as a part of transaction costs (Coase, 1960). In this regard, it is recognized that IBs can offer high-quality data at a lower cost by acting as financial mediators. Banks tend to provide debt-based deals, and according to the design of the contracts, they require investors to provide the least amount of information when the performance of the company cannot be determined (Khan, 1986). Therefore, debt-based contracts dominate financial intermediaries. In reality, Islamic banking supports profit and loss sharing contracts in principle, but critics of IBs often say that profit and loss sharing or stock-based agreements suffer from a higher degree of undesirable choices and ethical threats in the areas of transaction costs and information asymmetry

(Iqbal & Llewellyn, 2002). In debt-based agreements, regardless of the performance of the joint venture, financiers are obligated to repay the total principal they receive from the bank. In contrast, in equity-based agreements, banks and financiers share gains and losses that are consistent with the agreed proportion of profits. In the case of Mosharaka contracts, if it is a modaraba contract, the bank will bear the loss (if any). Hence, in equity-based contracts, more observations and controls are required to reduce the asymmetry of data and transaction costs (Abdul-Rahman et al., 2014).

3.4.4. Evaluation of political and economic approaches

From the information presented here, it is clear that stakeholder theory, legitimacy theory, and institutional theory can contribute to explanations of corporate governance, but they also have some shortcomings. The theory of legitimacy can describe and predict how organizations will strengthen corporate governance and disclosure methods to legalize their enterprises, but this theory is not sufficient to completely describe these practices. Meanwhile, stakeholder theory presumes that directors define the significance of stakeholders in accordance with their power. Deegan (2002) emphasized the linkages among the theory of legitimacy and others, such as stakeholder and institutional theories. He also pointed out the value of using more than a single theory. Due to the overlap of many theories, the concept of legitimacy is also vital in institutional theory (Rizk, 2006). According to the theory of legitimacy, an organization needs to modify its operations or structure to meet external criteria about which structures or methods are legitimate. Contrary to the theory of legitimacy, Deegan (2002) pointed out that people believe that managers can change their views on legitimacy. According to institutional theory, executives should adhere to the norms and rules established by authorities, which are mainly imposed on them.

3.5. The Role of Islamic Banks in Achieving Sustainable Development

3.5.1. Definition of the concept of sustainable development

Many definitions of sustainable development have been developed (ماب, n.d.), and the term particularly gained attention after the emergence of the report “Our Common Future”, with sustainable development being defined at the United Nations Conference on Environment and Development that was held in Rio de Janeiro, Brazil,

in 1992. The report explains it as development that meets the needs of the present generation without sacrifices or harms imposed against the needs of future generations. In other words, sustainable development is defined as the necessity of realizing the right to development in a way that meets the developmental and environmental needs of both present and future generations. The United Nations has defined sustainable development as promoting economic development while preserving and ensuring the continuation of social development, the environment, and political, economic, institutional, and natural resources. Based on equality, it supports the concepts of sustainability and human resource development. Today, sustainable development is the one of the key ideas that shape the most significant parts of contemporary development policy. The theory of sustainable and social development makes people both the starting point and the goal. It is a type of development that does not only generate growth or economic profit. Its benefits are equal, but it distributes them to rebuild the environment in the context of sustainable development rather than having a goal of merely increasing production. It aims to enable humans to live a better life, including education and culture, and to provide better opportunities to practice creative activities and the right to expression, as well as the right to participate in the determination of public affairs and environmental protection for subsequent generations. Development is based on four main components:

1) Productivity, which is the human ability to produce.
2) Equality, which is an equal opportunity without distinction and would be impeded due to the depletion of resources.
3) Sustainability, which means not causing harm to later generations, not polluting the environment, and not producing public debts that burden future generations. The lack of concern for the development of human resources creates difficult conditions in the future as a result of the choices of the present. This must be avoided.
4) Empowerment, which means that development that takes place within people and not just for them, where people are doers and thus they are active. Development enhances the ability of the person to achieve, thus becoming a goal and a means at the same time (Abraheem, n.d.).

3.5.2. The goals of sustainable development

Sustainable development has a set of goals that it seeks to achieve through its mechanisms and what it contains, which can be summarized as follows:

1) Through the planning and implementation of sustainable development, policies will achieve a better life for the population and achieve good growth for society by focusing on the relevant areas and aspects of growth. It allows for acceptable and sustainable economic, social, psychological, and spiritual growth.
2) Respect for the natural environment is another, as the close link between sustainable development and the environment is what has led to it becoming the main objective with an aim to preserve, protect, and respect the environment. Cleanliness of the environment is the basis of human life, and a relationship of integration and harmony with sustainable national development improves the conditions of life and ensures healthy living conditions and sustainable development for society as a whole.
3) Sustainable development aims to educate the population about environmental problems and risks that occur by raising awareness of development that takes responsibility for the importance of preserving the environment and urges individuals to find solutions to prepare, implement, and monitor programs, projects, and policies for sustainable development (environmental education).
4) It also seeks to achieve optimum exploitation and rational use of resources for sustainable development to achieve its goals. These resources must be used in a rationally planned and thoughtful way so as to not deplete the resources of future generations.
5) Another goal is linking modern and contemporary technology to the goals of society by employing these tools to achieve social progress and serve society, by using them to achieve development for individuals and society and obtain the desired goals without having adverse effects on society.
6) Finally, it is aimed to make continuous improvement in the needs and priorities of society by achieving a balance in economic development and controlling the problems of the private environment, in turn leading to the finding of suitable alternatives (Maab, n.d.).

3.5.3. The principles of sustainable development

The integrative relationship between the environment and growth is a strong relationship of harmony, and this must be respected in achieving development. There must be a safe and clean environment and the presence of resources with rational exploitation, leading to the emergence of the fundamental principles on which sustainable development is based:

1) First principle: Using the systems approach in preparing and implementing sustainable development plans. Systematic patterns or systems are among the primary conditions for preparing and implementing sustainable development plans that stem from any changes that occur in the human environment. The human environment is a part of the wider cosmos and so it affects other subsystems and sustainable development. It is necessary to work to achieve balance and harmony between individual systems and aim to preserve the lives of societies through attention to the balance of earth's structure in all aspects of society and in the environmental realm.
2) Second principle: Popular participation. There is a need for the participation of all relevant parties in realizing sustainable development, starting from the level of planning and continuing through follow-up. This means that it is development that occurs from the bottom, from the local level and then to the regional and the national. The growing role of local governments and municipal councils in this process can be effective in irrigation and development, for example, or can increase programs to rationalize energy consumption. They also have important local roles in the management and treatment of environmental, commercial, and industrial wastes, such as in recycling large quantities of them. They can reduce the emission of carbon dioxide, responsible for influencing the ozone layer, such as by raising awareness of the dangers of toxic gases. Finally, there is a need to find alternatives to oil consumption. The responsibility for sustainable development is the responsibility of all.
3) Third principle: Group responsibility, with all countries working together.
4) Fourth principle: Environmental precaution. Materials should not be allowed to circulate until there is evidence of non-danger. If there is any suspicion that there

is a negative effect of a substance, resources are not being exploited in an ideal way.

5) Fifth principle: Optimal and appropriate utilization of economic resources.
6) Sixth principle: Continuing the life of economic resources and the strategic planning of these resources to ensure renewable long-term economic resources.
7) Seventh principle: Ideology of environmental balance and development.
8) Eighth principle: Harmonizing the needs of both present and future generations, in the sense of achieving the requirements of the present without neglecting the needs of future generations.
9) Ninth principle: Survival and competitiveness.
10) Tenth principle: Preserving the characteristics of nature with the identification and development of production structures of investment and consumption (Maab, n.d.).

3.5.4. Dimensions of sustainable development

- First of all, the economic dimension: Sustainable development is not achieved without the support of an economic system that rejects imposed distant development models from different societies that are not appropriate to the relevant cultural identity. Sustainable development in wealthy countries means reduction in the levels of long-term consumption of energy and natural resources by improving energy efficiency and changing patterns of consumption of resources on the one hand and a self-evaluation policy on the other. Community participation in development-related issues is one of the prerequisites for the success of economic plans and also for achieving the goals of sustainable development. While maintaining the best methods for both obtaining maximum economic well-being and preserving environmental aspects, decision-makers need to make economic decisions that achieve safety by setting physical limits on the environmental damage resulting from economic and environmental processes. This may include imposing a polluter tax according to the amount of environmental damage generated and, of course, supporting the principle of participation, with comprehensive planning of resources in the long term and the consolidation of social justice values that seek to narrow the gap in the living standards between the highest and lowest. Moreover, we can say that the ways to achieve sustainable

development must be considered according to both rich and poor classes. The economic dimension should include the following:

1. Improvement of the standard of living, welfare, humanity, and social life.
2. More efficient use of capital.
3. Reduction of the level of poverty.
4. Economic growth that is compatible with the environment.

- Secondly, the environmental dimension: Environmentally sustainable development depends on managing responsibility for natural and human resources, and this is a challenge that must be addressed to preserve the interests of new generations while maintaining the needs of the current generation. It requires making great efforts to educate the population about these problems. Sustainable development means protecting natural resources from human stresses and not overusing or overexploiting forests, fisheries, fertilizers, and pesticides that pollute surfaces and waters at unsustainable levels. The protection and optimal use of agricultural land and water resources in the world is critical, and it is necessary to reduce the significant change in the stability of the global climate, remove animals and plants from the danger of extinction, and prevent the destruction of the ozone layer. Sustainable development according to the environmental dimension depends on the two factors of population and technology. As the continuous population increase leads to consumption of resources and environmental depletion, a balance is required between the size of the population and resources and technology, which will entail the set of knowledge, skills, tools, and equipment used in producing goods and services that represent three aspects of development. Thus, the environmental dimension should include the following:

    1) The environment is a resource capable of creating wealth.
    2) It is a means of exercising the social control of property.
    3) It is a useful and influential tool for decision-making.

- Thirdly, the social dimension: Sustainable development means achieving significant progress in order to guide population growth. Rapid population growth and the ability of governments to provide services leads to severe pressures on natural resources, with technological expansion and population distribution.

Moreover, the expansion of cities generates waste and pollutant materials that are dangerous to their users and to the general population, as well as to the surrounding natural systems. Sustainable development means slowing the movement of migration to cities and supporting active rural development by promoting education and training and raising the level of support for tourism activities and environmental and cultural tourism. Considering the population as only a number means ignoring the important issue of people themselves, and the ability to be creativity. It is an innovative resource and a source of well-being. In order to support this resource, people should improve their lives through better nutrition and obtain appropriate education that helps them to become more capable, with creativity, skills, and productiveness, and better prepared to tackle problems and engage in effective communication. Furthermore, sustainable development can only be achieved through the development of the population and the development of human resources, which is one of the key elements here, because the human being is the goal of any development planner, simultaneously being essential for achieving sustainable development itself and being one of the means to achieve its goals. Thus, the social dimension should include the following:

1) Upgrading the human element.
2) Securing the basic needs of the population.
3) Improving social welfare.

- Fourthly, the technological dimension: Technological sustainability can be achieved through the following considerations:
    1) Use of cleaner technologies in industrial facilities.
    2) Adoption of improved technologies and legal frameworks.
    3) Reduction of the emissions of gases.
    4) Protection of the ozone layer.

3.5.5. Dimensions of sustainable development from an Islamic economic perspective

The dimensions targeted by sustainable development have been embodied in Islamic economics deeply, because the Islamic economic perspective does not separate the physical and spiritual dimensions of man. This is evidenced by the tripartite

relationship that characterizes the human being as the first dimension in achieving development, not merely focusing on developing the available economic resources to satisfy needs. Development emanates from the person himself and his needs, and this tripartite relationship is as follows:

1) The faith dimension of worship is represented in the relationship that links man to God. The relationship between the human being and God cannot be a purely material relationship.
2) The environmental dimension is represented in the relationship that binds humans with nature, where the environmental dimension is similar to the faith dimension. The human being needs nature to meet his needs and desires, and nature needs man because it needs someone to clean it and not destroy its resources while keeping it in balance. If we look closely, we will find that development in the economy is nothing but development focused consciously, and peaceful trade exchange relies on the development of carefully cultivated external resources. For example, fertile lands need agricultural development to increase the productivity of land production or for development of irrigation methods and land reform.
3) The ethical dimension is represented in the relationships that bind a person to others. The human cannot satisfy his needs except through the actions of others, and hence the whole is complete. Therefore, production is a process that maintains social cohesion and justice, so the individual produces for himself and others, with social ties between the individual and society (Maab, n.d.).

3.5.6. The role of Islamic banks in achieving sustainable development

Achieving sustainable development has become a global requirement that everyone calls for in light of what the world has witnessed recently, with many environmental, social, and economic imbalances, which have threatened not only the continuity, progress, and well-being of humanity but also existence of life on this planet in general. Many economists, politicians, and thinkers now believe that sustainable development is a useful tool to remedy these imbalances and to spare the world the negative repercussions of applying the traditional development model of the past decades. They believe that all countries, institutions, and various other bodies

must play an active role in achieving sustainable development. Hence, it is important to consider the topic of the role of IBs in supporting sustainable development.

