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**THE PERFORMANCES OF TURKEY'S FOUR SPECIAL
FINANCE HOUSES DURING 2001-2004**

Dissertation submitted in partial fulfilment of the requirements for the degree of MA in Islamic Banking, Finance and Management at the Markfield Institute of Higher Education in association with the Loughborough University

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This work is submitted in accordance with the requirements for the Masters degree in MA in Islamic Banking, Finance and Management at the Loughborough University. I declare that the work presented is, to the best of knowledge, original except as acknowledge in the script and that the material has not been submitted, either in whole or in part, for a degree at this or other educational institutions.

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INTRODUCTION

In the last decade, importance of the Islamic banking institutions has increased not only in the Islamic countries, but also throughout the world. Initially banking specialists thought these institutions can not compete with the traditional banks. However these institutions have survived and have experienced high growth during 1980s. In 1990s this high growth rates have reduced, but still new institutions are formed and institutions have started to enter into new countries and new markets. Turkey is one of these new markets. The so called special finance houses have begun operations in mid 1980s. Although their number has increased to 6 institutions in 1996, after 2001 this number has reduced to five.

Islamic banking and finance started in 1963 when Mit Ghambr Savings Bank began offering interest free banking in Egypt. The Islamic Summit of Lahore, Pakistan at 1974 recommended the creation of Islamic banks and an Islamic Development Bank Starting from 1980s various Islamic banks and Islamic financial institutions have begun their operations in mainly Islamic countries. While the countries of Iran and Pakistan has decided to implement Islamic banking in the whole banking sector, other countries have permitted Islamic banking institutions operate with the other traditional banks. Malaysia is the first country to issue bonds on Islamic basis. Malaysian government allowed conventional banks to offer Islamic instruments as well if they want.

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Islamic banking activities have started in Turkey with the opening of two special finance houses at 1985. At the end of 1996 four more finance houses has founded. Although the number of Islamic institutions and their assets grew approximately at an average annual rate of 15% in the world, Turkish Islamic houses have not experienced significant growth.

In the last two decades the percentage of deposits and loans of these institutions among the traditional banks has been at most 3%. After the 2001 financial crisis at Turkey, one finance house was declared bankruptcy, two of them have been sold to new owners. As of the year 2005 there are five special finance houses in Turkey.

In this study, we evaluate the performance of these companies and examine their importance in Turkish economy. The plan of the study is as follows: the first chapter explains generally the different types of methodologies and specifically the rational of choosing the appropriate one for the study in question. While the second chapter searches the conceptual framework of the subject involves, which are the Islamic banks, in order to understand the importance of each performance measurement techniques. Chapter three introduces the special finance houses operating in Turkey explaining their history and regulation. The fourth chapter examines and compares the performance of four special finance houses using the ratio analysis, descriptive statistics and ANOVA test.

CHAPTER 1

RESEARCH METHODOLOGY

1.1 INTRODUCTION

It could obviously be claimed that the research methodology is the vital and most important part of any research. Because selecting the right process for the analysis of the research question is the one of the key aspects of any research. This chapter explains generally the different types of methodologies and specifically the rational of choosing the appropriate one for the study in question.

1.2. *AIM*

The aim of this study is to measure and compare the performances of the Special Finance Houses (SFH) of Turkey which are operating as Islamic banks.

1.3. *OBJECTIVES*

In the process, one of the objectives of this study is to empirically investigate how the SFHs of Turkey are performing. In addition, in terms of its objectives, this study conducts a performance comparison of SFHs and possible answers to differences in their performance experiences. In the process of achieving the objectives and ultimate aim, this study also looks at the history and current development of SFHs in Turkey.

1.4 METHODOLOGY

As it basically demonstrates how to attain the ultimate goal of the study, the research methodology is very important for research. To put it differently, it is a general approach of studying research topics. In his study Asutay (2004/3: 10) refers to the definition by Murray and Lawrence which is “techniques that are an abstraction of reality and which are used in an orderly manner to reveal the dimensions of reality. The term methodology may be taken to be inclusive of research design, theoretical framework, the selection and analysis of literature relevant to the nominated topic, a justified preference for particular types of data gathering activities.” In conclusion, a methodology defines “how one will go about studying a phenomenon.”

In social research, research methodology may be defined very broadly, such as Qualitative research - Quantitative research. Qualitative and Quantitative researches are not merely different way of doing research, but different ways of thinking. So, the goals of quantitative research and qualitative researches may differ.

Asutay (2004/5:3) reports that Cohen, Manion, and Morrison (2000) defines Qualitative research draws the researcher into the phenomenological complexity of participants worlds where situations are unfold and connections, causes and correlations can be observed as they occur over time. Qualitative methodology aims to measure perceptions, understanding and behaviour. The rationale of the qualitative methodology is not theory constructing but testing. Lynch and Bogen (1997) argues that qualitative research is based on interpretivism and interpretive social scientists believe that social reality is based on the overall social behaviour, and the researchers try to understand what meanings people give to reality, not to determine how reality works apart from based on social behaviour these interpretations (reported by Asutay, (2004/5:5). In short, qualitative research can be characterized as a linear series of steps moving from theory to conclusions.

On the other hand, quantitative methodology is mostly based on positivist philosophy, and researches who believe on positivist philosophy argue that there is a objective reality

that exists apart from the perceptions of those who observe it. So, the goal of science is the better understanding of the reality. "The purpose of quantitative methodology is to establish formal relationship between related variables" (Asutay, 2004/5:7). In more general terms, "quantitative research is described as the collection of numerical data and as exhibiting a view of the relationship between theories and research as deductive, and it ends up with objective result" (Bryman, 2001 :62).

It is the tendency of quantitative researches to see the nature of the reality as objective. So, the researchers are independent and free from what is being researched. And due to the nature of the quantitative, the researchers' values do not influence the research.

Due to the qualitative and quantitative nature of the academic research, this study adapts quantitative methodology, because it aims to measure perceptions, understandings and behaviour, therefore involving an interpretive, naturalistic approach to its subject matter. In addition, this study requires a wide range of interconnected methods (e.g. obtaining purely quantitative data), hoping always to get better fix on the subject matter at hand.

