International Business Management
MEDWELL PUBLICATIONS

Performance Comparison of Islamic and Conventional Banks: Empirical Evidence from Syria

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Key words: Syria, Conventional Banks (CBs), Islamic Banks (IBs), financial performance, term

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Page No.: 164-171
Volume: 14, Issue 5, 2020
ISSN: 1993-5250
International Business Management

Abstract: The purpose of this researchis to compare critically the performance of Islamic and conventional banks in Syria. Moreover, explore the impact of capital adequacy, liquidity, efficiency and risk management on assets performance. This study analyzed private banking sector in Syria over the period 2011-2017. We used paired sample t-test, correlation and multiple regression to meet our objectives. The results suggest that Islamic banks were better in term of capital adequacy, efficiency, risk management and liquidity. While conventional banks better in terms of profitability. This study is a pioneering attempt for analyzing banking sector in Syria, therefore, has significance for academicians, researchers and policymakers in planning works for future directions.

INTRODUCTION

Economies which have a healthy and profitable banking sector are able to confront negative financial shocks and contribute positively to the stability of the financial system as a whole[1]. Hence, it is crucial to seek for deep understanding for factor might affect bank performance. Banks are financial institutions authorized to collect deposits and give credits. Banks may also provide other financial services. for instance, currency exchange, wealth management and safe deposit boxes. Banks mainly can be divided into two main categories IBs and CBs[2].

Islamic banks operate the same basic functions as banks working under the conventional system. But, Islamic banking refers to banking system which works according to Sharia which prohibits charging any extra money for money that is borrowed[3]. It is built on profit loss sharing where all financial transactions must be backed by real. Furthermore, IBs do not permit investments in any prohibited activities mentioned in the Quran, such as pork products and alcohol. As a matter of fact, IBs are younger and enjoy fewer experiences compared with conventional ones asset[4, 5]. Islamic finance industry has achieved significant progress of having wider acceptance in global level, particularly in the last four decades.

Studies on Islamic banking performance show that it is not an inferior system to conventional banking[6]. Islamic banking, same as any other banking system, should be seen as an evolving system that has shown great progress. Recent research has also shown that Islamic banking is an effective way of financial intermediation. Furthermore, Islamic banking should not be observed as

a religious act: rather, it is a different way of financial intermediation and previous performance shows that it is an attractive way of financing[6].

Recently, much research has focused on Islamic and conventional banks performance comparison in many countries. For instance, Pakistan, Khan *et al*.[7] and Akhtar *et al*.[8], Egypt, Indonesia and Rosly and Bakar[9] examined the case of Malaysia. But there is dearth in researches in the Syrian context. To our knowledge, this topic has yet to be explored. It remains unclear which banking system performing better in the country. The in-hand study will investigate whether Islamic banks performance better, worse or same with their counterparts the conventional ones.

Brief history about banking industry in Syria: Banking history in Syria can be divided into three phases as the following:

During the Ottoman occupation era: The banks were started in Syria during the Ottoman occupation period when the Empire Bank was established in 1856. The main functions of these banks were issuing banknotes. In May 1874), it became the trustee of the empire funds and a repository for all state revenues. Lately, many banks were established in the late 19th century[10].

During the French Mandate era: After Ottoman Empire Syrian Bank was established to manage the state funds. While the general directorate was in Paris. In 1924 renamed to Bank of Syria and Lebanon. During this era (Société Générale) established a range of banks. The Italian bank in 1919 and small financing institutions in Damascus and Aleppo which were particularly focusing on agriculture funds[11].

After independence 1946 till now: After Syrian independence in 1946, economic chaos was recorded in the country, resulting from the dependence of the French occupation. Syrian Exchange Center was established in 1952 which was responsible for exchange rate stability. Followed by the dissolution of the Bank of Syria and Lebanon in 1953 fundamental pillars were set for the central bank of Syria[11].