3.5.7 The relationship of Islamic banks in supporting sustainable development

Solutions are embodied in agreements proposed by those interested in sustainable development issues and environmental activists, like the Kyoto Agreement in Japan in 2002 or the Johannesburg Summit, or the 1992 Rio de Janeiro Summit, which all emphasized the necessity of sustainable development. The Bali Summit in Indonesia in 2007 also addressed desertification, combating pollution, limiting the spread of gases, preserving the environment, and the equitable distribution of wealth between the North and the South, which requires high costs, energy reduction, and great sacrifices from the owners of surplus money, especially in industrialized countries, for the benefit of poor countries. However, the reality is different. The goals of corporations may be incompatible, and companies seek to achieve their own interests, without passing on value through societies, and especially to the poor. This poses an obstacle to the priority of preserving a sustainable environment, especially from the financing side (Boraqaba, 2011). Hence, the mechanisms of the Islamic economy are presented as alternatives in financing to achieve sustainable development because of their characteristics that do not contradict with the interests of society. In other words, its mechanisms work to ensure the legitimacy of projects with useful Islamic rules and provisions. Moreover, they are legally acceptable in terms of activity while sustainable development is among the most important goals for the development of society and the development of industry. Islamic banking seems to be more capable and more efficient for investing the resources available under the use of the principle of participation for achieving efficiency in economic and human development. Furthermore, it is possible to participate in decision-making. Responsibility is embraced in this system, thus supporting community development and contributing to economic activity among the goals of sustainable development. The diversity of the formulas of this financing is also important, such as modaraba, salaam, and support of farming, industrialization, and cultivation, which are all forms that will finance high-cost projects such as sustainable development projects.

3.5.7.1. Through the social dimension

The role of Islamic banks in achieving sustainable development through the social dimension can be seen clearly in the following areas:

1) Zakat collection: Many Islamic banks have established special funds that are tasked with collecting zakat and distributing it to those who are entitled to it. The Islamic banking system is an essential basis for developing zakat funds because it provides education and social networking, as zakat is considered an integral part of the Islamic financial system for both public and private banking systems. Zakat involves large sums of money that have the power to advance the momentum of sustainable development in society, and zakat in the economy is indirect. It is recognized that zakat has direct developmental effects that make it possible to increase production and invest money, distribute wealth, solve unemployment problems, fight inflation, and secure employment opportunities for those who can work, all of which have a significant impact on the development of a society or state. In order for zakat to play this significant role, the money must be directed toward productive investment projects that are helpful for the poor in a timely manner. The principle of investing zakat funds in investment projects ends with ownership of those who are entitled to it. It is affiliated with the legal authority responsible for collecting and distributing zakat, provided that it is satisfying the needs.

A) This is obtained without cost, and "cost" is the amount that is deducted from revenues before reaching the profit. This characteristic makes the Muslim investor achieve higher profits than others, and, therefore, if an investment is made in high-cost projects, then the remaining profits of the investor in the Muslim system are higher than others. For the investor in a non-Muslim system, there is cost imposed by the use of capital, namely riba, or interest, and this is what makes the Islamic system better able to lead the financing processes of sustainable development than other economic systems.

B) Zakat is one of the most important financial resources of the state and an adequate engine encouraging Muslims to invest their money. Zakat does not represent the end of money; in addition to delivering money from the rich to the poor, money will be spent mostly to meet consumer needs, which in turn leads to increased investment and

thus revitalization of the economy and provision of new job opportunities, from which development is achieved.

C) Directing funds from zakat money to investments in areas that benefit society is the most important feature of Islamic financing in the field of sustainable development. The money is everyone's money. With this logic, funding should be directed to serve the community's people by setting up projects that do not cause harm in the present or future.

D) In addition, the necessary productive resources are provided from the zakat money, perhaps establishing factories and real estate to create income and commercial institutions for them. Moreover, with their ownership, poverty is addressed, and work is undertaken to found the necessary investment institutions and establishments to strengthen the Islamic community, such as educational institutions, bridges, public buildings, and other sustainable development projects.

E) Contributions are made to the achievement of justice and distribution of wealth.

F) For vocational training and rehabilitation, those who receive zakat, such as craftsmen and traders, may enhance their skills and efficiency, and equipment and machines may be provided for productive families that can engage in economic activities in homes or establish workshops and factories to teach sewing, weaving, and the production of ready-made clothes.

G) Medical treatment and healthcare may be possible with the establishment of zakat funds, and medical clinics in different locations may provide medical treatment to the poor in various areas of specialization, receiving a nominal fee or recruiting volunteer doctors free of charge or for a small fee, while a Zakat Foundation takes care of these fees and the costs of treatment.

H) Expenditures for scientific research and technological development from zakat funds are important because many of the real problems facing developing countries are rooted in building education for scientific research, just as developed countries direct their budgets toward scientific research (Hammodi, n.d.).

2) Charity loans: Provided without interest: Islamic banks are distinguished by providing good loans on an Islamic basis, making available a specific amount of

money for individual people or customers without charging any commissions. The repayment of the loan and a return on the investment of this amount is sufficient. The bank only has to recover an asset, namely the loan/the money lent to the customer. These loans are provided for specific purposes, such as medical treatment, education, small business development, or unemployment support.

3) Waqf or endowment: Islamic banks today establish special endowment funds through which benefactors can give their money to charity, and Islamic banks supervise their management. The endowment or waqf has several social, economic, and environmental goals, and they are often the same as sustainable development goals. This can be seen clearly in the following points:

A) Among the most critical dimensions of sustainable development are the natural resource dimension and the social dimension, and the endowment's interests lie in redistributing income, improving the infrastructure of the economy, and providing loans for many productive activities, which can be considered clear evidence of the endowment's interest in sustainably exploiting natural resources and reducing the gap between social classes.

B) One of the features of sustainable development is that it tends to meet the needs of most of the impoverished individuals in society, and this represents the primary goal of the endowment, which targets groups such as the poor, migrants, orphans, or the disabled in terms of providing them with the basic needs of food, housing, and education.

C) Sustainable development is concerned with developing the spiritual and cultural aspects of society by financing schools and colleges and centres of science and promoting the appropriate ethical and behavioural aspects of society by narrowing inequalities, another point of significant evidence of an endowment's interest in the spiritual and cultural aspects of society.

D) Sustainable development and the Islamic waqf are both concerned with many dimensions related to human life, such as the economic dimension, the cultural dimension, the social dimension, the human dimension, and others.

H) The basic objectives of the Islamic endowment involve seeking solidarity between various classes of society. It does so by providing stable and permanent financial resources to meet the economic and social needs of society and develop the quality of human life while paying attention to the rights of future generations to live a decent life, which is considered the content and essence of sustainable development. Ensuring equality among people and equity between generations is a constant principle of an Islamic endowment as it relates to sustainable development, which confirms the extent to which the relationship between the endowment and sustainable development is rooted.

4) Carrying out various social activities: Islamic banks carry out many social activities based on their responsibility in the field of social development, such as granting subsidies and aid to mosques and to students of science, issuing books and other Islamic publications, contributing to Islamic conferences, contributing to literacy programs, contributing to solutions to the housing crisis, and participating in environmental protection programs.
5) Take into account the social dimension in financing: Islamic banks are distinguished by taking into account the social dimension. When granting financing to investment projects, they give priority to socially necessary projects and are concerned with the financing of craftsmen, and they work to achieve a balance between all economic sectors and parts of society. They focus on small industries in their investments in financing projects of social benefit.

3.5.7.2. The role of Islamic banks in achieving sustainable development through the economic dimension

The role of Islamic banks in achieving sustainable development through the economic dimension is clear in several areas including modaraba (speculation), Mosharaka (participation), and ijarah (leasing).

A) Speculation contributes to economic development through:

1- Encouraging the expansion of economic activities, as it is not only confined to commercial activities, but also all other economic activities.

2- Reducing the disparity in income distribution, as it allows the speculator and the head of money to obtain a percentage of the profit rather than the fixed salary as a speculative profit is not related to a particular place.
3- Allowing the use of financial resources by people with experience and professional competence, which will enable the achievement of the most considerable returns for both the owner of the money and the worker, and then for society and the economy as a whole. This is instead of directing the resources towards areas that achieve a lower return in the case of relying on the use of money without the worker or speculator, that is, by the owner of the money, who may have less experience or ability to direct resources towards better usage alternatives.
4- Improving the quality of the performance of economic activities without limiting them in terms of quantitative aspect when practicing these activities, because the degree of moral and ethical commitment in speculation increases because it is carried out according to Islamic standards and controls that impose the presence of faith, integrity, and Islamic creation in those who pledge to engage in speculation with money (Maab, n.d.).

B) Mosharaka contributes to economic development through:

1) Contributing to productive activities rather than directing financial resources towards investment or towards marginal, unproductive areas, because productive projects often need a long-term period and participation is highly proportional to those projects, such as continuous participation.
2) Contributing to reducing inflation by providing goods and services via productive and socially beneficial projects.
3) Contributing to achieving greater justice in the distribution of the outcome of investments through the participation of groups in society through this tool, without which it may not be possible for those groups, depending on the financial resources available to them, to carry out work and earn an income.
4) Contributing to motivation for hesitant investors to use their money in private investment projects in which the bank is involved. When the Islamic bank participates, their confidence in the feasibility of the project increases.

C) Istisna contributes to economic development through:

1) Supporting industrial development efforts and increasing their industrial capacity, which is the primary goal of financing via istisna, such as for equipment and machinery.
2) Making it possible to finance firms' production, such as for capital goods and machinery.
3) Contributing to solving many contemporary problems to provide the goods that the customer demands according to his/her needs and requirements (Mahir, n.d.).

As for leasing, it contributes to achieving economic development, as it is of high economic importance as a result of the role that it plays in the economy. It can be provided with the fixed financial assets needed to set up projects or expand existing projects through its association with the work of different sectors.

3.5.8. Summary

It is well known usually research has two main areas, namely theory and observation. Theory takes place in the minds of researchers represent deductive approach, while observations take place in the external world represents inductive approach. In order to conduct meaningful research, both of these two areas must be addressed. This chapter introduced the methods and theories that are encountered and widely employed in the literature on the fields of corporate governance, risk management and performance of banks. The findings of this research were obtained in order to address the predefined hypotheses by accepting or rejecting them. In this research explains the most popular theories relevant in the literature regarding the issues of CG, RM. and P. of banks. Some of theories related to the research aim will be displayed briefly with conclusions that matches our chosen variables. Economic methods usually focus on targets, aims, and the maximizing of profits. Moreover, they focus on the interests of both sides: stockholders (principals) and executives (agents). For example, Agency Theory: is a well-known theory that is widely used in the literature on CC, RM. It predicts the conflict of interest occurring between the manager and the owner will damage the value of the company. It is assumed that the disconnection of ownership and management will worsen conflicts of interest between

the parties, in order to prevent such conflicts of interest, multiple procedures should be used to evaluate and observe the behavior of agents, resulting in increased agency costs. Corporate governance is clearly a vital instrument for reducing the costs of agency (Craswell & Taylor, 1992). Signal Theory: The emphasis of signal theory is that information asymmetry (Connelly et al., 2011). Signal theory is like agency theory because it accepts the split between ownership and management power and understands that the pressures of the market encourage managers to engage in their work more transparently. In addition, the latest scandals have once again raised concerns about corporate governance (transparency). Capital Demand Theory: According to it, directors are encouraged to bring about excellent corporate governance, risk management, and encourage others to support the process of financing banks and growing funds at the least potential cost. The political-economic theories were distinctly relevant to the second part of this chapter, which studied the social dimension of the relationship between Islamic banks and sustainable development, and these theories can be used to interpret and support this relation as follows: Sustainable development represents an approach for meeting the needs of the current generation without sacrificing or harming the ability of future generations to meet their needs. Islamic banks have a role in achieving sustainable development. This is clear via the social dimension, with the examples of collecting zakat, establishing endowments, and providing good loans. Moreover, these banks carry out many social activities based on their responsibility in the area of social development, such as granting subsidies and aid to mosques and students of science, issuing books and other Islamic publications, contributing to Islamic conferences, addressing the housing crisis, and participating in environmental protection programs. Economic theories are believed to be appropriate to some degree focus on efficient markets, more suitable and relevant basis for the current aims. Selecting from among theories does not indicate that any of them have absolute benefits compared to the other theories. The chosen theoretical structure is simply can help in this research to explore the hypotheses developed and choose variables. Most theories related to corporate governance (CC), risk management (RM) are economic theories which have consensus and assumes that implement of good CC, RM in the organization will have an excellent beneficial on performance.

CHAPTER 4

BRIEF DESCRIPTION OF STATISTICAL ANALYTICAL RESULTS

This chapter presents the practical results from collecting secondary data from the official websites of the Banks Association of Turkey and the Islamic Banking Association of Turkey (PBAT or TKBB) regarding statistical reports. Most of the desired data and ratios were available. However, the data of the Islamic banks were released for a quarter of the year, so Excel was used to perform calculations for the annual basis. The total number of banking institutions in Turkey is 51. First, data were collected from about 50% of existing banking institutions. The sample included 22 well-known banking institutions and SPSS was used to analyze the data. For each variable, CG, RM, and P, two essential ratios were selected from the previous literature. The ratios used to indicate corporate governance (CG) are capital adequacy ratio (CAR) and shareholder equity to total assets (ETA). The ratios used to represent risk management (RM) are liquid assets to total assets (LATA) and liquid assets to short-term liabilities (LASL). The ratios used to represent performance (P) are average return on assets (ROA) and average return on shareholders' equity (ROE). A brief summary of the results of the analysis follows in terms of banks and selected variables and ratios.

4.1. Bank Numbers and Classifications in Turkey

As in bank association of turkey (BAT) report 2017.

1) In Turkey, there are five Islamic banks,
2) thirteen deposit banks (both state-owned and private banks),
3) Twenty foreign banks, and
4) Thirteen development and investment banks (private and state-owned).

The subsequent analysis presents the statistical results and the testing of the hypotheses, together with an exploration of the relevant debates and correlations among the proxy variables of CG, RM and P. Adjustments are made to data by adding or deleting ratios if needed to develop the model. The analysis begins with a descriptive analysis of the independent variables and their representative ratios as used in the current study. Furthermore, multivariate analysis will be utilized to support the

results acquired from the initial bivariate analysis. The outcomes will be discussed. Consequently, this chapter tries to solve the research questions and accomplish the research goals by determining whether Islamic banks perform better than their conventional counterparts by applying ratios with the CAMELS model. Finally, the major conclusions are summarized.