1.5 RESEARCH DESIGN

When evaluating social research, we need a research design which relates to the criteria that are employed. Therefore, it is a framework for the generation of evidence that is suited both to a certain set of criteria and to the research question in which the researcher is interested (Bryman, 2001 :28). The researcher in the process of collecting, analyzing, and interpreting observations, basically is guided by the research design. Basically a case study uses a variety of methods and types of evidence, whereas most other research designs rely on single type of evidence. Case studies therefore overlap with and are linked to all other types of study. This study is an empirical case study that examines the performances of SFHs with a deductive strategy. . In addition, a case study is not necessarily associated with an inductive approach. So it can be associated with both theory generation and theory testing general approach of studying research topics (Bryman, 2001:51).

1.6 RESEARCH STRATEGY

Research strategy can be defined as deductive and inductive, and the relationship between research and theory can be determined in terms of these two different, though interrelated models. The deductive research strategy is mostly used in quantitative methods. Basically, this begins with what already known or existing theory, and then turns to observation to test the validity of theoretical expectations. Alternatively, researchers may examine a connection between social theory and data by first collecting the data and then developing a theory that explains patterns in the data. This is the process that is often utilized in the inductive research, and this inductive strategy is usually used in qualitative research (Babbie, 2001:63-64). Induction moves from particular to general, from a set of specific observations to the discovery of a pattern that represents some degree of order among all the given events.

In choosing the research strategy, it is very important to find out the motive for conducting research. If the motive of the research is evaluative, it requires deductive strategy whereas explanatory motive implies an inductive research strategy.

As the motive of this research is an attempt to compare the performances of Turkish SFHs, therefore it is based on the deductive strategy.

1.7 RESEARCH METHOD

As it was described earlier, the methodology is the understanding and the study of methods and principles and of their application in a given field of academic inquiry in a systematic manner. Method, on the other hand, is described as a systematic procedure for attaining an object or doing something. According to Kerlinger (1973: 696), method is

“the function of the methodology data collection section of the research is to tell the reader what was done to solve the problem.” A method in other words, has reference to

data collection, data analysis, and is defined as analytical methods. As such, it aims to test the hypothesis put forward by the study.”

Research methods can be classified as quantitative and qualitative; quantitative methods comprise surveys and experiments that record variations in social life in terms of categories that vary in amount. Quantitative data is either numbers or attributes that can be ordered in terms of magnitude. A qualitative method, on the other hand, includes observation, intensive interviews, and sampling that are designed to observe how people behave and what they believe in their social life. The qualitative data is mostly in written and spoken words observations that do not have a direct numerical interpretation (Asutay, 2004/5: 12).

Qualitative methods are usually used when the aim of the research is to explain, describe or evaluate some thing. While qualitative method is used if the motive of the research is exploration. This implies that the distinction between quantitative and qualitative is not only the type of data collected. In order to enrich the research, it is very common among researchers to combine the two methods.

This study has quantitative aspects. Primarily based on collecting secondary data from various sources and incorporated those data with additional research materials such as journals, articles regarding measuring the performance and comparing them.

1.7.1 Data collection procedures

In order to meet the information and data requirements of this study, it will be necessary to use both secondary and primary sources of data. However, the research will be carried out depending mainly on the secondary data. Therefore the survey will be conducting to collect pertinent secondary data from the both types institutions annual balance sheet. The main datas have been collected from the web sites of the Turkish SFHs, where there wasn't enough data on the web, individual contacts from the SFHs requested to provide required data.

1.7.2 Sampling in Data Collection

The sampling techniques will be applied for gathering information. Sampling involves selecting part of an entire group (a population) which is representative of the whole group, since it is easier to take information. Providing the sample is truly representative, the results gained will provide a relatively accurate prediction of the way the entire target area will react in any given situation. The research is carried out depending mainly on secondary data. The data have been collected through different quantitative methods due to limited tenure of the study.

In case of gathering secondary data, we have undergone in scarcity due to lack of any extensive and elaborative research paper on this topic.

1.7.3 Data Analysis

Analysis of data refers to the process of examining the data in detail to see what they mean and to make research decisions in the face of uncertainty in economics, business and other social science. “The data can be classified into two main categories, such as words and numbers, and be analyzed by two analytical methods, such as qualitative analysis and quantitative analysis”(Robson, 1993:306-7).

The collected data will be analyzed through relevant statistical methods and tools of financial analysis. The findings will lay the basis of preparing a Research Report.

1.8 WEAKNESSES OF THE FRAMEWORK

There are inherent limitations imposed on this research study which relying on exclusively on the Secondary Data Provided by SFHs web sites, other existing literature, and hence need to be taken into consideration. Very Few “second generation” research studies have been carried out to assess the performance measurement of Turkish SFHs.

Studying the performance measurement of Turkish SFHs is not an easy task where there are so many dimensions to express. The reliance of the second generation studies on qualitative structured surveys, observation and interviews rather than on purely quantitative participatory research methodology also proves limiting. Moreover, it is also a very difficult process to get a very broad kinds of data from the SFHs where there is an absence of a structured Institutional body which can supply all the relative data regarding this research. On the other hand, the data collected from SFHs are far from international standards which have been prepared very differently from each other. Therefore, it has been quite difficult to decide to choose the correct values from the data available. There are also some restriction in providing the further analysing of ratio analysing because of limited tenure of time and the unavailability of relative data.

Furthermore, with the studies varying from using multidimensional indicators of performance, the scope for comparative and inter organisational analysis towards the performance measurement of SFHs is restricted.

CHAPTER 2

MEASURING THE PERFORMANCE OF ISLAMIC BANKS

2.1 INTRODUCTION

Evaluation of bank performance is important for all parties: depositors, bank managers and regulators. In a competitive financial market bank performance provides signal to depositor-investors whether to invest or withdraw funds from the bank. Similarly, it flashes direction to bank managers whether to improve its deposit service or loan service or both to improve its finance. Regulator is also interested to know for its regulation purposes. Emerging and existing regulators in the Islamic Financial System are also interested in the performance in order to assist in the making and effective implementation of new and existing regulations.