Laws, regulations and acts during 1952-1962 led to the growth of Syrian's GDP. Hence, the need for new banks were observed. After the entry of socialism thought in 1963, all banks were condensed into 5 banks. Again in 1966, those 5 banks were merged to form one bank namely Syrian commercial bank which was responsible for the internal and external business operations[12]. The industrial, agricultural and real Estate Banks was established to raise and provide necessary services for each related sector[10]. Due to inability of national banks to meet the financial needs, in 2001 private banks allowed to operate in Syria. This was followed by another announcement allowing IBs to start up in 2005. The objectives of allowing private sector in banking was to build an effective and effective monetary policy to maintain the stability of the Syrian pound exchange rate, low and stable inflation rate, contributing to the creation of an environment for investment and supporting economic growth. IBs consist of 21.43% and the conventional one 78.57% from the entire Syrian banking system. Total branches for Islamic bank's 30 branches whereas its 205 for conventional banks. Nowadays, Syria has been successful in performing a dual banking system and has appeared as a nation to have 3 full-fledged IBs functioning alongside conventional counterparts.

Table 1: Private banking sector in Syria

Bank's name	Acronym	Started at	No. of Branches
Islamic banks			
Chan Bank	CHB	23-May-2007	8
Syrian Islamic International Bank	SIIB	15-Oct.-2007	23
AL-Baraka Bank	BBSY	06-Jun.-2010	9
Conventional banks			
BanqueBemo Saudi Fransi	BBSF	04-Jan.-2004	41
Bank of Syria and Overseas	BSO	06-Jan.-2004	27
International Bank for Trade and Finance	IBTF	06-Jun.-2004	30
Bank Audi Syria	BASY	28-Oct.-2005	27
Byblos Bank Syria	BBS	05-Dec.-2005	11
Arab Bank Syria	ARBS	02-Jan.-2006	17
Syria Gulf Bank	SGB	13-june.-2007	12
Sharq Bank Syria	SHRQ	3-May.-2008	4
Bank of Jordan Syria	BOJS	28-Nov.-2008	13
Fransa bank Syria	FSBS	15-Jan.-2010	8
Qatar National Bank	QNB	15-Nov.-2010	15

Websites of banks in Syria

This research extends previous studies by analyzing and comparing the performance of Islamic and conventional banks during Syrian crisis. This study reveals the importance of central bank and the private sectors to banks operating in Syria and the opportunity to invest in this industry after crisis. These results will also decide whether central bank of Syria should stop supporting private banking sector in the country due to the consequences of the current conditions in Syria. As this is one of the pioneering studies in the Syrian context, therefore, these results will be remarkable for central bank as the monetary authority. Furthermore, the study develops a database of IBs which is particularly useful because no previous study has focused on IBs in Syria (Table 1).

This research shall begin with having a brief review of literature concerning Islamic and conventional banks proceeded by the methods used in this research, followed by the result and analysis ending with the conclusion.

Literature review: There are a wide range of studies on the performance-related comparison between IBs and CBs. Hashem and Sujud[13] made an effort to compare IBs and IBs performance in Lebanon, they used the ratio of return on assets and return on equity over the period 2012-2016 along with regression analysis to explain whether the internal characteristics of the bank may explain the difference in profitability between the two types of banks. They found better asset adequacy of IBs compared to CBs and better liquidity and profitability in CBs compared to the Islamic ones. Akhtar *et al*.[8] in the case of Pakistan found better functioning CBs in terms of profitability and liquidity risk management than their counterparts. A significant positive relation was found for the size, capital adequacy ratio, asset management and non-performing loans ratio has a significant negative relationship with liquidity risk.

Al-Gazzar[14] used various financial ratios to evaluate performance of IBs and CBs with macroeconomics determinants (inflation and GDP) using correlation on a sample of 45 banks including 10 Islamic in MENA region. He found IBs performing better in terms of capital adequacy, assets quality, management quality and profitability while its counterparts were performing better in term on liquidity. Moin[15] attempted to compare the performance of number one IBs in Pakistan with 5 conventional ones over the period 2003-2007, using 12 financial ratios. Major findings were conventional banks were significantly better in terms of profitability. whereas there is not any significant difference in terms of liquidity. The revealed that CBs risk tendency higher than IBs which attributes the high profitability of CBs. Flamini *et al*.[16] and Wasiuzzaman and Tarmizi[17], found that there is positive relationship between bank profitability and inflation.