4.2. Testing of the Hypotheses

4.2.1. H1: Corporate governance (CAR and ETA) and risk management (LATA and LASL) are predictors of performance (ROA)

Here, the hypothesis that corporate governance (CAR and ETA) and risk management (LATA and LASL) are predictors of performance (ROA) is tested.

4.2.2. Model: implication of both corporate governance and risk management on bank performance (ROA) for All banks

Pooled OLS is a type of pooled linear regression without fixed and random effects. It assumes a constant intercept and slopes regardless of group and period. This pooled OLS model (Table 4.1) fits the data well at the 0.05 significance level ($F = 9.09$ and $p < 0.001$). The R^2 value of 0.1754 indicates that this model accounts for 18% of the total variance in bank performance.

4.2.3. OLS results for regression analysis model: regression equation

OLS: $ROA = \beta 0 + \beta 1\ CAR + \beta 2\ ETA + \beta 3\ LATA + \beta 4\ LASL + e$

$ROA = 2.52 + (-0.19\ CAR) + (-0.003\ ETA) + (0.13\ LATA) + (-0.03\ LASL)$

Table 4.1: Pooled OLS regression

Source	SS	df	MS	Number of observations =			176
Model	118.696127	4	29.6740318	F (4, 171)			= 9.09
Residual	558.016537	171	3.2632546	Prob > F			= 0.00
Total	676.712664	175	3.86692951	R-squared			= 0.175
Root MSE			= 1.8064	Adj R-squared			= 0.156
ROA		Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
CAR		-0.1941	0.0653073	-2.97	0.003	-0.323	-0.065
ETA		-0.0026	0.0644583	-0.04	0.967	-0.129	0.124
LATA		0.128	0.0243585	5.26	0.000	0.079	0.176
LASL		-0.027	0.0104121	-2.64	0.009	-0.048	-0.006
_cons		2.525	0.8037114	3.14	0.002	0.938	4.11

4.2.4. Discussion of statistical results

Even in the event of zero CAR, zero LATA, and zero LASL, each bank is expected to have 2.52 units of ROA ($p < 0.002$). For a one unit increase in CAR, the ROA of banks is expected to decrease by -0.19 units, holding all other variables constant ($p = 0.003$). Whenever LATA increases by one unit, ROA will increase by 0.13 units ($p < 0.001$). Whenever LASL increases by one unit, ROA will decrease by 0.03 units ($p < 0.009$). It should be noted here that ETA is an insignificant predictor of ROA in this OLS model; therefore, it can be omitted from the above equations. These results support H1.

4.3. H2: Bank Type Has a Significant Effect on Bank Performance

Next, the second hypothesis of bank type having a significant effect on bank performance was tested. Although the (pooled) OLS model fits the data well, it remains unverified whether each bank type (IBs versus CBs) has a different initial performance. This means that Islamic banks may have their own initial Y-intercept, which is significantly different from that of conventional banks. In order to verify this, LSDV regression is applied, adding a dummy variable to account for the difference in

initial performance. With the dummy variable, Islamic banks are coded as one while conventional banks are coded as zero. Now the hypothesis is tested: Each bank type has a different initial performance, or its own initial Y-intercept. The new regression equation becomes:

LSDV: ROA = (β0 + Dummy) + β1 CAR + β2 ETA + β3 LATA + β4 LASL + e

Table 4.2: LSDV regression

Source	SS	df	MS	Number of observations =		176
Model	236.945	5	47.38	F (5, 170)		= 18.32
Residual	439.766	170	2.58	Prob > F		= 0.00
Total	676.712	175	3.86	R-squared		= 0.35
Root MSE			= 1.60	Adj R-squared		= 0.331
ROA		Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]
Dummy		2.627	0.38	6.76	0.000	1.860 3.394
CAR		-0.154	0.058	-2.64	0.009	-0.269 -0.038
ETA		0.037	0.057	0.65	0.516	-0.076 0.151
LATA		0.090	0.022	4.05	0.000	0.046 0.134
LASL		-0.005	0.009	-0.52	0.602	-0.024 0.0142
_cons		0.982	0.751	1.31	0.193	-0.500 2.464

This LSDV model (Table 4.2) fits the data better than the pooled OLS model does (Table 4.1), and the F statistic is increased from 9.09 to 18.32 ($p < 0.001$). The SSE (sum of squares due to error or residual) is decreased from 558.02 to 439.77 and R^2 is increased from 0.1754 to 0.3501, all due to the included dummy variable. This model loses one degree of freedom (from 171 to 170). Parameter estimates of individual regressors are slightly different from those in the pooled OLS. For instance, the coefficient of CAR is decreased from -0.19 to -0.15, but its statistical significance remains ($p = 0.009$). This fixed effect model reveals that each bank has its own intercept but shares the same slopes of regressors (i.e., CAR, ETA, LATA, and LASL).

The bank type has specific intercepts, and regression equations can be calculated in the following way: ROA (IBs) is used for Islamic banks, while ROA (CBs) is used for conventional banks.

4.3.1. Model: Implication of Both Corporate Governance and Risk Management on Bank Performance (ROA) for Islamic Banks

ROA (IBs) = (0.98 + 2.63) + (-0.15 CAR) + (0.04 ETA) + (0.09 LATA) + (-0.005 LASL)

4.3.2. Model: implication of both corporate governance and risk management on bank performance (roa) for conventional banks

ROA (CBs) = 0.98 + (-0.15 CAR) + (0.04 ETA) + (0.09 LATA) + (-0.005 LASL)

4.3.3. OLS results for regression model

Comparing Pooled OLS and LSDV (Fixed Effect Model)

There are some significant differences between the pooled OLS (Table 4.1) and LSDV (Table 4.2). LSDV significantly improved all goodness-of-fit measures, such as the F-test, SSE, root MSE, and (adjusted) R^2, while one degree of freedom was lost by adding one dummy variable. The LSDV model seems better than the pooled OLS model. These results are supportive of H2.

Table 4.3: Comparing Pooled OLS and LSDV

	Pooled OLS	**LSDV**
CAR	-0.1942 (p = 0.003)	-0.1541 (p = 0.009)
ETA	-0.0026 (p = 0.967)	0.0375 (p = 0.516)
LATA	0.1280 (p < 0.001)	0.0907 (p < 0.001)
LASL	-0.0275 (p = 0.009)	-0.0051 (p = 0.602)
Overall intercept (baseline intercept)	2.5250 (p = 0.002)	0.9823 (p = 0.193)
IBs (deviation from the baseline)	------	2.6272 (p < 0.001)
F-test	9.09 (p < 0.001)	18.32 (p < 0.001)
Degrees of freedom (error)	171	170
SSE (sum of squares error)	558.0165	439.7668
Root MSE	1.8064	1.6084
R^2	0.1754	0.3501
Adjusted R^2	0.1561	0.3310
N	176	176

Dependent variable: ROA

4.3.4. Testing for multicollinearity

Table 4.4 shows the variance inflated factor (1/VIF) and tolerance (1/VIF) for all independent variables. Values of VIF are all below ten and values of 1/VIF are all above 0.1, which indicates that there is no multicollinearity between independent variables.

Table 4.4: Testing for multicollinearity

Variable	**VIF**	**1/VIF**
LATS	4.11	0.243344
LASL	3.86	0.258923
CAR	1.88	0.530756
ETA	1.56	0.639286
Dummy	1.21	0.826534
Mean VIF: 2.53		

4.4. Applying Return on Equity (ROE) As a Measure of Performance

The same procedures were carried out to test the same predictor's ability to predict ROE, and the subsequent comparison between pooled OLS and LSDV is shown in Table 4.5. The pooled OLS model does not reach statistical significance, while the LSDV model is significant and explains 22.21% of the variance (R^2 = 0.2221).

Table 4.5: Comparing Pooled OLS and LSDV

	Pooled OLS	**LSDV**
CAR	-0.2522 (p = 0.283)	-0.3926 (p = 0.065)
ETA	-0.0741 (p = 0.749)	-0.2149 (p = 0.304)
LATA	0.1123 (p = 0.201)	0.2431 (p < 0.003)
LASL	-0.0075 (p = -0.150)	-0.0840 (p = 0.019)
Overall intercept (baseline intercept)	12.052 (p < 0.001)	17.460 (p < 0.001)
IBs (deviation from the baseline)	------	-9.2100 (p < 0.001)
F-test	1.10 (p = 0.360)	9.71 (p < 0.001)
Degrees of freedom (error)	171	170
SSE (sum of squares error)	7188.51745	5735.30095
Root MSE	6.4837	5.8084
R^2	0.0250	0.2221
Adjusted R^2	0.0022	0.1992
N	176	176

Dependent variable: ROE

4.5. H3: Islamic Banks Outperform Conventional Banks in Turkey

4.5.1. CAMELS standard applied to estimate the performance of Islamic banks and conventional banks of Turkey

The CAMELS model contains six elements. Every element can be evaluated with the use of various ratios.

Table 4.6: Ratios along with the measures and references

Ratio	Symbol	Calculation	References
Capital adequacy	CAR	Capital / total risk-weighted assets	(Choi et al., 2014), (Jiraporn, Kim et al., 2012), Malaysia: (Fanta, 2013).
	ETA	Equity / total assets	(Erol et al., 2014b)
Asset quality (AQ)	FATA	Financial assets / total assets	e.g., (Erol et al., 2014b),(Guan et al., 2019).
	TLTA	Total loans / total assets	(Erol et al., 2014b),(Guan et al., 2019)
Managerial competency (MC)	NIITA	Non-interest income / total assets	e.g., (Olson & Zoubi, 2008) (Erol et al., 2014b), e.g., (Malihe Rostami & Correspondence Malihe Rostami, 2015)
	OETA	Operational expenses / total assets	
Earnings quality	ROA	Return on assets	(Peni & Vähämaa, 2012), (Epure & Lafuente, 2014),(Aebi et al., 2012b),(Farazi et al., 2013)
	ROE	Return on equity	
Liquidity (LQ)	LATA	Liquid assets / total assets	e.g.,(Erol et al., 2014b),(Guan et al., 2019).
	LASL	Liquid assets / short-term liability	e.g., (Erol et al., 2014b),(Guan et al., 2019), e.g., e.g., (Malihe Rostami & Correspondence Malihe Rostami, 2015)
Sensitivity (S)	LFUTA	Loans under follow-up / total assets	e.g., (Malihe Rostami & Correspondence Malihe Rostami, 2015)
	PLFU	Provisions / loans under follow-up	

Table 4.7: Group Statistics

	Type	N	Mean	Std. Deviation	Std. Error Mean
CAR	Islamic banks	24	14.7780	1.57890	0.322
	Conventional banks	152	16.3147	2.95718	0.239
ETA	Islamic banks	24	9.5613	1.81521	0.370
	Conventional banks	152	11.4831	2.65352	0.215
FATA	Islamic banks	24	5.7649	2.76393	0.564
	Conventional banks	152	16.5736	8.17518	0.663
TLTA	Islamic banks	24	68.4275	5.25163	1.071
	Conventional banks	152	62.2238	10.40400	0.843
LFUTA	Islamic banks	24	2.5911	2.80376	0.572
	Conventional banks	152	1.1327	0.95881	0.077
PLFU	Islamic banks	24	72.3532	12.52766	2.557
	Conventional banks	152	71.6940	15.38929	1.248
LATA	Islamic banks	24	24.7021	15.75190	3.215
	Conventional banks	152	29.0831	10.00704	0.811
LASL	Islamic banks	24	33.0332	25.86326	5.279
	Conventional banks	152	54.5666	22.75357	1.845
ROA	Islamic banks	24	3.7608	4.52569	0.923
	Conventional banks	152	1.2561	0.70607	0.057
ROE	Islamic banks	24	3.6250	3.89871	0.795
	Conventional banks	152	11.0761	6.23625	0.505
NIITA	Islamic banks	24	0.9660	0.25295	0.051
	Conventional banks	152	1.3649	0.63259	0.051
OETA	Islamic banks	24	1.5880	0.20846	0.042
	Conventional banks	152	2.7323	0.89935	0.072

Table 4.8: Independent samples test

		Levene's Test for Equality of Variances		**t-Test for Equality of Means**						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
CAR	Equal variances assumed	3.042	0.083	-2.486	174	0.014	-1.53664	0.61809	-2.75656	-0.31673
	Equal variances not assumed			-3.825	53.055	0.000	-1.53664	0.40175	-2.34243	-0.73085
ETA	Equal variances assumed	1.543	0.216	-3.420	174	0.001	-1.92179	0.56198	-3.03095	-0.81262
	Equal variances not assumed			-4.485	40.438	0.000	-1.92179	0.42850	-2.78753	-1.05604
FATA	Equal variances assumed	11.991	0.001	-6.406	174	0.000	-10.80866	1.68728	-14.13884	-7.47848
	Equal variances not assumed			-12.415	101.058	0.000	-10.80866	0.87063	-12.53574	-9.08157
TLTA	Equal variances assumed	3.533	0.062	2.859	174	0.005	6.20367	2.16976	1.92123	10.48610
	Equal variances not assumed			4.547	57.004	0.000	6.20367	1.36429	3.47173	8.93560
LFUTA	Equal variances assumed	77.532	0.000	4.899	174	0.000	1.45843	0.29770	0.87087	2.04599
	Equal variances not assumed			2.525	23.856	0.019	1.45843	0.57757	0.26600	2.65087
PLFU	Equal variances assumed	1.630	0.203	0.200	174	0.842	0.65924	3.30402	-5.86187	7.18036
	Equal variances not assumed			0.232	34.964	0.818	0.65924	2.84558	-5.11781	6.43630
LATA	Equal variances assumed	12.971	0.000	-1.823	174	0.070	-4.38100	2.40314	-9.12406	0.36205
	Equal variances not assumed			-1.321	26.009	0.198	-4.38100	3.31621	-11.19746	2.43546
LASL	Equal variances assumed	2.253	0.135	-4.228	174	0.000	-21.53347	5.09334	-31.58615	-11.48079

	Equal variances not assumed			-3.850	28.899	0.001	-21.53347	5.59261	-32.97337	-10.09357
ROA	Equal variances assumed	281.646	0.000	6.435	174	0.000	2.50478	0.38922	1.73658	3.27298
	Equal variances not assumed			2.706	23.177	0.013	2.50478	0.92558	0.59089	4.41867
ROE	Equal variances assumed	4.012	0.047	-5.673	174	0.000	-7.45105	1.31348	-10.04346	-4.85865
	Equal variances not assumed			-7.902	44.238	0.000	-7.45105	0.94297	-9.35120	-5.55091
NIITA	Equal variances assumed	11.389	0.001	-3.045	174	0.003	-0.39889	0.13101	-0.65746	-0.14033
	Equal variances not assumed			-5.480	79.104	0.000	-0.39889	0.07279	-0.54378	-0.25401
OETA	Equal variances assumed	35.284	0.000	-6.193	174	0.000	-1.14426	0.18477	-1.50895	-0.77957
	Equal variances not assumed			-13.550	154.106	0.000	-1.14426	0.08445	-1.31109	-0.97743

4.5.2. CAMELS standard's six dimensions

The CAMELS Standard consists of six dimensions, each of which can be measured using different ratios. These ratios are shown in Table 4.8 together with the t-test results. There are two quite similar ratios for evaluating capital adequacy. First, to compare the capital adequacy ratio (CAR) for IBs and CBs, an independent samples t-test was performed.