A survey of the literature indicates that there are numerous empirical studies that try to look into the evaluating the performance of financial institutions operating within a country (and in some cases between countries). Generally, these studies differ in the specific methodology used and the type of banks considered in the study sample. Before going further, this chapter searches the conceptual framework of the subject involves, which are the Islamic banks, in order to understand the importance of each performance measurement techniques

2.2 AN INTRODUCTION TO ISLAMIC BANKING AND FINANCE: CONCEPTUAL FRAMEWORK

The rationale behind the establishment of Islamic banks of course is the prohibition of riba (equivalence of riba to interest) in Islam. Since the activities of conventional banks are based almost entirely on interest, alternative ways and means for performing the financial intermediation function have to be devised. As a theoretical construct, an Islamic bank, like any other bank, is a company whose main business is to mobilise funds from savers and to supply these funds o businessman/entrepreneurs. While a conventional bank uses the rate of interest for both obtaining funds from savers and supplying these

funds businessmen, an Islamic bank performs these functions using various financial modes compatible with Shari'ah. On the resource mobilisation side, it uses either the contract of mudarabah or wakalah with the fund owners. Under the first contract, the net income of the bank is shared between shareholders and investment deposit holders according to a predetermined profit-sharing formula. The investment deposits can be either general investment deposits that enter into a pool of investment funds or specific investment accounts in which deposits are made for investment in particular projects. In addition, there are current accounts that are in nature of an interest-free loan to bank. The bank guarantees the principal but pays no profit on these accounts. The bank is allowed to use these deposits at its own risk.

In the case of wakalah contract, clients give funds to the bank that serves as their investment manager. The bank charges a predetermined fee for its managerial services. The profit or loss is passed on to the fund providers after deducting such a fee.

On the asset side, the bank uses a number of financial instruments, none of which involves interest, for providing finance to business. A wide variety of such modes of financing are now available. These include: (i) Mudarabah (Passive Partnership); (ii) Musharakah (Active Partnership); (iii) Diminishing Partnership; (iv) Production or Rent Sharing; (v) Murabahah (Mark-up); (vi) Ijarah (Leasing); (vii) A lease Ending in the Purchase of the Leased Asset; (viii) Al-Istisna' (A Contract of Manufacture) and Al-Istisna' Al-Tamwili (Financing by way of Istisna') (ix) Salam; (x) Free Loans (Qard hasan), and (xi) Loans on the Basis of a Service Charge.

2.3 PERFORMANCE MEASUREMENT OF BANKS

Financial management theories provide various indexes for measuring a bank's performance. One of them is accounting ratios. The uses of financial ratios are quite common in the literature. The first example will be Samad and Hassan (n.d.) which examine the performance of Islamic Bank of Malaysia (BIMB) using ratio analysis. In order to see how Islamic Bank (BIMB) performed over 14 years, their study approaches an analysis of inter-temporal performance of Islamic bank. In other words, the paper makes comparison of performance of BIMB between two periods 1984-1989 and 1990-1997. This is not a new method (Elyasiani, 1994). In addition to inter temporal

comparison, the study makes comparison of Islamic bank (BIMB) and conventional banks performances. First, BIMB is compared with a conventional bank (Bank Pertanian) which is a smaller (in terms of asset) bank than BIMB. Second comparison is made with another conventional bank (Perwira Affin) which is larger than BIMB. Third comparison is the comparison of BIMB and the 8 conventional banks. This type of inter-bank analysis is common in bank performance study (Sabi (1996)). In the competitive financial market, performance of a bank can be better understood by an analysis of inter-bank comparison. The study uses fourteen financial ratios for bank's performance. These ratios are grouped under four broad categories. The analysis of bank performance concentrates on the following on four financial ratios: a. profitability; b. liquidity; c. risk and solvency; d. commitment to domestic and Muslim community.

Secondly, Omron's methodology used in his paper incorporates many accounting performance measures to allow for comparison between pre- and post-privatization performances. The measures he uses are mostly those from Cornett, Ors, and Tehranian (2002), in addition to some from Verbrugge, Megginson, and Owens (1999). More precisely, to identify his sample banks' performance changes following their privatization dates, he evaluates the following six common performance indicators:

- i.** Profitability - measures the overall performance;
- ii.** Capital risk - reflects the ability of a bank to extend loans while meeting the regulated capital standards;
- iii.** Asset quality - indicates the bank's loan quality and risk;
- iv.** Operating efficiency - measures the bank's ability to generate revenue and pay expenses;
- v.** Liquidity risk - indicates the cash position of the bank; and
- vi.** Growth - reflects the bank's change in assets.

In his paper he examines the performance of 12 Egyptian joint venture banks (JVBS) that experience full or partial privatization from 1996 through 1999. He tests the performance changes on both an unadjusted basis and matched adjusted basis; the latter allows to examine performance changes in privatized banks irrespective of any

industrywide factors that might be affecting their performance. He also compares, according to ownership structure, the post-privatization performance, *not performance changes*, of privatized banks to several bank counterparts. The privatized banks outperform the private-owned banks (PVBs) and the majority private-owned banks (MPVBs) in terms of liquidity, while there are no significant differences in relative performance changes for the other indicators. As for comparing the relative performance changes of privatized banks to majority state-owned banks (MSTBs) and state-owned banks (STBs), he finds that, in terms of profitability, privatized banks outperform MSTBs but underperform STBs. The results from analyzing the operating efficiency ratios fail to provide a clear conclusion of whether privatized banks outperform or under perform their bank counterparts of MSTBs and STBs.

Another performance evaluation has been studied by Abdul Awwal Sarker. He evaluated Islamic Banking in Bangladesh by following “Banking Efficiency Model” Criteria. These criteria are measures and expressed in terms of ratios which are: productive efficiency, operational efficiency, allocative efficiency, distributive efficiency and stabilization efficiency.

Another example is Izhar and Asutay, who examined how bank assets and liabilities characteristics and a macroeconomic indicator affect the profitability of Bank Muamalat Indonesia. Their study separates the determinants into two areas; internal and external indicators. The internal characteristics include bank size, leverage, loans, source of fund and overhead. While internal performance is evaluated by analyzing financial ratios, which are capital ratios, leverage, overhead, loan and liquidity ratios, external performance is measured by one of macroeconomic indicators, which is inflation.

Financial statements report both on a firm’s position at a point in time and on its operations over some period. However, the real meaning of financial statements lies in the fact that they can be used to help predict future earnings and dividends. Financial ratios are designed to help one evaluate a financial statement. These ratios such as profitability, efficiency, liquidity and solvency have been used for a long time. Islamic banks use the same manner to approach to the performance, in other words, they use the same ratios. Samad and Hassan states that ratios evaluating bank performance have been introduced and developed by Patnam(1983), Koborow(1983), Booker(1983), Akkas(1994) and the others.