Megeid[6] analyzed liquidity effectiveness for both CBS and IBs in Egypt using liquidity ratio for six CBs and two IBs during the period 2004-2011. They found that CBs were better in liquidity management attributing the result to the cash availability in CBs. Moreover, Egyptian Central Bank regulations on capital and liquidity requirements for IBs affects the its performance negatively. Khan *et al*.[7] attempted to measure the financial performance for both IBs and CBs in Pakistan, using several financial ratios includes (profitability, efficiency, risk management, assets quality, liquidity. They analyzed the performance of 5 IBs and 19 CBs during the period 2007-2014. They found better profitability, efficiency, risk and liquidity management in IBs, while CBs are superior in asset quality. Their work contradicted previous studies conducted in Pakistan[8]. Probable reasons for this include phenomenal expansion of IBs industry and its broad appeal to customers in Pakistan, superior risk management practices of IBs complying with Sharia rules and better asset quality of CBs due to their product diversity.

A similar study was done by Sukmana and Febriyati in the case of Indonesia. They examined financial performance of both IBs and CBs. The sample used in this study was 24 conventional commercial banks and 11 IBs for the period 2004-2014. They found Efficiency, Liquidity and Assets quality ratios have been in favor of IBs, on the other hand, profitability and capital adequacy was significantly higher in CBs. In Nigeria Adewole and Patrick[18] used secondary data from a period of 2013-2016 to compare the financial performance of IBs and CBs using Asset Quality Ratio, Liquidity Coverage ratio and Capital Adequacy ratio. Data were tested using the Pearson Correlation coefficient, Normality, Multi Collinearity and Heteroscedasticity test. It was found that measures of CBs are 62 times higher than that of IB. While, the liquidity coverage measures of conventional bank are 10 higher than IBs when proportionately applied. This signifies that IBs are haunted by the chronic problem of excess liquidity, since they carry surplus cash and other assets in comparison to CBs.

Ismal[19] discussed risk management in terms of liquidity for both IBs and CBs in the case of Indonesia. Their results show that IBs reduce the liquidity risk from both internal and external sources. That's attributed to the shariah values and principles followed by IBs. Hanif *et al*.[20] attempted to evaluate the performance of IBs and CBs in Pakistan for profitability and liquidity of banks compared using the liquidity loan/asset ratio, loan/deposits and borrowing ratio and liquid assets/deposits ratio. They found CBs are more dominant in liquidity management. Wasiuzzaman and Nair[21] compared CBs and IBs performance for using financial ratios for the period 2005-2009. They found higher capital adequacy, assets quality, liquidity, operational efficiency significantly in IBs and higher ROA in CBs. Alhamood[22] attempted to evaluate the profitability of IBs from the standpoint of the bank and investment deposits. They cherry picked 12 IBs from the Middle East and analysed data of 2009, 2010 and 2011. The results show that ROE and ROA indicate specific performance for IBs whereas for investment analysis investment deposits (ROD) is suitable. Beck *et al*.[23] found that assets quality of IBs is better than CBs.

In the case of Malaysia, Rosly and Bakar[9], attempted to compare IBs and CBs in term of profitability, tier main finding was IBs were more profitable than its counterparts. Comparing IBs and CBs in GCC using 26 financial ratio, Olson and Zoubi[24] concludes that IBs profitability higher than the conventional ones. Additionally, Erol *et al*.[25] using financial ratios, attempted to evaluate the performance of IBs and CBs in

the case of turkey, during the period of 2001-2009. Their results signify better performing IBs than their counterparts in terms of assets management and profitability ratios. On the other hand, several studies confirmed that CBs profitability better than IBs, Masruki *et al*.[26], found that conventional banks were more profitable than Islamic counterparts. this high profitability attributed to high assets quality and net financing in CBs. However, other studies confirmed there is not different between IBs and CBs profitability. For instance[27], and in Bahrain[28]. Abbas *et al*.[29] conducted a study in Pakistan, they attributed the lower performance of IBs to ethical obligation, short age and small size. Another study has been done in Pakistan by Siddiqui[30] he found that IBs show higher performance in terms of equity management and assets quality.