A significant difference was established for IBs (M = 14.7780, SD = 1.57890) and CBs (M = 16.3147, SD = 2.95718; t (174) = -2.486, p = 0.014, two-tailed). (N1: IB =24, N2: CB =152.) The magnitude variations in means (mean difference = -1.54, 95% CI: -2.75656 to -0.31673) was small (eta-squared = 0.0344).

To calculate eta-squared, the following equation is used: $\frac{t2}{t2+(N1+N2-2)}$

When eta = 0.01, there is a small effect.

When eta = 0.06, there is a moderate effect.

When eta = 0.14, there is a large effect.

The second ratio used to measure capital adequacy is named equity to total assets (ETA), and for this, again, a significant difference was established in the data for IBs (M = 9.5613, SD = 1.81521) and CBs (M = 11.4831, SD = 2.65352; t (174) = -3.420, p = 0.001, two-tailed). The magnitude of the variations in means (mean difference = 1.92, 95% CI: -3.03095 to -0.81262) was moderate (eta-squared = 0.063). These outcomes show that the principal funds 9.56% of the assets of IBs, but with a low standard deviation (SD = 1.81), while CBs fund 11.48% of their assets with the principal with a higher standard deviation (SD = 2.65). Even though IBs have a lower value for this ratio, the liabilities financing of IBs is similar to equity as it is used with PLS instruments, being lower in risk and yielding higher performance. In this case, IBs are better than CBs in managing the capital adequacy ratio. The second dimension of the CAMELS model is asset quality, and it is also measured by two ratios. The first one is the ratio of financial assets to total assets (FATA).

In this analysis, a significant difference was found in the data for IBs (M = 5.76, SD = 2.76) and CBs (M = 16.57, SD = 8.18; t (174) = -12.42, p = 0.000, two-tailed). The magnitude of the variations in means (mean difference = -10.81, 95% CI: -12.54 to -9.08) was large (eta-squared = 0.47). Our interpretation of this ratio for IB, ratio of financial assets to total assets is lower which mean fixed or long term assets is larger , this result particularly stems from the fact that Islamic banks shun from investing in "interest-earning" marketable securities, and we can say IB more efficient in employing money in long term real project investment, On the other hand, it may be argued that keeping financial assets available means that it is easier to seize opportunities when they arise. Of course, both perspectives have their limitations. The second ratio for measuring asset quality is total loans to total assets (TLTA). A significant difference was identified between the scores for IBs (M = 68.43, SD = 5.25) and CBs (M = 62.22, SD = 10.40; t (174) = 2.86, p = 0.005, two-tailed). The magnitude of the variations in means (mean difference = 6.20, 95% CI: 1.92 to 10.49) was moderate (eta-squared = 0.045). This reflects those Islamic banks are more successful in this regard, because credit Islamic bonds means PLS tools similar to equity possession and its more assets efficiency.

The distinctive operating standards of IBs mean that, for example, all credit loans are utilized in terms of real, strong ventures; monies are funded immediately to the supplier (i.e., the provider of a product) following the buying of equipment; and banks avoid potential credits remaining utilized in unsafe speculation settings in contrast to their intended purposes. Moreover, this method facilitates control over both the credits and clients. The approach of providing installment loans and recouping the installments of the credit at monthly intervals has generally facilitated the control of the cash streams and liquidity needs of IBs and improved the security of the loans. Lending against invoices puts an unreasonable barrier in place by preventing ventures from utilizing credits and making their obligations greater than their needs. The method of employing funds in Islamic banks is more effective and useful than that of their counterpart conventional banks. The third dimension of the CAMELS model is managerial competency, which is again measured by two ratios. The first one is non-interest income to total assets (NIITA). For this ratio, a significant difference was found between the data for IBs (M = 0.97, SD = 0.25) and CBs (M = 1.36, SD = 0.63;

t (174) = -5.48, p = 0.000, two-tailed). The magnitude of the variations in the means (mean difference = -0.399, 95% CI: -0.54 to -0.25) was large (eta-squared = 0.147). In banking, the non-interest gain is income obtained mainly from fees and other processes that fall outside of the core activities of loaning. For instance, if Bank X charges clients $25 for bounced payments, $4 for the use of out-of-system ATMs and $3 for a documented statement, these fees are among the sources of Bank X's non-interest revenue. If we evaluate this from a managerial competency angle, we may say that it is good that services are given to the customer results more satisfaction, so the lower value obtained for IBs is better. The second ratio used to measure this dimension is operational expenses to total assets (OETA). Again, a significant difference was found between IBs (M = 1.59, SD = 0.21) and CBs (M = 2.73, SD = 0.899; t (174) = -13.55, p = 0.000, two-tailed). The magnitude of the variations in the means (mean difference = -1.14, 95% CI: -1.31 to -0.977) was large (eta-squared = 0.513). In other words, in terms of the managing of operational expenses, Islamic banks have a lower mean ratio, which reflects a better performance. The fourth dimension of the CAMELS model is earning ability, which is usually determined by either the return on assets (ROA) or the return on equity (ROE). For ROA, there is a significant difference in the data for IBs (M = 3.76, SD = 4.53) and CBs (M = 1.26, SD = 0.706; t (174) = 2.70, p = 0.013, two-tailed). The magnitude of the variations in the means (mean difference = 2.50, 95% CI: 0.59 to 4.42) was small (eta-squared = 0.040). This outcome shows that Islamic banks are superior in terms of ROA ratios at a rate triple that of conventional banks. For ROE, a significant difference is again seen in the data for IBs (M = 3.63, SD = 3.898) and CBs (M = 11.076, SD = 6.24; t (174) = -7.90, p = 0.000, two-tailed). The magnitude of the variations in the means (mean difference = -7.45, 95% CI: -9.35 to -5.55) was large (eta-squared = 0.26). In other words, on average, IBs have lower values of ROE, being about one-third that of CBs. The reason for this could be the PLS methods employed by IBs. ROE is higher for CBs because of the leverage gained from credit instruments. However, this is also connected with risk. Therefore, in general, ROA is a better tool for evaluation because it signifies the operational activity or general performance of the bank without the leverage ratio. In my opinion, Islamic banks are better in earning ability. The fifth dimension of the CAMELS model is liquidity, represented here by two ratios. The first is liquid assets to total assets

(LATA). There was no significant difference in this ratio for the data of IBs (M = 24.70, SD = 15.75) and CBs (M = 29.08, SD = 10.007; t (174) = -1.32, p = 0.198, two-tailed), the magnitude of variations in the means (mean difference = -4.38, 95% CI: -11.197 to 2.44) was small (eta-squared = 0.0099). The other ratio used to measure liquidity is liquid assets to short-term liabilities (LASL). Here, a significant difference was identified between IBs (M = 33.03, SD = 25.86) and CBs (M = 54.56, SD = 22.75; t (174) = -4.23, p = 0.000, two-tailed). The magnitude of the variations in the means (mean difference = -21.53, 95% CI: -31.59 to -11.48) was moderate (eta-squared = 0.093). To properly evaluate this ratio, we have to know the standard manufacturing criteria, as, in general, when liquidity is two times to short liabilities, it is enough.as CB may have long term liabilities not appeared here. The final dimension in the CAMELS model is sensitivity to risk, with two ratios selected here to represent it. The first is loans under follow-up to total assets (LFUTA). A significant difference was found for this ratio between IBs (M = 2.59, SD = 2.80) and CBs (M = 1.13, SD = 0.96; t (174) = 2.53, p = 0.019, two-tailed). The magnitude of the variations in the means (mean difference = 1.46, 95% CI: 0.27 to 2.65) was small (eta-squared = 0.035). The second ratio of provisions to loans under follow-up (PLFU) is more important in this evaluation. For this ratio, a significant difference was not identified in the data for IBs (M = 72.35, SD = 12.53) and CBs (M = 71.69, SD = 15.39; t (174) = 0.20, p = 0.842, two-tailed), and the magnitude of the variations in the means (mean difference = 0.66, 95% CI: -5.86 to 7.18) was small (eta-squared = 0.00022). Thus, results for the second ratio measuring sensitivity to risk (PLFU) reveal no significant difference between the sensitivity of IBs and CBs to risk. However, with the overall findings from this CAMELS analysis, it may be concluded that Islamic banks generally perform better than conventional banks.

4.6. Summary

Chapter 4 presented the three hypotheses of this work and all of them were accepted. With H1, the relation between the variables CG, RM and P of banks was confirmed and a model was established for this relation. Even in the case of zero CAR, zero LATA, and zero LASL, each bank is expected to have 2.52 units of ROA (p< .002). For one unit increase in CAR, the ROA of banks is expected to decrease by (-

0.19) units, holding all other variables constant (p= .003). Whenever LATA increases by one unit, ROA will increase by .13 units (p< .001). Whenever LASL increases by one unit, ROA will decrease by .03 units (p< .009). Notice that ETA is an insignificant predictor of ROA; therefore, it can be omitted from equation. Results lead support to hypothesis oneOLS: ROA = β0+β1CAR+β2ETA +β3LATA+ β4LASL + e

ROA = 2.52+ (- 0.19 CAR) + (-0.003ETA) + (0.13 LATA) + (- 0.03 LASL)

With H2, it was confirmed that the bank type has a significant effect on bank performance, demonstrated by the model's Y intercept being higher for IBs. Significant differences were found between the pooled OLS and LSDV results. LSDV improved all evaluated goodness-of-fit measures including the F-test, SSE, root MSE, and (adjusted) R^2 significantly, in Overall, the LSDV model seemed better than the pooled OLS model and results supported the second hypothesis.

LSDV: ROA = (β0 + Dummy) +β1CAR+β2ETA +β3LATA+ β4LASL + e

ROA (IB) = (.98 + 2.63) + (- 0.15 CAR) + (0.04ETA) + (0.09 LATA) + (- 0.005 LASL)

ROA (CB) = .98 + (- 0.15 CAR) + (0.04ETA) + (0.09 LATA) + (- 0.005 LASL)

Finally, H3, which was examined by applying the CAMELS model, proposed that the performance of Islamic banks, in general, is healthier than that of conventional banks but also varies according to the selected variables. To evaluate H3, different ratios that represent the six dimensions of the CAMELS model were chosen to compare IBs and CBs by using t-tests. These ratios, based on the CAMELS approach, were applied to identify managerial and monetary performance. H3 was confirmed. It was seen that the performance of Islamic banks, in general, is healthier but also varies according to the selected variables. The performance of these two types of banks was found to be significantly different. IBs are superior in gaining returns on assets (ROA) that those of CBs. IBs are also better in managerial competency as measured by operational expenses to total assets. However, no significant difference was found in sensitivity to risk between IBs and CBs. However, with the overall findings from this CAMELS analysis, it may be concluded that IBs generally perform better than CBs.

CHAPTER 5

CONCLUSIONS, CONTRIBUTIONS, LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

5.1. Conclusions

5.1.1. Summary and conclusions of chapter one: an introduction to main component variables CG, RM, & P

The main component variables of this research are corporate governance, risk management, and the performance of banks. Due to both the significance of corporate governance and risk management impact on bank performance, this study has identified and analyzed the associations between them to help stakeholders, stockholders, management, and investors achieve their business targets.

This research concentrated on corporate governance and risk management procedures in the Turkish banking industry and tried to measure their influence on the performance of banks. Turkish banks have passed central bank regulations to meet the corporate governance and risk management needs in their relevant fields.

The outcomes of this research were reached by examining and analyzing the associations among the selected variables that reveal the performance of the banking sector in Turkey. More importantly, this chapter enabled us to theoretically describe as give us empirical evidence in consist with economic theories that suppose corporate governance, management of risk will improve performance of banks.

5.1.2. Summary and conclusions of chapter two: the history of Turkish banks

In brief, main problems depending on foreign capital in the banking industry, liquidity crises and inflation, due to changing in interest rate, as necessity of increasing capital adequacy ratio (CAR). The authority from time to time regulate and deregulate interest rate in an attempt to decrease inflation of local currency but have failed to reduce the inflation rate to acceptable levels.