2.4 PERFORMANCE ANALYSIS OF THE ISLAMIC BANKS

Performance evaluation is regarded as an important pre-requisite for sustained growth and development of any situation. In conventional commercial banks it is customary to evaluate the pre-determined goals and objectives. The criteria of revaluation undergoes changes overtime with the changes goals and objectives.(see Sarker, A.A.; *Islamic Banking in Bangladesh: Performance, Problems&Prospects*, International Journal of Islamic Financial Services, Vol.1 No.3) In mainstream economics the primary objective of business including the financial sector is the maximization of profit for its owners. Therefore the concepts of efficient performance are invariably geared to this norm. (Hasan, Z.; *Measuring the efficiency of Islamic Banks:Criteria, Methods and Social Priorities*, (2004) Review of Islamic Economics, Vol.8, No.2

In one of the recent studies on the issue of Islamic Banks' performances Iqbal and Molyneux (2005) argues that the performances of Islamic Banks are relatively higher than their conventional counterparts. They looked in their study to the performances of 12 Islamic banks in various countries and 12 conventional banks in the respective countries with relatively similar sizes. They reach the conclusion that the Islamic banks have higher performance in all aspects including cost-income ratio, ROA and ROE.

One study which investigates the relative efficiency of Islamic Banks in Sudan between 1992 and 2000 with the use of SFA and DEA was conducted by Hassan and Hussein (2003). They have employed two regression functions: cost and profit functions. Their result is that there is a positive relationship between total deposit and cost and profit efficiency. As there is a positive relationship between murabaha over the total assets to both cost and profit efficiencies it is understood that like other Islamic banks the Sudanese Islamic banks are generating most of their profits from relatively low risk and low cost asset-based lending. However, this finding is in contradiction with the theory that PLS instruments are more efficient than the fixed return instruments. On the other hand in another study Elzahi (2003) came with a different result. Looking to the allocative and technical efficiency of Sudanese Islamic banks by using the SFA method in which he examines the deviation from optimum (function of input) he claims that

Sudanese Islamic banks technically and allocatively are inefficient. Here the deviation is caused by excessive use of input which results in technical inefficiency. And improper combination of input and output results in allocative inefficiency. In conclusion he argues that the problem may be seen due to endemic corruption and recruitment policy that are based on religious and political connection that leads to less productivity. Another reason could be the economic sanctions by the USA and UN that have adversely affected the banking sector. As a result of those sanctions, the new banking technologies such as ATM cannot be employed to enhance the banking system. In a study on the efficiency of the Malaysian Islamic banks Majid *et al.* (2003) claims that there is no significant evidence that the performance of Islamic banks is better than the conventional banks in Malaysia at least between 1993 and 2000. In this study, the authors also argue that inefficiency is related to bank size and in a non-linear fashion that appears to be a U-shape, where increasing size provides some economies of scale but after it reaches its critical size the diseconomy of scale will take over. On the other hand Hassan and Samad (n.d) found that although there is no evidence on higher returns by the Islamic banks as compared to conventional banks, Islamic banks are relatively more liquid and less risky than the conventional counterparts.

Majid *et al.* (2003) established that an organised, active and efficient financial market is a pre-requisite for accelerating economic and business activities and thereby achieving economic prosperity in a country. Hassan and Hussein (2003) state that among others, a set of viable and self –sustaining commercial and developed financial institutions is a necessary condition for sustainable economic growth and development, as it will result in efficient allocation and use of financial resources.

2.5 THE PROFITABILITY OF ISLAMIC BANKS: A LITERATURE REVIEW

The efficiency of the financial intermediaries could be measured by both ex ante and ex post spreads. In case of conventional banks ex ante spreads are calculated from the contractual rates charged for the loans and rates paid for deposits. On the other hand with regard the Islamic banks, the spread can be calculated from rate of returns generated from various non-interest banking activities. Bashir (2000) (Bashir, A.H.M.; (2000) Determinants of profitability and rate of return margins in Islamic banks: Some evidence form the Middle East, paper prepared for the annual conference 26-29th October 2000, Amman, Jordan) uses the ex post spread consisting of revenues from banking activities and service charges, minus expenses of carrying those services as an efficiency indicator. He uses the bank's before tax profit over total assets as a measure of bank profitability. He finds that the Islamic banking profitability measures respond positively to the increases in capital and loan ratios which is a finding consistent with previous studies. His study argues that adequate capital ratios and loan portfolios play an empirical role in explaining the performance of Islamic banks. It furthermore indicates the importance of customer and short term funding, non-interest earning assets and over-heads in promoting bank's profits. Bashir also finds that foreign ownership seems to have contributed significantly to Islamic banks' profitability. Particularly, foreign capital seems that motivated the operation of Islamic banks in many low-income countries. One of the findings of the Bashir also is that the tax factors are much more important in determining the performance of banks. He argues that as the deposits in Islamic banks are treated, as shares and accordingly their nominal value are not guaranteed, holding reserve is disadvantageous to the Islamic banks. These reserves do not generate any return to the Islamic banks and holding reserve requirement reduces the amount of funds available to investment. Bashir finds also that favourable macroeconomic environment seems to stimulate higher profits; higher GDP per capita and higher inflation rates seem to have a strong positive impact on the performance of banks. On the other hand Abreu and Mendes (n.d) in contrast to Bashir's (2000) profitability function based study, argues that unemployment rate and GDP plays insignificant role in determining profitability of banks. Their study attempts to evaluate the determinants of bank interest margins and profitability for some European countries in the last decade. In this study they looked the samples from

four different EU member states. They are France, Portugal, Spain and Germany. This study looked a set of bank characteristics, macroeconomic and regulatory indicators as well as financial structure variables in order to explain interest margins and profitability.

Iqbal and Molyneux (2005) argues that Profit and Loss Sharing (PLS) system gives maximum weight to profitability of investment and allocation of resources is likely to be more efficient. Because, overall cost of production will also be adjusted and absorbed by the PLS concept when the banks are making loss. In the event of recession, conventional banks will still have to suffer normal level of overhead due to fixed interest payment to customers. In contrast, the Islamic bank will share the actual performance with their customers. This leads lowering their obligation where overhead will consequently be reduced.