The role of CBs and IBs is crucial for depositors, investors and business institution and economic policymakers. After a period of two decades conventional and Islamic banks in Syria, it is high time to examine and evaluate their coexistence in the country and to stay aware which performed efficient during the economic and social changes particularly during the crisis in Syria. Both types of banks experienced losses and tried to polish their returns through revaluation offoreign currencies. This study stresses on portraying a real picture of banks operating in Syria during crisis and gives recommendations based on research results.

Research questions: This research shall address the following research questions:

- RQ1: does there exists any difference between IBs and CBs performance in Syria?
- RQ2: what are the major factors that affect performance of the assets of both banks?

MATERIALS AND METHODS

This study looks at particular financial ratios of both IBs and CBs. We have used Return On Assets ROA to measure the bank's profitability; Capital Adequacy Ratio (CAR) as measurement of a bank's available capital of a banks' risk-weighted credit exposures; Total (Operating Expense-Depreciation)/Gross Revenue OER to evaluate the efficiency; Loan to Deposit Ratio LDR and Financing to Deposit Ratio FDR to measure liquidity; Non-Performing Loans NPL and Non-Performing Finance NPF to assess the risk management. ROA ratios, to overcome shortcoming, the denominator needs to be representative of all of the moments during the year, it is common to use the average of two balance sheet amounts in the denominator.

Annual data are from January 2011-2017 were the subject of this study, that is due to the lack of availability of the quarterly and semi-annual reports for all the samples. The used samples of this study are all the private banking sector in Syria which is consist of 11 CBs and 3 IBs. The secondary source of data is collected for the official websites of each bank, the Syrian Commission on Financial Markets and Securities, Damascus security exchange and Central Bank of Syria.

Three techniques used in this study. Paired sample t-test, this method is usually used to see whether there is a statistical difference between the two data series of the same variable or two different variables. Next, correlation, this method used to see whether there is a correlation between a group of variables and how strong these variables are related. Thirdly and finally multiple regression used on variables related to ROA to indicate the predictors of assets performance for Islamic and conventional banks.

RESULTS AND DISCUSSION

This study discusses the result of the applied tests starting with descriptive analysis t-test followed by the correlation test and lastly regression.

Descriptive statistics and t-test: Table 2 shows that the means of ROA, OER, NPL and LDR are higher in CBs than the Islamic ones. P-value shows an insignificant difference in CAR, ROA, OER and LDR while it shows a significant difference in NPL/NBF (Table 3).

Capital adequacy ratio analysis CAR: Basel I and Basel II standards set the ratio of capital adequacy at a minimum of 8% while Basel III standards set capital adequacy at 10.5%. In the case of the Syrian Arab Republic, all the banks operating in Syria must achieve Basel II at 8%. And the result above shows that the means for both IBs and CBs banks fulfill the requirements with means 0.2543 for CBs and 0.3588 for its counterparts, consequently the IBs more solvent with more capital than CBs. Thus, IBs have a greater ability to cope with risks and unexpected events. While p-value recorded an insignificant difference at 0.116.

The fact that IBs achieved greater capital adequacy ratio will help them to have a greater position to increase their collateral commitment, reduce unexpected risks and help them face asset losses. This result can be justified by the fact that IBs have increased their capital to reach the new required capital. CBs have also done so but considering the capital after the increase, IBs have increased their capital more than CBs in aggregate. The authority has set the capital for IBs at 15 billion while for CBs 10 billion. To be noted, neither IBs nor CBs have achieved the required capital except Qatar National Bank (QNB) which its capital has been raised to reach 15 billion more thank the required capital.