Here summary of literature reviews of the vital studies Turkey: Saltoglu and Yazgan (2012b) published a report that interest rate regulations played a crucial role in the crisis, inflation and national economic stability. Akin et al. (2011) addressed

inflation rate as the main issue during this period, Capital outflows were disrupted when the authorities attempted to follow the established managed exchange rate regime to limit interest rate, a difficult undertaking depreciation, many banks went bankrupt and credit and financial crunches were unavoidable.

Alper (2001) discussed the liquidity crisis and the mismatch caused by interest rate until became the main reason for the sharp increase in new account deficits and the sensitivity of the banking system. From 2001 to the Rebuilding of the Market: Saltoğlu (2013) believes that Turkey's development rate is sensitive to the international situation.

Turkey's savings rate was at a very low level, leading the economy to face a constrained supply of local investment. Since local funds are insufficient, this situation forces the economy to rely heavily on international financing. The Turkish banking restructuring after the financial disaster of 2001 increased the degree of capitalization of banks, which had a significant influence on the Turkish banking industry's avoidance of the most recent global crisis (Saltoglu & Yazgan, 2012b).

The minimum capital requirement. (CAR) of at least 12%, while the global requirement is only 8%. The main problems with Turkish banking system were depending on foreign capital in the banking industry, liquidity crises and inflation of local currency due to changing of interest rate by the government rules.

5.1.3. Summary and conclusions of chapter three: theoretical framework and sustainable development from the Islamic perspective

5.1.3.1. Theoretical framework

It is well known usually research has two main areas, namely theory and observation. Theory takes place in the minds of researchers represent deductive approach, while observations take place in the external world represents inductive approach which trying to find empirical evidence from Turkish history literature review to support our theories displayed. In order to conduct meaningful research, both of these two areas must be addressed.

This chapter introduced the methods and theories that are encountered and widely employed in the literature on the fields of corporate governance, risk

management and performance of banks. The findings of this research were obtained in order to address the predefined hypotheses by accepting or rejecting them. In this research explains the most popular theories relevant in the literature regarding the issues of CG, RM. and P. of banks. Some of theories related to the research aim will be displayed briefly with conclusions that matches our chosen variables.

Economic methods usually focus on targets, aims, and the maximizing of profits. Moreover, they focus on the interests of both sides: stockholders (principals) and executives (agents). For example, Agency Theory: is a well-known theory that is widely used in the literature on CC, RM.

It predicts the conflict of interest occurring between the manager and the owner will damage the value of the company. It is assumed that the disconnection of ownership and management will worsen conflicts of interest between the parties, in order to prevent such conflicts of interest, multiple procedures should be used to evaluate and observe the behavior of agents, resulting in increased agency costs, so Corporate governance is clearly a vital instrument for reducing the costs of agency (Craswell & Taylor, 1992). Signal Theory:

The emphasis of signal theory is that information asymmetry (Connelly et al., 2011), Signal theory is like agency theory because it accepts the split between ownership and management power and understands that the pressures of the market encourage managers to engage in their work more transparently. In addition, the latest scandals have once again raised concerns about corporate governance (transparency).

The political-economic theories were distinctly relevant to the second part of this chapter, which studied the social dimension of the relationship between Islamic banks and sustainable development, and these theories can be used to interpret and support this relation as follows:

Sustainable development represents an approach for meeting the needs of the current generation without sacrificing or harming the ability of future generations to meet their needs. Islamic banks have a role in achieving sustainable development. This is clear via the social dimension, with the examples of collecting zakat, establishing endowments, and providing good loans. Moreover, these banks carry out many social

activities based on their responsibility in the area of social development, such as granting subsidies and aid to mosques and students of science, issuing books and other Islamic publications, contributing to Islamic conferences, addressing the housing crisis, and participating in environmental protection programs. Economic theories are believed to be appropriate to some degree focus on efficient markets, more suitable and relevant basis for the current aims. Selecting from among theories does not indicate that any of them have absolute benefits compared to the other theories.

The chosen theoretical structure is simply can help in this research to explore the hypotheses developed and choose variables. Most theories related to corporate governance (CC), risk management (RM) are economic theories which have consensus and assumes that implement of good CC, RM in the organization will have an excellent beneficial on performance.

5.1.4. Summary and conclusions of chapter four: statistical analytical results

Chapter 4 presented the three hypotheses of this work and all of them were accepted. With H1, the relation between the variables CG, RM and P of banks was confirmed and a model was established for this relation. Even in the case of zero CAR, zero LATA, and zero LASL, each bank is expected to have 2.52 units of ROA ($p< .002$). For one unit increase in CAR, the ROA of banks is expected to decrease by (-0.19) units, holding all other variables constant ($p= .003$).

Whenever LATA increases by one unit, ROA will increase by .13 units ($p< .001$). Whenever LASL increases by one unit, ROA will decrease by .03 units ($p< .009$). Notice that ETA is an insignificant predictor of ROA; therefore, it can be omitted from equation. Results lead support to hypothesis one: OLS: $ROA = \beta0+\beta1CAR+\beta2ETA +\beta3LATA+ \beta4LASL + e$

$ROA = 2.52+ (- 0.19\ CAR) + (-0.003ETA) + (0.13\ LATA) + (- 0.03\ LASL)$

With H2, it was confirmed that the bank type has a significant effect on bank performance, demonstrated by the model's Y intercept being higher for IBs. Significant differences were found between the pooled OLS and LSDV results. LSDV improved all evaluated goodness-of-fit measures including the F-test, SSE, root MSE,

and (adjusted) R^2 significantly, in Overall, the LSDV model seemed better than the pooled OLS model and results supported the second hypothesis.

LSDV: ROA = (β0 + Dummy) +β1CAR+β2ETA +β3LATA+ β4LASL + e
ROA (IB) = (.98 + 2.63) + (- 0.15 CAR) + (0.04ETA) + (0.09 LATA) + (- 0.005 LASL)
ROA (CB) = .98 + (- 0.15 CAR) + (0.04ETA) + (0.09 LATA) + (- 0.005 LASL)

Finally, H3, which was examined by applying the CAMELS model, proposed that the performance of Islamic banks, in general, is healthier than that of conventional banks but also varies according to the selected variables. To evaluate H3, different ratios that represent the six dimensions of the CAMELS model were chosen to compare IBs and CBs by using t-tests.

These ratios, based on the CAMELS approach, were applied to identify managerial and monetary performance. H3 was confirmed: It was seen that the performance of Islamic banks, in general, is healthier but also varies according to the selected variables. The performance of these two types of banks was found to be significantly different. IBs are superior in gaining returns on assets (ROA) that those of CBs. IBs are also better in managerial competency as measured by operational expenses to total assets.

However, no significant difference was found in sensitivity to risk between IBs and CBs. However, with the overall findings from this CAMELS analysis, it may be concluded that IBs generally perform better than CBs.

5.2. Contribution to the Current Knowledge

Following the crashes, scandals, worldwide crises, and the Turkish crisis of 2001, corporate governance has become a top priority on the global agenda. In particular, one of the main reasons behind these crises and crashes was poor corporate governance and risk management.

For this reason, the results of this study make a significant contribution to the literature by comprehensively clarifying and analyzing the current relationship among

corporate governance and risk management and the impact on banking performance as follows:

1. The results of this study make a significant contribution to the literature by comprehensively clarifying and analyzing the current relationship among CC and RM and its impact on banking performance between IB & CB. Provide empirical evidence for the Turkish region. Subsequently, this will have a significant impact on all stakeholders, decision-makers, regulators, management, etc. management supposed to improve performance in the organization.
2. Islamic banks perform better than conventional banks, interpreted due to main difference that IBs prevent interest rate (Riba) and using of PLS tools. as the small statistical difference between them might be attributed to a few tools or instruments applied by IBs, such as Murabaha contracts. IBs usually start with it because clear and can be easily applied in practice, while other instruments like Mosharaka and Modaraba need trust and awareness from society.
3. The findings of this research are empirical evidence supporting the economic theories which have consensus suggestion that CC, RM., is the best solution to improve performance in the organization. As this study can be used as a benchmark for other studies in other regions with different cultural and regulatory characteristics.

5.3. Limitations of the Study

This research has some limitations that need to be recognized and remembered when evaluating the research findings:

1. Due to barriers of both time and language, the researcher utilized a quantitative method for collecting and analyzing data. Qualitative methods could not be applied. However, it is hoped that this study has provided a strong framework for the use of qualitative techniques (such as questionnaires and interviews) in future research, which can further improve the understanding of corporate governance and risk management issues.
2. This research explored the meaning of the considered variables from a financial perspective as the most suitable perspective considering the historical problems in

the economy of Turkey and due to the fact that this research was performed in the field of accounting and finance. However, corporate governance is a broader concept that may have different implications from the perspectives of different disciplines and can be evaluated with different measurement tools that need different qualitative data.

5.4. Recommendations for Future Studies

Based on a review of the current literature in this field, the following suggestions can be made for future research:

1. A satisfactory resolution connected to good corporate governance and effective risk management is necessary to prevent financial crises. This research gives evidence that the determinants of banking performance in the Turkish banking industry differ between different types of banks and there is no single variable that can predict the changes in bank performance alone. This shows that more analysis of CG, RM, and P is needed in various regions with different cultures and economic conditions.
2. More dependence on international capital flows could lead the Turkish banking sector to a path of higher risks. These structural limitations may also require that future banking supervision and financial policies be defined in a way that is different from the conditions of the post-crisis context. in the future, it will be necessary to employ different perspectives on banking regulations for macroeconomic and monetary situations. Avoiding or decreasing the reliance on foreign capital to avoid economic fluctuations due to the global environment is possible with PLS tools and other new tools in Islamic banking, which encourage the investment of local funds in real activities with feasible returns. These procedures will build a solid base and a firm economy in Turkey, able to better face crises in the future.
3. In theory, Islamic banks, also known as Islamic banks in Turkey, have several instruments of a PLS nature that eliminate interest rate. Such transactions only need the awareness and trust of customers. There is a serious need for more research and education in universities to develop and spread this banking culture throughout Turkey's society. For instance, the position of Islamic banks

in society as the primary managers of zakat funds will be satisfied by such efforts to address dependency and poverty in society.

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ANNEXES

ANNEX-1. DATA APPENDIX

SAMPLE BANKS NAMES

Bank name	Bank_code
Albaraka_bank	1
kuveytTurk_bank	2
Turkiye_finans bank	3
Türkiye_Cumhuriyeti	4
Türkiye_Halk Bankas	5
Türkiye_Vakıflar B	6
Akbank T.A.Ş.	7
Şekerbank T.A.Ş.	8
Turkish_Bank A.Ş.	9
Türk_Ekonomi Bankas	10
Türkiye_İş Bankas	11
Yapı ve Kredi Banka	12
Alternatifbank A.Ş.	13
Arap_Türk Bankası	14
Burgan_Bank A.Ş.	15
Denizbank A.Ş.	16
HSBC Bank A.Ş.	17
ICBC Turkey Bank A.	18
ING_Bank A.Ş.	19
QNB_Finansbank A.Ş.	20
Turkland_Bank A.Ş.	21
Türkiye_Garanti Ban	22

VARIABLES USED IN OLS REGRESSION ANALYSIS

ID	Type	Bank_code	Year	CAR	ETA	LATA	LASL	ROA	ROE	Dummy
1	1	1	2017	16.98	6.90	26.73	30.38	0.40	0.79	1.00
2	1	1	2016	12.65	7.35	25.43	31.95	0.48	0.74	1.00
3	1	1	2015	13.20	7.03	26.43	32.17	0.63	0.66	1.00
4	1	1	2014	14.63	8.10	25.33	32.87	0.70	0.70	1.00
5	1	1	2013	14.63	7.55	21.18	31.70	0.88	0.76	1.00
6	1	1	2012	12.55	10.03	20.38	30.05	1.03	0.96	1.00
7	1	1	2011	13.63	10.08	19.95	23.50	1.00	0.91	1.00
8	1	1	2010	14.18	10.50	19.08	20.73	1.00	1.22	1.00
9	1	2	2017	17.61	8.20	42.95	47.23	5.65	9.71	1.00
10	1	2	2016	17.28	8.31	42.60	51.41	6.63	8.95	1.00
11	1	2	2015	14.18	8.10	43.58	58.13	9.03	8.27	1.00
12	1	2	2014	15.00	8.95	42.55	70.53	9.13	7.85	1.00
13	1	2	2013	14.45	9.22	36.85	79.21	16.10	8.32	1.00

14	1	2	2012	14.57	9.40	58.55	89.86	10.08	10.38	1.00
15	1	2	2011	15.85	10.94	49.48	58.08	10.00	8.73	1.00
16	1	2	2010	15.61	12.66	30.70	58.26	9.78	9.60	1.00
17	1	3	2017	17.50	10.30	8.08	4.78	0.48	1.00	1.00
18	1	3	2016	14.35	9.23	7.23	5.69	0.60	0.91	1.00
19	1	3	2015	13.20	8.61	7.55	6.16	0.80	0.83	1.00
20	1	3	2014	12.39	9.31	6.33	7.31	0.95	0.88	1.00
21	1	3	2013	14.23	11.11	5.43	5.99	1.10	0.95	1.00
22	1	3	2012	13.97	11.96	7.60	3.98	1.28	1.18	1.00
23	1	3	2011	14.99	12.06	9.63	7.08	1.25	1.14	1.00
24	1	3	2010	17.09	13.60	9.30	5.77	1.28	1.56	1.00
25	2	4	2017	15.20	10.83	26.02	42.12	2.00	18.60	2.00
26	2	4	2016	14.55	10.73	28.90	46.07	1.99	18.81	2.00
27	2	4	2015	15.08	10.42	31.60	51.21	1.88	17.18	2.00
28	2	4	2014	18.22	11.53	35.09	58.08	1.78	17.27	2.00
29	2	4	2013	13.21	8.85	36.72	57.27	1.80	18.74	2.00