One of the first studies that examine the factors affecting the profitability of Islamic Banks is Haron (1996). In this study he uses the method of establishing factors driving the profitability of conventional banks to of Islamic Banks. The study establishes the relationship of internal and external determinants to the performance of Islamic banks in a number of countries. The results of this study conclude that all three sources of funds for Islamic banks are positively related with profitability. It is stated that the more deposits placed by depositors the more income is generated by the bank. The study furthermore validates the current practises of Islamic Banks, which use mark up principles in their financing activities. It is because of that an application of profit-sharing principles will have an inverse relationship with profitability. One other information that has been provided by this study is the impact of the profit sharing ratio agreement between the banks and the providers of funds and between the bank and the users of the funds. While the profit-sharing ratio between banks and the users of funds seems to be very favourable to the bank, the profit-sharing ratio between the banks and providers of funds indicates a mutual advantage. The study shows that the positive relationship between profitability and total expenses is the normal characteristic of a firm. As the asset-liability management and profitability are similar more or less for both conventional and Islamic banks, the study states that many of the tolls and techniques developed in conventional banking literature are potentially

suitable for an Islamic banking industry. Haron (1996) also found that interest rates, inflation and size which have significant positive impact on profits of conventional banks there are similar results with regard to Islamic banks too. In the case of market share and money supply, these variables were found to have an adverse effect on profits. It should be bear in mind that these results are opposed to findings of earlier researches. It claims that there is no significant variation in earnings between Islamic banks in competitive and monopolistic markets. On the other hand there is strong evidence which shows that the firm's and shareholders' welfare is maximised in the monopolistic market. Haron in this study clearly indicates that banks in a competitive market are better managed. Consequently, establishment of more Islamic banks will give more benefits to the depositors. So, the protectionism policy that adopted by some Muslim governments is not appropriate.

In one of other studies, Hester and Zoellner (1966) explored the relationship between balance sheet items and the earning of 300 banks USA. Their finding is that the changes in balance sheet items had a significant impact on banks' earnings. Although all the asset items obtain positive results, liability items such as demand, saving and time deposits adversely affected profits. In their study, Fraser, Philips and Rose (1974) regarded the operating costs, deposit and loan compositions as factors within the control of management. Their finding could be stated that the factor which had the biggest influence on bank performance is bank cost fallowed by bank's deposit and loan composition. In another study, Heggsted (1977) came to conclusion that banks heavily committed to time and savings deposits earned lower returns than banks that have a higher dependence on demand deposits. One of the authors that reached the same conclusion is Smirlock (1985) who confirmed that demand deposits were a cheaper source of funds and had a positive impact on bank profits. Demirguc-Kunt and Huizinga (1997) using the international database found a positive relationship between the ratio of bank loans to total assets, LONTA, and profitability. It is expected that banks loans are the main source of revenue and impact profitability positively. On the other hand, as the most of Islamic banks' loans are on the form of profit and loss sharing, the loan performance relationship depends significantly on the expected change of the economy. So it could be said that, when there is a strong economy, only a small percentage of the PLS loans will default, and the bank's profit will rise. It should be bear in mind here that, as the several barrowers are

likely to default on their loans during a weak economy banks should capitalise on favourable economic conditions and insulate themselves during adverse conditions. Generally speaking Islamic banking operations are known by a high degree of financial risk. Because there is not guaranteed returns on deposits. Islamic banks undertake risky operations in order to be able to generate comparable returns to their customers.

In their study Kunt and Huizinga (1997) explained that inflation is associated with greater realized interest margins and higher profitability. Inflation basically entails higher costs more transactions, more extensive branch network and also higher income from bank float. The positive relationship between inflation and bank profitability implies that, with inflation bank income increases more than bank cost. On the other hand the Islamic banks do not charge fixed rates on their deposits or loan transactions, so inflation could be a factor in the causation of variations on bank profitability. The inflation could also affect the performance of Islamic banks positively as larger portions of their profits accrue from service charges and trade activities. Guru, Staunton and Balshanmugam (1999) and Perry (1992) are some other authors who looked the effect of inflation on bank profitability. Guru, Staunton and Balshangmugam state that the impact of inflation on bank profitability will depend its effect on bank costs and revenues. On the other hand Perry concluded that the effect of inflation on bank performance depends on whether the inflation is anticipated or unanticipated. He briefly concludes that if the inflation is fully anticipated and interest rates are adjusted accordingly the revenues will increase faster than costs so it may have a positive impact on profitability. He also explains however that if the inflation is not anticipated and the banks are not adjusting their interest rates then there will be a possibility of faster increase in bank costs than bank revenues. Therefore here inflation will adversely affect profitability.

2.6 CONCLUDING REMARKS

It is obviously possible to say that there are various factors that are associated with profitability of Islamic banks. A number of studies that have been discussed so far lead us to this conclusion. The both ratio analysis and regression analysis are suitable in fulfilling the aims of this study. These analyses will give the opportunity to critically evaluate those various factors in order to find the empirical results. The preceding discussion also shows that in addition to internal determinants the external environment factors might have an influence on profitability and performance of Islamic banks. So, for this study it seems that the level of expenditure, cash availability, loans offered, current assets and reserves and its margin towards assets or equity will be the most relevant factors. On the other hand some of the external indicators will also be use to accommodate the reasons and prospects discussed earlier.

CHAPTER 3:

ISLAMIC BANKING AND FINANCE IN TURKEY

3.1 INTRODUCTION:

Turkey's Special Finance Houses (SFHs) are finance institutions that offer a wide range of Shariah-compliant banking services. The Special Finance Houses are part of an international movement to promote Shariah-compliant financial principles.