Table 2: Paired samples statistics

Samples	Bank's name	Mean	N	SD
Pair 1	CAR Islamic Banks	0.3588	7	0.1108
	CAR Conventional Banks	0.2543	7	0.0538
Pair 2	ROA Islamic Banks	0.0287	7	0.0246
	ROA Conventional Banks	0.0379	7	0.0534
Pair 3	OER Islamic Banks	0.3801	7	0.0651
	OER Conventional Banks	0.4241	7	0.1256
Pair 4	NPF Islamic Banks	0.2274	7	0.1336
	NPL Conventional Banks	0.3483	7	0.1414
Pair 5	FDR Islamic Banks	0.3061	7	0.1820
	LDR Conventional Banks	0.3345	7	0.1455

Table 3: Paired samples test

				Confidence interval of the difference 95%				
Samples	Test	Mean	SD	Lower	Upper	t	df	p-values
Pair 1	CAR	0.1046	0.1506	-0.0347	0.2438	1.837	6	0.116
Pair 2	ROA	-0.0092	0.0299	-0.0368	0.0184	-0.815	6	0.446
Pair 3	OER	-0.0440	0.0985	-0.1351	0.0471	-1.181	6	0.282
Pair 4	NPL/NPF	-0.1209	0.1174	-0.2295	-0.0123	-2.724	6	0.034
Pair 5	LDR/FDR	-0.0284	0.1433	-0.1610	0.1041	-0.525	6	0.618

Correlation is significant at the 0.05 level

However, this study seems not to be consistent with the previous study done by Sukmana and Febriyati in the case of Indonesia. Their results show that there is a significant difference between IBs and CBs in terms of capital adequacy ratio. They argued that the CBs experience helps the bank to accumulate capital, while in this study both CBs and IBs relatively fresh in Syrian market and there is an insignificant difference in term of capital adequacy ratio due to the capital required from the central bank of Syria.

Return on as assets analysis ROA: In this research, the return on assets ROA adapted to indicate profitability. The conventional bank's means at 0.0378 and means for IBs at 0.0286. That the return of CBs in Syria insignificantly higher than the return of IBs due to due to the fact of p-value at 0.446, that's indicates to CBs in Syria are more efficient in generating profits from each Syrian pound invested in Assets.

In view of the financial statements of CBs and IBs operating in Syria, we note that most of these profits are due to the revaluation of the foreign currencies. Private banks are distancing themselves from the financial crisis, most of these banks are reluctant to lend. According to the 2013 annual financial statements, all banks were profitable, after the profits were reserved as the re-evaluation of the structural foreign currency. In some private banks, the structural positions of foreign exchange and unrealized gains were revalued only in the exchange market due to the rise in foreign exchange rates against the Syrian pound to ten times since the outbreak of the Syrian crisis.

A probable reason for this high ROA in CBs might be attributed to CBs reactions, they started to reduce the interest rate paid on deposits when the Syrian crisis had been begun, consequently, increase the profit quality and the ROA. Additionally, its normal consequence for CBs in Syria to be superior to IBs because the first enjoy more experience and reputation in the market[31]. Western sanctions against Syria increase the suffering of banks. Swift's sanctions against the money transfer system have made it difficult for Syrian banks to conduct Foreign currency transfers. A greater number of Syrian bank customers have turned to banks in Lebanon and Jordan to open letters of credit in US$ and to complete regular trade transfers with other parties in the world. This also affects the bank's profitability.

As we are aware, in IBs, before a banking product is launched, it needs approval from the central bank as a regulator. This is essential because the central bank has to protect the consumers' interest. Furthermore, the product also needs to be confirmed by the National Shariah Board for any Shariah issues. Having gained the approval of these two institutions can only the product be launched. It is clear that the rule takes time and as a result, the diversity of Islamic banking product will be restrained. Subsequently, will influence the profitability of the IBs. This is not the problem with the conventional bank as the bank only needs the approval of one party, i.e. the central bank.

Analysis of OER: OER means (total operating expenses-depreciation)/total revenue. These include all sorts of fees and costs incurred as normal costs of bank operations less currency revaluation gains/loss. The result shows that IBs are more efficient than CBs with means at 0.3800 and 0.4241, respectively and p-value at 0.282. This supports earlier findings of Wasiuzzaman and Nair[21]. The lower indicator of OER the more efficient the banks are. At first glance, the result views that IBs have been able to

appropriately identify their customers who are in need of financing. From Islamic bank's financial statements was obvious from the low basic income which is financings. However, IBs manifested to be superior in profit quality compared to CBs.