30	2	4	2012	19.01	10.54	37.37	57.03	1.64	17.47	2.00
31	2	4	2011	15.61	8.20	33.52	44.60	1.35	15.77	2.00
32	2	4	2010	19.20	8.90	36.30	49.63	2.69	31.18	2.00
33	2	5	2017	14.18	8.31	23.34	39.84	1.39	15.96	2.00
34	2	5	2016	13.08	9.21	20.34	34.88	1.22	12.56	2.00
35	2	5	2015	13.83	10.35	19.88	37.59	1.35	12.88	2.00
36	2	5	2014	13.62	10.64	19.71	34.74	1.49	14.38	2.00
37	2	5	2013	13.91	10.11	22.53	40.81	2.22	20.79	2.00
38	2	5	2012	16.17	11.38	22.74	39.82	2.60	24.76	2.00
39	2	5	2011	14.30	9.48	19.86	31.69	2.49	25.43	2.00
40	2	5	2010	15.94	10.21	18.16	28.00	3.01	30.45	2.00
41	2	6	2017	15.52	8.60	21.32	38.55	1.54	17.52	2.00
42	2	6	2016	14.16	9.05	22.44	42.38	1.37	15.01	2.00
43	2	6	2015	14.52	9.17	24.26	44.37	1.13	12.24	2.00
44	2	6	2014	13.96	9.34	26.01	47.28	1.19	12.80	2.00
45	2	6	2013	13.70	9.31	28.29	53.40	1.32	12.92	2.00

46	2	6	2012	16.14	11.40	27.25	49.53	1.51	13.76	2.00
47	2	6	2011	13.38	10.43	25.53	44.35	1.50	13.74	2.00
48	2	6	2010	14.35	11.57	29.49	52.75	1.67	14.52	2.00
49	2	7	2017	17.03	12.79	29.78	56.53	2.06	16.99	2.00
50	2	7	2016	14.30	11.31	31.45	62.14	1.79	15.79	2.00
51	2	7	2015	14.58	11.37	33.01	61.31	1.36	11.56	2.00
52	2	7	2014	15.16	12.22	31.82	62.45	1.62	13.60	2.00
53	2	7	2013	14.95	11.61	31.23	65.38	1.73	13.60	2.00
54	2	7	2012	18.63	14.06	39.67	71.17	2.04	14.95	2.00
55	2	7	2011	16.98	13.14	41.58	73.34	1.94	13.64	2.00
56	2	7	2010	20.61	15.52	45.18	79.30	2.74	17.99	2.00
57	2	8	2017	15.40	8.65	23.59	37.88	0.42	4.38	2.00
58	2	8	2016	13.11	10.63	13.36	25.00	0.52	4.95	2.00
59	2	8	2015	13.66	10.35	19.46	35.02	0.45	4.17	2.00
60	2	8	2014	14.60	11.29	17.63	31.05	1.12	10.07	2.00
61	2	8	2013	13.54	10.98	16.54	31.35	1.26	10.84	2.00

62	2	8	2012	14.48	12.57	19.60	35.71	1.66	14.62	2.00
63	2	8	2011	13.24	10.15	32.34	55.52	0.92	8.25	2.00
64	2	8	2010	14.01	12.32	25.41	38.22	1.68	12.85	2.00
65	2	9	2017	14.78	12.73	17.69	27.23	0.30	2.37	2.00
66	2	9	2016	16.69	12.92	27.10	43.08	0.38	2.72	2.00
67	2	9	2015	19.92	15.57	25.32	67.17	0.29	2.03	2.00
68	2	9	2014	17.13	13.33	31.69	164.32	0.37	2.62	2.00
69	2	9	2013	19.85	15.29	46.96	99.92	0.00	0.03	2.00
70	2	9	2012	31.16	17.31	51.82	68.60	0.17	0.96	2.00
71	2	9	2011	32.09	17.10	64.49	85.85	0.07	0.45	2.00
72	2	9	2010	24.74	15.18	54.88	70.33	0.33	2.18	2.00
73	2	10	2017	16.12	10.52	22.84	36.56	1.29	12.71	2.00
74	2	10	2016	14.38	9.78	25.86	42.54	1.24	12.76	2.00
75	2	10	2015	13.94	9.68	22.33	37.72	1.31	13.72	2.00
76	2	10	2014	13.96	9.37	23.51	37.17	1.07	11.13	2.00
77	2	10	2013	14.23	9.90	23.87	41.64	1.10	10.60	2.00

78	2	10	2012	15.24	11.04	26.94	52.45	1.19	10.77	2.00
79	2	10	2011	14.23	11.06	28.28	45.55	0.72	6.86	2.00
80	2	10	2010	14.43	9.53	33.30	52.64	1.76	17.35	2.00
81	2	11	2017	16.66	11.89	24.90	44.27	1.58	13.43	2.00
82	2	11	2016	15.17	11.54	26.50	47.42	1.60	13.83	2.00
83	2	11	2015	15.65	11.62	27.43	53.08	1.20	10.05	2.00
84	2	11	2014	16.02	12.33	27.98	52.41	1.51	12.79	2.00
85	2	11	2013	14.38	11.20	26.18	46.02	1.64	13.67	2.00
86	2	11	2012	16.33	12.95	25.71	46.22	1.96	16.29	2.00
87	2	11	2011	14.07	11.09	28.62	47.33	1.82	15.27	2.00
88	2	11	2010	17.55	12.91	33.23	55.68	2.43	19.55	2.00
89	2	12	2017	14.49	10.11	24.83	44.51	1.31	12.86	2.00
90	2	12	2016	14.21	10.33	21.81	39.67	1.24	11.92	2.00
91	2	12	2015	13.81	10.48	24.11	46.52	0.93	8.82	2.00
92	2	12	2014	15.03	10.56	25.78	52.25	1.12	10.13	2.00
93	2	12	2013	16.00	11.63	26.50	52.33	2.36	18.75	2.00

94	2	12	2012	16.30	13.80	26.38	51.53	1.66	13.40	2.00
95	2	12	2011	14.70	10.82	19.60	36.92	1.93	16.87	2.00
96	2	12	2010	16.14	12.17	16.20	26.29	2.76	22.17	2.00
97	2	13	2017	18.10	8.37	24.12	52.49	0.37	4.64	2.00
98	2	13	2016	18.31	7.44	31.89	78.03	0.06	0.79	2.00
99	2	13	2015	15.55	7.58	25.48	64.89	0.50	6.08	2.00
100	2	13	2014	15.11	9.00	22.45	50.94	1.24	16.74	2.00
101	2	13	2013	14.73	5.73	19.73	36.02	0.83	13.11	2.00
102	2	13	2012	14.33	7.14	18.62	29.90	0.95	12.94	2.00
103	2	13	2011	13.49	7.52	17.15	30.73	0.53	5.97	2.00
104	2	13	2010	14.98	10.86	10.80	20.15	0.70	6.18	2.00
105	2	14	2017	18.16	15.51	49.00	98.85	1.62	11.26	2.00
106	2	14	2016	18.80	13.23	59.91	120.78	1.39	9.91	2.00
107	2	14	2015	18.61	14.96	56.54	116.54	1.81	12.36	2.00
108	2	14	2014	15.83	14.32	56.61	148.13	1.99	14.18	2.00
109	2	14	2013	14.65	13.78	48.03	125.70	1.63	11.34	2.00

110	2	14	2012	22.77	15.02	65.25	141.56	2.04	15.31	2.00
111	2	14	2011	23.50	11.75	61.70	88.59	2.32	14.58	2.00
112	2	14	2010	27.67	26.82	30.74	76.73	2.25	8.05	2.00
113	2	15	2017	19.60	9.00	15.47	39.07	0.72	8.43	2.00
114	2	15	2016	17.66	7.96	16.03	34.95	0.59	6.81	2.00
115	2	15	2015	15.97	9.49	18.95	41.99	0.54	5.35	2.00
116	2	15	2014	17.74	10.81	20.39	46.30	0.09	0.89	2.00
117	2	15	2013	14.99	8.61	24.71	55.17	0.52	5.31	2.00
118	2	15	2012	16.46	14.45	26.18	58.56	0.52	5.31	2.00
119	2	15	2011	16.94	12.77	41.74	76.68	0.82	6.94	2.00
120	2	15	2010	20.29	10.78	29.88	44.77	0.38	3.41	2.00
121	2	16	2017	19.50	10.59	24.13	41.89	1.68	16.08	2.00
122	2	16	2016	17.52	10.24	27.93	48.83	1.50	14.97	2.00
123	2	16	2015	16.07	9.82	28.28	51.35	0.99	10.93	2.00
124	2	16	2014	14.09	8.18	28.60	51.42	0.88	10.69	2.00
125	2	16	2013	12.83	8.27	25.59	45.58	0.88	9.13	2.00

126	2	16	2012	14.62	11.38	30.53	56.16	2.03	18.10	2.00
127	2	16	2011	15.65	10.98	29.82	58.74	2.75	24.65	2.00
128	2	16	2010	16.43	11.36	25.26	50.54	1.87	15.86	2.00
129	2	17	2017	17.56	10.42	33.91	54.25	1.26	12.75	2.00
130	2	17	2016	20.38	9.34	38.18	63.71	0.96	7.61	2.00
131	2	17	2015	15.73	8.40	31.81	56.88	0.96	7.61	2.00
132	2	17	2014	15.07	8.85	40.47	63.17	0.96	7.61	2.00
133	2	17	2013	14.92	8.32	45.07	78.26	0.10	0.98	2.00
134	2	17	2012	17.12	12.06	37.08	67.07	0.73	6.19	2.00
135	2	17	2011	16.14	11.58	39.00	105.49	1.15	8.76	2.00
136	2	17	2010	16.54	15.22	40.62	76.72	1.54	9.35	2.00
137	2	18	2017	14.41	8.49	35.33	82.51	0.40	5.03	2.00
138	2	18	2016	19.81	7.23	34.68	72.02	0.18	2.31	2.00
139	2	18	2015	12.79	8.86	36.17	99.71	0.59	4.16	2.00
140	2	18	2014	18.90	16.85	19.77	35.93	0.33	2.06	2.00
141	2	18	2013	17.38	15.60	24.14	39.55	1.16	7.47	2.00

142	2	18	2012	16.50	15.57	22.04	37.21	0.75	4.93	2.00
143	2	18	2011	15.86	14.76	22.38	40.58	0.73	4.36	2.00
144	2	18	2010	19.44	19.28	22.19	36.45	0.60	2.95	2.00
145	2	19	2017	19.93	10.91	22.15	41.16	1.65	15.59	2.00
146	2	19	2016	17.66	10.18	24.12	47.36	1.15	11.98	2.00
147	2	19	2015	15.77	9.10	23.24	46.55	0.26	2.88	2.00
148	2	19	2014	14.40	9.12	22.66	44.49	0.49	5.13	2.00
149	2	19	2013	12.57	10.16	23.31	46.65	0.60	5.41	2.00
150	2	19	2012	14.27	12.23	21.75	36.96	1.09	9.27	2.00
151	2	19	2011	14.19	11.21	22.44	39.84	0.41	3.55	2.00
152	2	19	2010	14.57	12.05	25.95	48.82	0.69	5.54	2.00
153	2	20	2017	14.99	9.66	22.39	41.89	1.41	14.39	2.00
154	2	20	2016	14.53	9.98	24.41	47.32	1.29	12.57	2.00
155	2	20	2015	15.40	10.53	20.91	40.07	0.88	8.02	2.00
156	2	20	2014	16.98	11.40	21.14	39.49	1.24	10.82	2.00
157	2	20	2013	16.95	11.59	24.07	46.56	1.22	9.81	2.00

158	2	20	2012	18.85	13.47	28.27	51.32	1.79	13.86	2.00
159	2	20	2011	17.18	12.33	29.03	61.44	2.01	15.56	2.00
160	2	20	2010	16.68	13.68	30.09	55.61	2.71	20.70	2.00
161	2	21	2017	14.05	14.71	36.06	59.00	0.35	2.56	2.00
162	2	21	2016	15.97	13.14	33.53	60.21	0.24	1.84	2.00
163	2	21	2015	15.57	12.77	29.62	59.51	0.27	1.94	2.00
164	2	21	2014	18.52	14.81	30.00	53.13	0.69	4.94	2.00
165	2	21	2013	15.85	13.13	30.48	49.51	0.41	3.18	2.00
166	2	21	2012	15.19	12.36	27.62	51.93	0.49	3.61	2.00
167	2	21	2011	17.55	15.34	29.27	55.20	0.19	1.28	2.00
168	2	21	2010	14.03	14.52	28.34	45.67	0.19	1.13	2.00
169	2	22	2017	18.68	12.71	22.48	40.81	2.08	16.51	2.00
170	2	22	2016	16.21	12.51	21.07	39.60	1.88	15.25	2.00
171	2	22	2015	15.03	12.18	23.37	46.02	1.44	11.96	2.00
172	2	22	2014	15.23	11.88	25.37	53.34	1.54	13.17	2.00
173	2	22	2013	14.42	11.47	28.39	57.20	1.68	13.69	2.00

174	2	22	2012	18.21	13.30	38.03	64.53	2.00	15.79	2.00
175	2	22	2011	16.89	11.99	36.18	63.47	2.27	18.03	2.00
176	2	22	2010	19.62	13.29	39.65	65.40	2.74	21.12	2.00