Islamic banking activities started in Turkey with the opening of two Islamic finance houses at 1985. At the end of 1996 four more finance houses has founded. Initially a special rule was passed to regulate these houses (Martha and Yilmaz, 2005). The politicians were sceptical about these institutions claiming that these institutions were not financially sound and their objectives were increasing Islamic awareness

The SFHs can engage in all the activities of a commercial bank, as well as leasing and commodity trading. However, they take deposits and make loans in ways that do not involve payment or receipt of interest, but rather are based on risk participation. Their main source of funds is profit-and-loss participation accounts (6). Depositors invest funds for a given term (1 month, 3 months, 6 months, 1 year, and longer terms up to 5 years), and receive returns based on the investment projects financed with their funds; for each maturity, returns are calculated weekly and reported in newspapers. There is no guarantee of a positive return or return of principal. As such, profit-and-loss accounts are to some extent more like mutual funds with set maturities than they are like conventional bank deposits. The main use of funds by SFHs is short-term loans (typically 4-5 months in duration) provided to small- and medium-sized companies needing capital (Martha and Yilmaz, 2005). This sort of financing, known as *murabaha*, represents 90% of the SFH's total use of funds; as discussed in Koran (1995: 162), the concentration of lending in this low-risk form implies that returns, if not guaranteed, are highly predictable (7). SFHs also offer financial leasing and full or partial funding for long-term business projects, known as *mudharabah* and *musharakah* participations respectively. The SFH keeps 20% of income from lending activities and 80% is distributed to accountholders. While the SFH sector

had been growing consistently and was viewed as a dynamic sector, as of 2000 it constituted a tiny sliver of the banking sector, holding less than 3% of its total deposits.

3.2 HISTORY OF TURKEY'S SPECIAL FINANCE HOUSES:

Islamic banking was first introduced in Turkey by Prime Minister Ozal's financial liberalization policy under a special legislation with Arab investors in 1985. The Turkish Islamic banks have been clearly growth oriented in terms of their balance sheets, market shares, and numbers of branches and employees and have shown solid performances compared to the conventional banks since the mid of 1990s. Also, the Islamic banks were finally officially integrated into the banking system in 1999 and first guaranteed by the state's deposit insurance fund in 2001 due to the banking reforms implemented by the IMF and World Bank (Jang, 2003).

In the last decade, importance of the Islamic banking institutions has increased not only in the Islamic countries, but also throughout the world. Initially banking specialists thought these institutions can not compete with the traditional banks. However these institutions have survived and have experienced high growth during 1980s. In 1990s this high growth rates have reduced, but still new institutions are formed and institutions have started to enter into new countries and new markets. Turkey is one of these new markets (Clement, 1999). Islamic finance in Turkey grew slowly in the decade following the first transaction, in 1985. Despite a substantial increase in pro-Islamic sentiment over the same period, these financing techniques remain poorly understood by the public at large. Yet the major constraint on the growth of the SFHs is continuing economic and financial uncertainty (Martha and Yilmaz, 2005). Another explanation is that even devout Muslim investors prefer the certain high-yield interest return on commercial bank deposits or repurchases of Treasury bills to the less predictable non-interest return on accounts at SFHs.

SFHs have begun operations in mid 1980s. Their number has increased to 6 institutions in 1996. They had a total of 102 branches spread throughout the country. In the last two decades the percentage of deposits and loans of these institutions among the traditional banks has been at most 3%. After the 2001 financial crisis at Turkey, one finance houses was declared bankruptcy, two of

them have been sold to new owners. As of the beginning of year 2004 there are five Islamic finance companies (special finance companies) in Turkey. Their total deposit amount is only 1 billion 958 million Turkish Liras.

3.3 REGULATION AND SUPERVISION OF SFH'S:

On December 16 1983 the administration signed the Decree number 83/7506 and gave permission for Islamic financial institutions to start operations in Turkey and abroad. Although the SFHs were traditionally regulated separately from commercial banks, the bank law of 1999 had brought them under the same regulatory requirements and apparatus. They were required to meet the same minimum capitalization as banks, the same required reserve ratios, and the same liquidity ratios . Like commercial banks, the SFHs must report weekly to the central bank on their foreign-currency position. However, the Special Finance Houses were not covered by deposit insurance, with the rationale that profit-and-loss accounts involved no guarantee of return of principal.

SFHs are supervised by and report to the Treasury under-secretariat and the Central Bank of Turkey. As with commercial banks, SFHs are required to observe weekly foreign-currency risk and liquidity ratios, and also to report weekly to the central bank on their foreign-currency position. Minimum capitalisation for a new SFH was TL20trn in late 1999, the same as for a bank. SFHs require approval from the Treasury under-secretariat before opening new branches.

SFHs are authorised to collect deposit funds from the public under Mudarabah (profit-and-loss participation accounts), which account for 94-95% of total funds collected by SFHs, and "special current accounts", which account for the remaining 5-6%.

SFHs are required to maintain capital-adequacy ratios of 8% and cannot lend more than 20% of the total funds to a single legal person or entity. Since February 1999 (Central Bank Communique 7 of February 13th 1999) SFHs have been obliged to deposit 8% of their Turkish lira participation and special current accounts with the central bank as a reserve. The level rises to 11% for their foreign-currency participation and special current accounts.

Unlike bank revenues, which are subject to 5% Banking Insurance Transaction Tax, SFHs pay Value-Added Tax (normally 15%, although rates vary according to

the goods and services concerned) on their profit revenues. Since August 1998 (Council of Ministers' Decree 98/11498, published in the Official Gazette of August 26th 1998) SFH proceeds from fund utilisation activities have been subject to the Resource Utilisation Support Fund levy of 3%.

On September 1st 1999 earnings on accounts held at SFHs became subject to the same taxes as interest earnings on Turkish lira and foreign-currency bank deposits, namely withholding tax of 13% plus a fund contribution of 1.3%, giving a total rate of 14.3% (Tax Law 4444, published in Official Gazette 23786 of August 14th 1999). However, in late November the government raised the rate to 16.5% (15% basic withholding tax plus 1.5% in fund contributions) to generate additional revenue to meet the cost of the damaging earthquakes of August and November (Decree No 99/13646 published in Official Gazette 23892 of November 30th 1999).

In November 1999 industry sources estimated that the total assets of SFHs equalled about 1.8% of the total assets of the commercial banking sector, or around \$2.4bn.

The Special Finance Houses Foundation, similar to the Banks Association of Turkey, was formed in December 1995. The primary aims of the foundation are to co-ordinate studies on Islamic Finance in Turkey and to organise promotional activities to increase public awareness of how the system operates.