It is natural for IBs to be better in terms of quality of profits, since the main source of income in IBs has not been affected as it is in their conventional counterparts but the reason for the emergence of this result (higher value of OER) is due to the interest paid by CBs steadily to customer's deposits which did not decrease relatively with the decline in given finance. It is suggested that the CBs reduce the duration of the deposits and make them for short-term, resulting in a decrease in interest paid and thus will improve OER ratio.

Analysis of NPL/NPF: Non-performing loans/non-performing finance simply means given finance which cannot be repaid by the borrower. A high NPL/NPF means that there is a considerable amount of loans/finance when a debtor has not made the scheduled payments for a specified period. Generally, the period is 90 or 180 days, in this study, we considered 90 days the borrower could not meet the payment's schedule. When it comes to this variable, the study shows means for conventional is at 0.3483 whereas NPF IBs at 0.2273 the p-value of 0.034 indicates there is a significant difference between IBs and CBs risk management.

Syrian's banks have benefited from a boom in lending after the state put an end to its monopoly on the banking sector 10 years ago. The banks have also taken advantage of poor access to banking services in a country of 20 million people. By that time, it was a golden opportunity for the private banks to invest in the Syrian market, only to be stymied again by the crisis in 2011. A better assets quality of IBs is attributed to Shariah rules that pure speculation in money terms is prohibited and investments need to be backed by physical assets.

This high percentage of NPF/NPL due to the current condition effects on business in various cities in Syria. That prompted the managers to use various tools and legal and illegal procedures (dialogue and persuasion) have been worked intensively to encourage non-performing loans to carry out settlement and rescheduling of non-performing loans which contributed to raising the level of collection which during the last quarter of 2018.

In 2011, credit losses at CBs accounted for the second largest share of total expenses at 29%. It also ranked second in the IBs at 26%. furthermore, the ratio of these two items grew exponentially after 2011.

Analysis of FDR/LDR: LDR/FDR are used to assess a bank's liquidity by comparing a bank's total loans to its total deposits for the same period. The LDR/FDR is expressed as a percentage. If the ratio is too high, it means that the bank may not have enough liquidity to cover any unforeseen fund requirements while a low percentage of LDR/FDR refers to the other way round. On the other hand, it shows to what extent a bank acting successfully as a bridge between parties, i.e., those who excesses funds and those who ask for it.

While a low percentage of LDR/FDR refers to the other way round. It is possible for LDR/FDR to exceed 100%, this indicates deposits alone are not enough to meet the demand of financings/loans. It requires the bank to ask for financing from other sources or requires part of the equity to stand alongside the exciting deposits to meet the demands. In this case, IBs obtain more liquid assets than CBs. On the other hand, conventional banks' management quality at means 0.3345 is higher than its counterparts at 0.3061. Moreover, t-test recorded an insignificant difference between two types of banks with p-value at 0.618. During 2011 IBs was better in terms of investing, but during the 2012 and 2013, the performance of CBs improved. That indicates an increase in IBs deposits without a relative increase in financing. A review on bank's reports, it was crystal clear that IBs deposit's growth rates in higher than the conventional ones.

Correlation test: In this study, we first applied the correlation to analyze the relationships between various financial indicators. The results indicate that the asset performance in CBs is positively related to capital adequacy and operational expense management but are negatively related to credit creation ability. This shows that the CBs might be suffering from adequate profit/revenue generating abilities and focus more on management on expenses.

In the case of Islamic banks, correlation tests indicate a significant negative correlation between ROAIBs, CARIBs and exchange rates. This could be attributed to the fact that operations of Islamic banks are not profitable and they are accumulating capital through equity injection by shareholders as well as investing in the currency market inefficiently (Table 4).

Multiple regression analysis: Multiple regression was applied for the purpose of this study. Multiple regression will indicate whether the correlated variables combined together will work as predictors for the assets performance (ROA) or not.