VARIABLE USED IN CAMELS MODEL

Type	Bank_code	Year	CAR	ETA	FATA	TLTA	LFUTL	PLFU	LATA	LASL	ROA	ROE	NIITA	OETA
1	1	2017	16.98	6.90	8.43	66.70	2.60	54.88	26.73	30.38	0.40	0.79	0.58	1.45
1	1	2016	12.65	7.35	6.40	66.35	1.98	52.80	25.43	31.95	0.48	0.74	0.70	1.53
1	1	2015	13.20	7.03	6.10	64.60	0.73	71.48	26.43	32.17	0.63	0.66	0.68	1.40
1	1	2014	14.63	8.10	6.55	66.48	0.25	89.25	25.33	32.87	0.70	0.70	0.88	1.48
1	1	2013	14.63	7.55	5.70	71.18	0.38	84.73	21.18	31.70	0.88	0.76	1.13	1.53
1	1	2012	12.55	10.03	2.35	74.78	0.23	90.68	20.38	30.05	1.03	0.96	1.10	1.80
1	1	2011	13.63	10.08	5.40	72.35	0.30	89.20	19.95	23.50	1.00	0.91	1.05	1.58
1	1	2010	14.18	10.50	5.88	72.38	2.13	44.68	19.08	20.73	1.00	1.22	1.23	1.60
1	2	2017	17.61	8.20	8.31	62.58	0.37	85.65	42.95	47.23	5.65	9.71	0.91	1.38

1	2	2016	17.28	8.31	7.03	61.34	0.50	76.79	42.60	51.41	6.63	8.95	0.85	1.52
1	2	2015	14.18	8.10	6.12	61.54	0.50	77.92	43.58	58.13	9.03	8.27	0.79	1.52
1	2	2014	15.00	8.95	6.55	61.27	0.43	82.12	42.55	70.53	9.13	7.85	0.88	1.56
1	2	2013	14.45	9.22	5.27	62.61	0.48	80.59	36.85	79.21	16.10	8.32	1.13	1.62
1	2	2012	14.57	9.40	1.32	64.59	0.40	83.04	58.55	89.86	10.08	10.38	1.11	1.67
1	2	2011	15.85	10.94	0.77	70.70	0.61	75.84	49.48	58.08	10.00	8.73	1.20	1.68
1	2	2010	15.61	12.66	0.31	73.21	2.01	57.82	30.70	58.26	9.78	9.60	1.56	2.00
1	3	2017	17.50	10.30	11.71	64.33	9.68	67.11	8.08	4.78	0.48	1.00	0.86	1.43
1	3	2016	14.35	9.23	9.26	67.02	8.43	59.97	7.23	5.69	0.60	0.91	0.89	1.37
1	3	2015	13.20	8.61	8.15	67.75	6.27	60.14	7.55	6.16	0.80	0.83	0.51	1.32

1	3	2014	12.39	9.31	7.04	67.17	4.31	67.86	6.33	7.31	0.95	0.88	0.73	1.40
1	3	2013	14.23	11.11	5.68	71.63	4.83	72.40	5.43	5.99	1.10	0.95	0.84	1.50
1	3	2012	13.97	11.96	1.86	77.02	4.68	72.68	7.60	3.98	1.28	1.18	1.04	1.75
1	3	2011	14.99	12.06	5.15	75.65	4.31	70.37	9.63	7.08	1.25	1.14	1.19	1.90
1	3	2010	17.09	13.60	7.05	79.06	5.82	68.53	9.30	5.77	1.28	1.56	1.38	2.16
2	4	2017	15.20	10.83	16.58	68.68	0.08	95.28	26.02	42.12	2.00	18.60	0.71	1.49
2	4	2016	14.55	10.73	19.31	65.03	0.11	94.04	28.90	46.07	1.99	18.81	0.91	1.48
2	4	2015	15.08	10.42	21.42	61.69	0.47	72.30	31.60	51.21	1.88	17.18	0.89	1.72
2	4	2014	18.22	11.53	26.08	57.32	0.55	71.12	35.09	58.08	1.78	17.27	0.85	1.65
2	4	2013	13.21	8.85	30.26	53.51	0.72	67.13	36.72	57.27	1.80	18.74	1.03	1.76

2	4	2012	19.01	10.54	40.20	43.86	1.11	61.30	37.37	57.03	1.64	17.47	0.75	1.74
2	4	2011	15.61	8.20	44.04	44.45	0.36	70.25	33.52	44.60	1.35	15.77	0.60	1.63
2	4	2010	19.20	8.90	50.51	38.00	0.49	67.01	36.30	49.63	2.69	31.18	1.00	1.49
2	5	2017	14.18	8.31	16.13	66.63	0.65	78.26	23.34	39.84	1.39	15.96	0.96	1.49
2	5	2016	13.08	9.21	14.51	68.42	0.74	77.12	20.34	34.88	1.22	12.56	1.02	1.67
2	5	2015	13.83	10.35	15.00	67.51	0.75	76.20	19.88	37.59	1.35	12.88	1.06	1.86
2	5	2014	13.62	10.64	17.27	65.48	1.26	65.25	19.71	34.74	1.49	14.38	1.13	1.92
2	5	2013	13.91	10.11	20.41	60.63	0.51	80.63	22.53	40.81	2.22	20.79	1.46	1.90
2	5	2012	16.17	11.38	21.20	60.85	0.52	82.50	22.74	39.82	2.60	24.76	1.70	1.94
2	5	2011	14.30	9.48	25.62	61.69	0.47	84.00	19.86	31.69	2.49	25.43	1.73	1.89

2	5	2010	15.94	10.21	27.70	60.73	0.66	83.32	18.16	28.00	3.01	30.45	1.74	2.05
2	6	2017	15.52	8.60	11.92	67.99	0.56	86.39	21.32	38.55	1.54	17.52	1.21	1.63
2	6	2016	14.16	9.05	12.99	69.50	0.74	82.95	22.44	42.38	1.37	15.01	1.18	1.80
2	6	2015	14.52	9.17	13.85	67.66	0.65	83.38	24.26	44.37	1.13	12.24	1.16	1.97
2	6	2014	13.96	9.34	14.89	66.10	0.23	93.96	26.01	47.28	1.19	12.80	1.48	1.97
2	6	2013	13.70	9.31	16.33	64.03	0.30	92.75	28.29	53.40	1.32	12.92	1.24	1.94
2	6	2012	16.14	11.40	17.66	65.15	0.39	90.26	27.25	49.53	1.51	13.76	1.40	2.16
2	6	2011	13.38	10.43	21.62	64.26	0.19	94.96	25.53	44.35	1.50	13.74	1.71	2.18
2	6	2010	14.35	11.57	24.47	60.65	0.05	98.91	29.49	52.75	1.67	14.52	1.89	2.28
2	7	2017	17.03	12.79	21.87	60.28	0.08	96.63	29.78	56.53	2.06	16.99	1.13	1.48

2	7	2016	14.30	11.31	21.78	59.71	0.10	96.37	31.45	62.14	1.79	15.79	1.57	1.58
2	7	2015	14.58	11.37	23.65	60.37	0.10	95.63	33.01	61.31	1.36	11.56	1.29	1.79
2	7	2014	15.16	12.22	24.61	61.32	0.12	93.51	31.82	62.45	1.62	13.60	1.40	1.81
2	7	2013	14.95	11.61	25.58	60.24	0.08	94.46	31.23	65.38	1.73	13.60	1.65	1.88
2	7	2012	18.63	14.06	29.58	56.24	0.11	91.68	39.67	71.17	2.04	14.95	1.67	1.86
2	7	2011	16.98	13.14	32.69	52.64	0.13	92.65	41.58	73.34	1.94	13.64	1.57	1.82
2	7	2010	20.61	15.52	44.07	46.73	0.10	100.00	45.18	79.30	2.74	17.99	1.97	2.14
2	8	2017	15.40	8.65	9.17	65.95	2.21	55.08	23.59	37.88	0.42	4.38	1.11	3.16
2	8	2016	13.11	10.63	11.28	73.92	3.32	45.91	13.36	25.00	0.52	4.95	1.97	3.72
2	8	2015	13.66	10.35	12.91	68.50	2.78	53.96	19.46	35.02	0.45	4.17	1.28	3.49

2	8	2014	14.60	11.29	12.27	69.06	2.19	61.77	17.63	31.05	1.12	10.07	1.88	3.78
2	8	2013	13.54	10.98	9.81	72.11	2.40	53.11	16.54	31.35	1.26	10.84	2.10	3.85
2	8	2012	14.48	12.57	14.95	68.70	1.54	59.69	19.60	35.71	1.66	14.62	2.89	4.23
2	8	2011	13.24	10.15	26.55	59.10	2.68	54.77	32.34	55.52	0.92	8.25	2.16	3.80
2	8	2010	14.01	12.32	27.24	61.63	1.70	74.24	25.41	38.22	1.68	12.85	2.54	4.32
2	9	2017	14.78	12.73	0.61	77.95	1.83	48.42	17.69	27.23	0.30	2.37	0.05	3.44
2	9	2016	16.69	12.92	3.53	68.29	0.10	100.00	27.10	43.08	0.38	2.72	0.76	3.15
2	9	2015	19.92	15.57	5.33	67.03	0.47	68.48	25.32	67.17	0.29	2.03	0.55	3.84
2	9	2014	17.13	13.33	5.39	64.02	0.32	62.55	31.69	164.32	0.37	2.62	0.48	2.78
2	9	2013	19.85	15.29	9.01	47.60	0.18	77.21	46.96	99.92	0.10	0.03	0.68	3.02

2	9	2012	31.16	17.31	7.64	41.38	1.01	49.11	51.82	68.60	0.17	0.96	1.35	3.65
2	9	2011	32.09	17.10	8.94	29.36	2.46	55.62	64.49	85.85	0.07	0.45	1.09	3.38
2	9	2010	24.74	15.18	8.48	40.26	2.39	45.07	54.88	70.33	0.33	2.18	0.64	2.68
2	10	2017	16.12	10.52	7.69	73.80	1.11	63.84	22.84	36.56	1.29	12.71	0.70	2.80
2	10	2016	14.38	9.78	7.44	70.70	0.99	68.53	25.86	42.54	1.24	12.76	1.49	2.93
2	10	2015	13.94	9.68	7.26	73.95	0.76	67.29	22.33	37.72	1.31	13.72	1.08	2.97
2	10	2014	13.96	9.37	8.52	72.06	0.88	64.22	23.51	37.17	1.07	11.13	1.20	3.11
2	10	2013	14.23	9.90	11.26	71.40	0.89	60.83	23.87	41.64	1.10	10.60	1.54	3.19
2	10	2012	15.24	11.04	11.22	68.19	0.87	59.97	26.94	52.45	1.19	10.77	1.30	3.44
2	10	2011	14.23	11.06	15.55	67.34	0.81	71.25	28.28	45.55	0.72	6.86	1.10	3.62

2	10	2010	14.43	9.53	20.16	61.76	1.05	65.89	33.30	52.64	1.76	17.35	2.50	4.14
2	11	2017	16.66	11.89	16.40	66.28	0.32	85.99	24.90	44.27	1.58	13.43	0.93	2.04
2	11	2016	15.17	11.54	17.09	65.55	0.55	77.48	26.50	47.42	1.60	13.83	1.29	2.09
2	11	2015	15.65	11.62	16.70	64.53	0.50	75.11	27.43	53.08	1.20	10.05	1.15	2.29
2	11	2014	16.02	12.33	17.59	65.56	0.36	76.92	27.98	52.41	1.51	12.79	1.60	2.40
2	11	2013	14.38	11.20	18.14	64.27	0.32	80.44	26.18	46.02	1.64	13.67	1.72	2.36
2	11	2012	16.33	12.95	22.04	61.07	0.40	78.95	25.71	46.22	1.96	16.29	2.22	2.56
2	11	2011	14.07	11.09	27.03	56.67	0.10	100.00	28.62	47.33	1.82	15.27	2.23	2.15
2	11	2010	17.55	12.91	34.67	48.74	0.10	100.00	33.23	55.68	2.43	19.55	2.51	2.43
2	12	2017	14.49	10.11	14.49	65.46	1.07	76.98	24.83	44.51	1.31	12.86	1.16	1.85

2	12	2016	14.21	10.33	13.10	68.28	1.23	75.67	21.81	39.67	1.24	11.92	1.37	2.01
2	12	2015	13.81	10.48	14.46	67.51	1.01	75.45	24.11	46.52	0.93	8.82	1.14	2.18
2	12	2014	15.03	10.56	13.83	67.32	1.03	71.02	25.78	52.25	1.12	10.13	1.41	2.17
2	12	2013	16.00	11.63	14.57	64.51	1.19	67.75	26.50	52.33	2.36	18.75	1.82	2.24
2	12	2012	16.30	13.80	17.58	62.01	1.29	61.41	26.38	51.53	1.66	13.40	1.84	2.45
2	12	2011	14.70	10.82	18.89	62.70	1.08	64.66	19.60	36.92	1.93	16.87	2.32	2.49
2	12	2010	16.14	12.17	21.69	62.06	0.81	77.09	16.20	26.29	2.76	22.17	3.41	2.94
2	13	2017	18.10	8.37	13.60	67.89	1.98	56.83	24.12	52.49	0.37	4.64	0.36	1.48
2	13	2016	18.31	7.44	14.52	64.20	2.01	61.55	31.89	78.03	0.06	0.79	1.62	2.27
2	13	2015	15.55	7.58	6.42	71.07	2.36	53.60	25.48	64.89	0.50	6.08	1.46	3.12

2	13	2014	15.11	9.00	8.74	73.95	1.96	60.54	22.45	50.94	1.24	16.74	0.87	2.48
2	13	2013	14.73	5.73	19.39	61.81	1.14	68.35	19.73	36.02	0.83	13.11	0.94	2.36
2	13	2012	14.33	7.14	23.17	65.26	1.87	58.43	18.62	29.90	0.95	12.94	1.16	2.47
2	13	2011	13.49	7.52	20.54	67.28	2.67	45.95	17.15	30.73	0.53	5.97	0.86	2.49
2	13	2010	14.98	10.86	13.42	76.21	2.78	39.96	10.80	20.15	0.70	6.18	2.92	4.71
2	14	2017	18.16	15.51	14.77	39.18	0.11	93.53	49.00	98.85	1.62	11.26	1.26	1.62
2	14	2016	18.80	13.23	19.66	29.47	0.30	79.57	59.91	120.78	1.39	9.91	1.02	1.55
2	14	2015	18.61	14.96	12.21	33.75	0.14	85.29	56.54	116.54	1.81	12.36	1.41	1.72
2	14	2014	15.83	14.32	8.24	36.71	0.14	87.56	56.61	148.13	1.99	14.18	1.55	1.67
2	14	2013	14.65	13.78	8.21	43.20	0.02	96.69	48.03	125.70	1.63	11.34	1.35	1.58