3.4 SPECIAL FINANCE HOUSES OPERATING IN TURKEY

3.4.1 Al Baraka Turkish Finance Company (ABAT)

ABAT has started its financial operations in 1985 with a capital of 5 billion Turkish Liras (Yuce, 2003). Al Baraka Turk has increased its operations and profits throughout the last decade. Between 1990 and 1993 the profits of Al Baraka Turk have increased more than 50% every year. Turkey has experienced a financial crisis at 1994. The Turkish administration devalued the currency for 50% against US dollar. At that year Al Baraka Turk's profits reduced by 47.15%. The institution increased its profits 458.61% at 1995. During 1995-1998 profits increased by triple digits. However in 2000 profits reduced by 6% and in 2001 the institution got a loss.

Al Baraka Turk was the most successful among the six institutions formed. The Turkish economy has experienced one of the worst economic crisis in her history at year 2001. Many companies and banks declared bankruptcy and more than one million employees have been laid off that year. Although the Al Baraka Turk experienced the effects of this crisis, and got a big loss, the institution continued its operations and ownership structure didn't change after the crisis.

3.4.2 Family Finance House (FFK)

FFK has started its financial operations at the same time with Al Baraka in 1985 with a capital of 5 billion Turkish Liras (Yuce, 2003). Ninety percent of the ownership belonged to the non Turkish parties at foundation. Originally Turkish Citizens owned 9.87% of the Faysal Finans Company. In 1998 a Turkish corporation called Kombassan purchased the institution by paying \$40,000,000. At 2001 this corporation has sold the company shares to an American joint venture group and a Turkish food company called Ulker holding. The new owners decided to increase the capital and change the name of the institution to "Family Finans" at 2002. However at September 2002, the Turkish Securities and Exchange commission started an inquiry about the acquisition and sale of some assets of the old company to the family members of new owners at very low prices.

3.4.3 Kuwait Turkish Evkaf Finance Company (KTEFK)

KTEFK began its operations in 1989 with 68% non-Turkish ownership. It has increased its capital many times since then. Over the years Kuwait Finance Company has increased its ownership percentage to 62% by contributing additional capital to the institution. At the beginning Kuwait Finance company had a capital of 15 billion Turkish Liras, now this number has increased to approximately 95.3 trillion Turkish Liras. The institution has supported textile investments by providing long-term funds for new textile companies (Yuce, 2003).

Although Kuwait Turk was very successful in terms of increasing its profits till 2000, after this date the profits started to decrease because of the economic crisis

Turkey has suffered. However unlike Al Baraka Turk the institution has obtained profits at 2001.

3.4.4 Anadolu Finance Company

A group of Turkish entrepreneurs combined their capitals and formed this company in 1991. All of the investors are Turkish citizens. The initial capital was 30 billion Turkish Liras.

The first all Turkish owned company was sold at 1999 to a new Turkish family called Boydak. The capital has been increased to 60 Billion Turkish Liras. The company has collected approximately 300 billion Turkish Lira deposits.

3.4.5 Ihlas Finance Company

The owners of this company were the Ihlas Holding and the Turkish Religion Fund. The company was established in 1995 with 1 trillion Turkish Lira capital. The company has followed an aggressive growth policy and increased its number of branches to 35 in 1997. The institution has issued an initial public offering for 15% of its shares and afterwards has been listed on the Istanbul Stock Exchange. Ihlas Finance at the beginning has increased its assets at an annual rate of 150% and obtained 40% market share. Ihlas Finance's financial problems started as early as 2000. They couldn't collect their receivables and couldn't pay profit shares to the investors. Finally at 2001 the Turkish Banking Association declared Ihlas Finance bankrupt and transferred the ownership to the association. The association has started to pay the claims of the lenders and government, afterwards employees have been paid. The account owners will be paid next, however it is uncertain whether or not equity owners will get their claims.

3.4.6 Asya Finance Company

Asya Finance company was established at 24 October 1996 with 20 trillion Turkish Lira capital. Asya Finance is a public company with 254 small shareholders. Asya Finance's net profit has decreased from 5,316,244 million Turkish Liras in 2000 to 1,916,309 million Turkish Liras in 2001.

Today Ihlas Finance declared bankruptcy and ceased its operations. Faisal Finance was sold and became Family Finance. Anadolu Finance was also sold to new owners. During 1988-2002, the Islamic Houses could obtain at most 3% of the Turkish Lira deposits and between 3-4% of foreign currency deposits in Turkey.

3.5 SPECIAL FINANCE HOUSES IN BANKING SYSTEM

TOTAL ASSETS

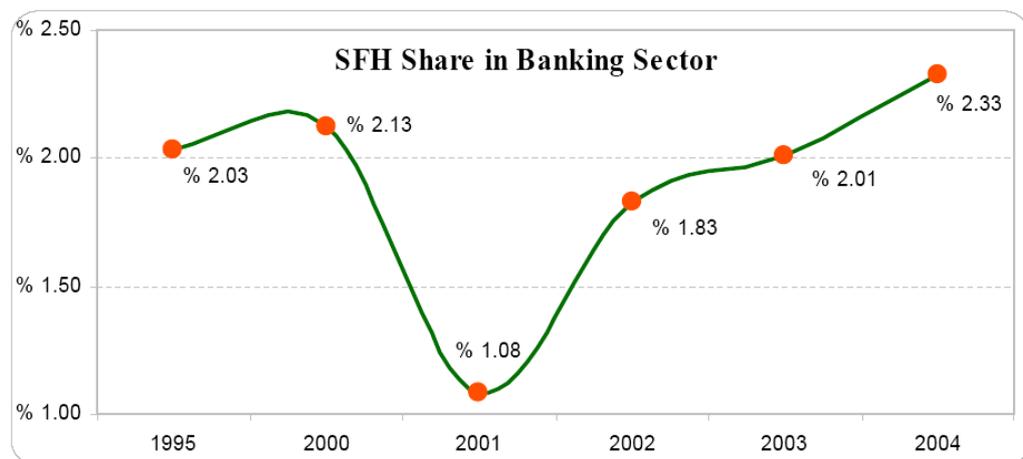


Table1. SFH Share in Banking Sector

DEPOSITS - FUNDS COLLECTED (USD Million)

Period	Banks	SFH	Total	SFH/Total
1995	43,649	1,054	44,703	% 2.36
2000	101,884	2,773	104,658	% 2.65
2001	80,633	1,325	81,958	% 1.62
2002	86,835	1,955	88,791	% 2.20
2003	115,420	2,874	118,294	% 2.43
2004	142,929	4,484	147,413	% 3.04