Table 5 is the regression result for conventional banks. Having a sig at (0.040>0.05) reveal that all the correlated variables together (LDR_{CBs}, CAR_{CBs} and OER_{CBs}) work as predictors for conventional banks assets performance which is represented by (ROA_{CBs}).

Table 6 is the regression result for Islamic banks. Having a sig. at (0.005>0.05) reveal that all the correlated

Table 4: (ROA) correlation summary

Parameters	CAR	EX-RATE	OER	LDR/FDR
(ROA) Islamic	-0.958**	-0.767*	0.563	-0.234
Pearson correlation				
Sig. (2-tailed)	0.001	0.044	0.188	0.613
(ROA) Coventional				
Pearson correlation	0.763*	-0.684	0.943**	-0.816*
Sig. (2-tailed)	.046	0.090	0.001	0.025

*Correlation is significant at the 0.05 level (2-tailed); **Correlation is significant at the 0.01 level (2-tailed)

Table 5: ANOVA[a] (conventional banks)

Models	Sum of squares	df	Mean square	F-values	Sig.
Regression	2.523	3	0.841	11.032	0.040[b]
Residual	0.229	3	0.076		
Total	2.752	6			

[a]Dependent variable: ROACBs; [b]Predictors: (Constant), LDRCBs, CARCBs, OERCBs

Table 6: ANOVA[a] (Islamic banks)

Model	Sum of squares	df	Mean Square	F-values	Sig.
Regression	2.211	2	1.106	27.230	0.005[b]
Residual	0.162	4	0.041		
Total	2.374	6			

[a]Dependent variable: ROAIBs; [b]Predictors: (Constant), exchange rate, CARIBs

variables together (exchanger rate and CAR_{IBs}) work as predictors for Islamic banks assets performance which is represented by (ROA_{IBs}).

CONCLUSION

The purpose of this research was to answer the questions about the performance differences in IBs and CBs. This has been achieved by analyzing financial ratios namely, capital adequacy, profitability, efficiency, liquidity and risk management, were used to test financial performance differences of banks in Syria.

The results suggest that there are not significant differences between the results of Islamic and conventional banks except NPL/NPF which is higher in CBs. Correlation analysis shows that CBs relaying on expense management rather than generating revenues. On the other hand, IBs injecting capital through stockholders rather than focusing on performance. The applied regression model revealed that exchange rate and CARIBs are the predictors of Islamic Banks's assets performance, whereas the predictors in its counterparts are CARCBs, LDRCBs and OERCBs.

The reason that IBs were superior in capital adequacy is due to increasesby the private banks in equity capital following regulatory increases. The amount increased by IBs in aggregate was higher than its counterparts. Profitability in CBs is superior to IBs which might be because of their reputation and practices after the crisis. Profit quality in IBs is superior to CBs because of the interest paid by CBs steadily to customer's deposits which did not decrease relatively with the decline in given finance. While IBs having a better assets quality because of the nature of Islamic finance (backed by physical assets). Liquidity in IBs is higher than the CBs resulted of increasing of deposits without relative increase in given finance. On the other hand, it shows that IBs faster in meeting debt obligation and avoiding the liquidity problems usually take a place because of failures in fund management[30]. This study's findings contradict with finding of Al-Gazzar[14] In MENA region where the IBs were performing better in terms of capital adequacy, assets quality, management quality and profitability while its CBs were performing better in term on liquidity. Which is a clear evidence that banking sector in Syria blundering during the crisis.

The private banking sector in Syria are newly established banks, they are not able to manage the challenges of an unstable economy. The Syrian banking sector has not experienced any bankruptcy since the establishment of these IBs and CBs alike because of the support from the central bank of Syria who allowed them to inject more capital to withstand in front of unstable economy.

Syrian central banks should not stop the support for the entire banking sector. But, due to the unstable nature of the economy in the present decade, it cannot be achieved without support from the private sector. It follows that there is a huge opportunity for international and local investors as well to invest in the Syrian banking sector after the crisis is extinguished.

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