2	14	2012	22.77	15.02	11.96	26.79	0.04	96.54	65.25	141.56	2.04	15.31	1.50	1.92
2	14	2011	23.50	11.75	11.91	29.16	0.10	100.00	61.70	88.59	2.32	14.58	1.69	1.44
2	14	2010	27.67	26.82	34.47	43.46	0.10	100.00	30.74	76.73	2.25	8.05	2.63	3.47
2	15	2017	19.60	9.00	5.05	78.91	1.23	52.74	15.47	39.07	0.72	8.43	0.38	1.79
2	15	2016	17.66	7.96	7.16	77.87	1.05	51.65	16.03	34.95	0.59	6.81	0.40	1.95
2	15	2015	15.97	9.49	7.26	76.69	1.11	56.61	18.95	41.99	0.54	5.35	0.57	2.24
2	15	2014	17.74	10.81	10.03	74.34	1.04	48.48	20.39	46.30	0.09	0.89	0.70	2.36
2	15	2013	14.99	8.61	16.15	67.20	1.14	51.46	24.71	55.17	0.52	5.31	0.98	2.68
2	15	2012	16.46	14.45	10.20	65.42	2.12	62.85	26.18	58.56	0.52	5.31	1.65	3.57
2	15	2011	16.94	12.77	29.11	47.30	1.56	66.53	41.74	76.68	0.82	6.94	2.05	2.98

2	15	2010	20.29	10.78	35.56	39.05	3.18	55.90	29.88	44.77	0.38	3.41	1.51	3.00
2	16	2017	19.50	10.59	10.57	62.87	1.07	77.56	24.13	41.89	1.68	16.08	0.95	2.35
2	16	2016	17.52	10.24	12.59	59.93	1.53	71.32	27.93	48.83	1.50	14.97	1.20	2.52
2	16	2015	16.07	9.82	15.30	60.97	1.42	72.83	28.28	51.35	0.99	10.93	0.92	2.81
2	16	2014	14.09	8.18	15.51	62.03	1.20	69.37	28.60	51.42	0.88	10.69	1.17	3.17
2	16	2013	12.83	8.27	12.18	65.02	0.98	72.42	25.59	45.58	0.88	9.13	1.51	3.07
2	16	2012	14.62	11.38	17.23	63.78	1.73	58.41	30.53	56.16	2.03	18.10	2.03	3.12
2	16	2011	15.65	10.98	16.57	62.31	1.01	69.35	29.82	58.74	2.75	24.65	1.70	3.40
2	16	2010	16.43	11.36	17.24	66.73	1.38	72.32	25.26	50.54	1.87	15.86	1.54	3.47
2	17	2017	17.56	10.42	9.37	61.77	1.81	68.05	33.91	54.25	1.26	12.75	0.59	4.08

2	17	2016	20.38	9.34	9.49	58.08	3.18	68.58	38.18	63.71	0.96	7.61	2.80	4.92
2	17	2015	15.73	8.40	7.33	64.75	2.24	63.13	31.81	56.88	0.96	7.61	2.27	4.48
2	17	2014	15.07	8.85	4.56	57.16	2.47	61.50	40.47	63.17	0.96	7.61	1.86	3.97
2	17	2013	14.92	8.32	11.55	52.71	1.84	70.83	45.07	78.26	0.10	0.98	1.54	3.56
2	17	2012	17.12	12.06	15.42	60.96	1.72	64.56	37.08	67.07	0.73	6.19	1.22	4.60
2	17	2011	16.14	11.58	12.82	57.32	1.24	71.88	39.00	105.49	1.15	8.76	1.90	4.36
2	17	2010	16.54	15.22	20.07	54.53	2.20	76.94	40.62	76.72	1.54	9.35	2.09	5.39
2	18	2017	14.41	8.49	19.26	59.21	0.32	74.70	35.33	82.51	0.40	5.03	0.16	1.61
2	18	2016	19.81	7.23	20.97	61.71	0.71	68.71	34.68	72.02	0.18	2.31	0.37	2.18
2	18	2015	12.79	8.86	16.30	61.92	1.11	74.57	36.17	99.71	0.59	4.16	0.13	2.29

2	18	2014	18.90	16.85	5.91	76.55	1.70	69.91	19.77	35.93	0.33	2.06	0.07	3.47
2	18	2013	17.38	15.60	10.46	73.25	1.64	74.29	24.14	39.55	1.16	7.47	1.97	2.91
2	18	2012	16.50	15.57	8.98	72.35	1.59	68.74	22.04	37.21	0.75	4.93	0.83	2.90
2	18	2011	15.86	14.76	10.60	71.76	1.69	60.44	22.38	40.58	0.73	4.36	1.21	2.78
2	18	2010	19.44	19.28	12.45	72.71	1.88	62.52	22.19	36.45	0.60	2.95	1.52	3.66
2	19	2017	19.93	10.91	7.42	72.74	1.29	70.46	22.15	41.16	1.65	15.59	0.99	2.85
2	19	2016	17.66	10.18	10.02	70.07	1.26	68.42	24.12	47.36	1.15	11.98	1.20	3.04
2	19	2015	15.77	9.10	10.31	71.49	1.12	62.81	23.24	46.55	0.26	2.88	0.47	3.08
2	19	2014	14.40	9.12	9.04	73.78	1.11	59.39	22.66	44.49	0.49	5.13	0.68	3.46
2	19	2013	12.57	10.16	10.60	73.31	0.83	64.36	23.31	46.65	0.60	5.41	0.68	3.27

2	19	2012	14.27	12.23	9.97	75.02	1.11	53.85	21.75	36.96	1.09	9.27	1.30	4.23
2	19	2011	14.19	11.21	11.61	73.00	0.73	66.91	22.44	39.84	0.41	3.55	0.57	3.99
2	19	2010	14.57	12.05	16.33	70.43	1.21	62.21	25.95	48.82	0.69	5.54	0.43	4.16
2	20	2017	14.99	9.66	16.67	65.69	0.97	81.52	22.39	41.89	1.41	14.39	0.48	2.36
2	20	2016	14.53	9.98	18.91	61.97	0.97	84.04	24.41	47.32	1.29	12.57	1.08	2.76
2	20	2015	15.40	10.53	17.17	66.75	1.30	80.42	20.91	40.07	0.88	8.02	1.01	3.19
2	20	2014	16.98	11.40	16.63	66.81	1.13	79.20	21.14	39.49	1.24	10.82	1.95	3.10
2	20	2013	16.95	11.59	18.37	64.72	1.19	82.85	24.07	46.56	1.22	9.81	1.74	3.48
2	20	2012	18.85	13.47	15.43	66.98	1.04	84.98	28.27	51.32	1.79	13.86	1.94	3.31
2	20	2011	17.18	12.33	20.62	65.52	1.33	78.19	29.03	61.44	2.01	15.56	1.68	3.41

2	20	2010	16.68	13.68	23.37	65.27	0.93	86.78	30.09	55.61	2.71	20.70	1.35	3.61
2	21	2017	14.05	14.71	17.45	59.86	6.82	43.29	36.06	59.00	0.35	2.56	1.92	4.05
2	21	2016	15.97	13.14	13.22	63.06	4.14	37.35	33.53	60.21	0.24	1.84	1.34	3.28
2	21	2015	15.57	12.77	11.89	68.11	4.15	32.01	29.62	59.51	0.27	1.94	0.86	2.81
2	21	2014	18.52	14.81	17.23	66.13	1.51	46.72	30.00	53.13	0.69	4.94	1.32	3.21
2	21	2013	15.85	13.13	14.72	64.90	1.26	52.06	30.48	49.51	0.41	3.18	1.29	3.07
2	21	2012	15.19	12.36	11.80	68.00	1.64	51.74	27.62	51.93	0.49	3.61	1.19	3.27
2	21	2011	17.55	15.34	15.31	66.66	1.59	40.66	29.27	55.20	0.19	1.28	1.62	3.94
2	21	2010	14.03	14.52	17.78	66.45	2.29	42.72	28.34	45.67	0.19	1.13	3.60	5.66
2	22	2017	18.68	12.71	15.66	64.47	0.50	80.61	22.48	40.81	2.08	16.51	0.85	2.00

2	22	2016	16.21	12.51	16.77	65.47	0.54	80.93	21.07	39.60	1.88	15.25	1.31	2.15
2	22	2015	15.03	12.18	17.62	62.57	0.53	81.01	23.37	46.02	1.44	11.96	1.09	2.31
2	22	2014	15.23	11.88	19.70	61.24	0.47	81.01	25.37	53.34	1.54	13.17	1.48	2.15
2	22	2013	14.42	11.47	19.06	60.27	0.41	81.01	28.39	57.20	1.68	13.69	1.74	2.14
2	22	2012	18.21	13.30	23.99	57.32	0.44	80.94	38.03	64.53	2.00	15.79	1.82	2.21
2	22	2011	16.89	11.99	24.12	57.15	0.33	81.70	36.18	63.47	2.27	18.03	2.21	2.19
2	22	2010	19.62	13.29	31.63	52.30	0.54	81.87	39.65	65.40	2.74	21.12	2.28	2.45

ANNEX-2. INTEREST AND FINANCING VERSES FROM THE HOLY QUR'AN

بسم الله الرحمن الرحيم

ٱلَّذِينَ يَأۡكُلُونَ ٱلرِّبَوٰاْ لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ ٱلَّذِي يَتَخَبَّطُهُ ٱلشَّيۡطَٰنُ مِنَ ٱلۡمَسِّۚ ذَٰلِكَ بِأَنَّهُمۡ قَالُوٓاْ إِنَّمَا ٱلۡبَيۡعُ مِثۡلُ ٱلرِّبَوٰاْۗ وَأَحَلَّ ٱللَّهُ ٱلۡبَيۡعَ وَحَرَّمَ ٱلرِّبَوٰاْۚ فَمَن جَآءَهُۥ مَوۡعِظَةٞ مِّن رَّبِّهِۦ فَٱنتَهَىٰ فَلَهُۥ مَا سَلَفَ وَأَمۡرُهُۥٓ إِلَى ٱللَّهِۖ وَمَنۡ عَادَ فَأُوْلَٰٓئِكَ أَصۡحَٰبُ ٱلنَّارِۖ هُمۡ فِيهَا خَٰلِدُونَ 275 سورة البقرة

Those who swallow usury cannot arise except as he arises whom the devil prostrates by (his) touch. That is because they say, Trading is only like usuary. And Allah has allowed trading and forbidden usury. To whomsoever then the admonition has come from his Lord, and he desists, he shall have what has already passed. And his affair is in the hands of Allah. And whoever returns (to it) -- these are the companions of the Fire: therein they will abide. *Al-Baqarah, 275 (translations: Maulana Muhammad Ali)*

يَمۡحَقُ ٱللَّهُ ٱلرِّبَوٰاْ وَيُرۡبِي ٱلصَّدَقَٰتِۗ وَٱللَّهُ لَا يُحِبُّ كُلَّ كَفَّارٍ أَثِيمٍ 276سورة البقرة

Allah will blot out usury, and He causes charity to prosper. And Allah loves not any ungrateful sinner. *Al-Baqarah, 276*

يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُواْ ٱتَّقُواْ ٱللَّهَ وَذَرُواْ مَا بَقِيَ مِنَ ٱلرِّبَوٰٓاْ إِن كُنتُم مُّؤۡمِنِينَ 278سورة البقرة

O you who believe, keep your duty to Allah and relinquish what remains (due) from usury, if you are believers. *Al-Baqarah, 278*

فَإِن لَّمۡ تَفۡعَلُواْ فَأۡذَنُواْ بِحَرۡبٖ مِّنَ ٱللَّهِ وَرَسُولِهِۦۖ وَإِن تُبۡتُمۡ فَلَكُمۡ رُءُوسُ أَمۡوَٰلِكُمۡ لَا تَظۡلِمُونَ وَلَا تُظۡلَمُونَ 279سورة البقرة

But if you do (it) not, then be apprised of war from Allah and His Messenger; and if you repent, then you shall have your capital. Wrong not, and you shall not be wronged. *Al-Baqarah, 279*

TURNITION REPORT

alrujoubi.amhusayn

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CURRICULUM VITAE

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Education:

Degree	Field	University	Year
Graduate	High Diploma in (System Management).	From Microsoft Academy At the college of Technical sciences Misurata/ Libya.	2008
Postgraduate	Master degree in Accounting field, Business Administration	From Libyan Academy	2012

Work Experience at university

Work place	Position	Year
Libya	I tought at university these subjects Business Administration: (managerial accounting, cost, and management accounting, financial statement analysis, financial Management, basic & intermediate financial accounting).	**2012-2015**
Libya	Computer sciences: Windows, MS Office (Excel, Word, PowerPoint), Programming language C++.	**2012-2015**

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Publications: Adnan M. Alrujoubi1, Dr. H. Kamil Büyükmirza2 The Effect of Corporate Governance, Risk Management on the Performance of Banks in Turkey. Atilim University, Graduate School of Social Sciences, Business Administration Department. International Journal of Science and Research (IJSR) ISSN: 2319-7064 ResearchGate Impact Factor (2018): 0.28 | SJIF (2018): 7.426 Volume 9 Issue 2, February 2020 www.ijsr.net Licensed Under Creative Commons Attribution.