

Performance Analysis of the Turkish Islamic Banking Sector

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Abstract

Regular examination and assessment of banks is essential to maintain the stability of financial systems of a country, a region, or any special economy. This study aims to examine Islamic banks in Turkey.

Turkey plays a significant role in the economic stability of its region, and the strength of the banking system plays a crucial role in the stability of the financial situation.

Based on the data from the online database of the Bank Association of Turkey (Türkiye Bankalar Birliği database, 2021) CAMEL type analysis was concluded, that takes into consideration financial stability, operational efficiency and credibility. CAMEL technique serves not only the ranking of the banks participating in the investigation, but also recommendations can be derived from it.

The results suggest that Turkish banks should review their expenses develop more efficient operational strategies to improve their efficiency. Banks should monitor and reduce their cost-to-asset ratios improve their business performance. Turkish banks are also encouraged to study successful banks to see how they can improve their efficiency and increase profitability. In addition, improving cost efficiency and using assets more efficiently are also keys to improving banks' profits. Furthermore, the Islamic Turkish banks could benefit from working to reduce their loan-to-deposit ratios and increase their liquid asset ratios were concluded. It could reduce liquidity risk and facilitate lending activity. Finally, we conclude that Islamic Turkish banks might want to work on reduce their loan-to-deposit ratio and increasing their liquid asset ratio. It could reduce liquidity risk and facilitate lending.