*Table 2. Deposits-Funds collected***COMMERCIAL CREDITS - FUNDS UTILIZED (USD Million)**

Period	Banks	SFH	Total	SFH/Total
1995	28,560	1,025	29,584	% 3.46
2000	50,931	2,569	53,500	% 4.80
2001	39,638	741	40,379	% 1.84
2002	34,377	1,281	35,659	% 3.59
2003	34,464	2,154	36,619	% 5.88
2004	67,275	3,663	70,938	% 5.16

Table3. Commercial Credits-Funds Utilized

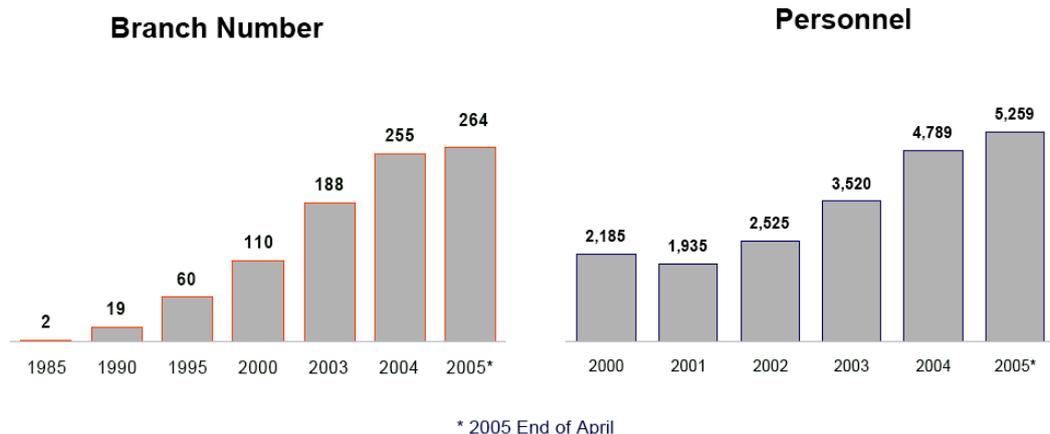
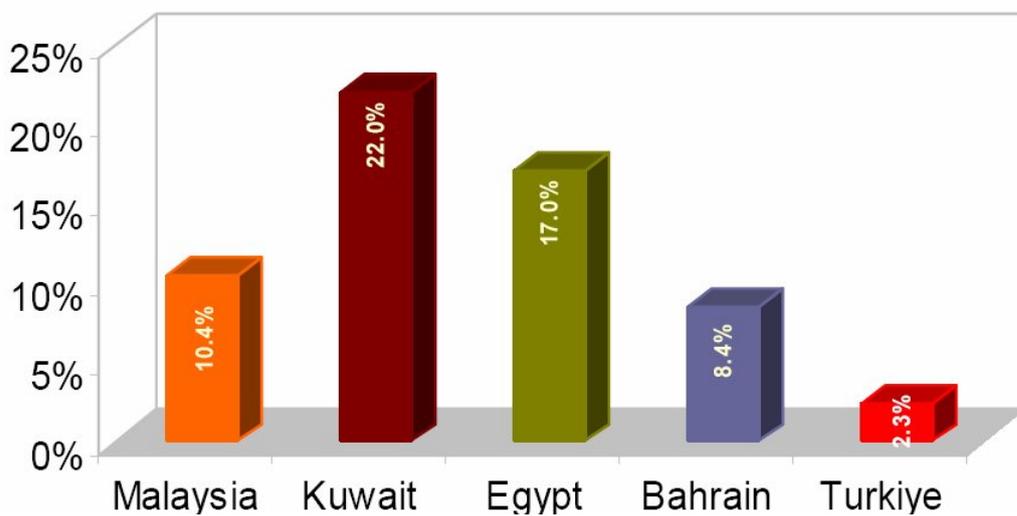


Table4. SFH Growth Trend

SHARE OF INTEREST FREE BANKING IN SELECTED COUNTRIES



CHAPTER 4

MEASURING AND COMPARING THE PERFORMANCES OF SPECIAL FINANCE HOUSES IN TURKEY

4.1 INTRODUCTION

To assess the performance of Special Finance Houses, which are operating as Islamic banks in Turkey, this study has undertaken using the ratio analysis. The results of the analysis were produced from the annual reports of each Special Finance Houses. To assess the ratios, both aspects of the Balance Sheets and income statements were explored.

Five main ratios were applied to measure the performance of the SFHs under the ratio analysis; these are the profitability ratios, liquidity ratios, capital asset ratio, deployment ratio and the cost income ratio. The profitability ratios were further divided into the return on assets (ROA) ratio and return on equity (ROE) ratio. Both profitability ratios measure the ability of the SFHs to produce profits. The return on assets (ROA) is measured as below:

$$ROA = \frac{\textit{ProfitBeforeTax}}{\textit{TotalAssets}}$$

Since the tax levied on the banks will be different depending on the nature of the banks and as a result of this situation, to minimise the bias; the profits were taken before taxation. The ROA demonstrates how much of the profits are generated per B Turkish Lira of the assets and most importantly, reflects the management ability to utilize the SFH's financial and real investment resources to generate the profit. In other words, it shows how a bank can convert its asset into net earnings. The higher ratio indicates higher ability and therefore is an indicator of better performance. Similarly, ROE is net earnings per Turkish

Lira equity capital. The higher ratio is an indicator of higher managerial performance (Samad and Hassan). On the other hand, return on equity ratio (ROE) is measured almost in the same way except the profits of the bank is divided by shareholder's fund of the SFH instead.

$$ROE = \frac{\textit{ProfitBeforeTax}}{\textit{ShareholdersFund}}$$

Banks and other depository institutions share liquidity risk because transaction deposits and saving accounts can be withdrawn at any time. Hence, banks get into liquidity trouble when withdrawal exceeds new deposit significantly over a short period. There are several measuring techniques for liquidity. The most common of them is the *current ratio*. As this study includes SFHs, whose financial statements differ from 'normal' firms, there will be a slight adjustment to the current ratio. Basically the current ratio aims to measure the bank's ability to meet its current liabilities with its current assets (Iqbal, 2001:373). A high ratio is an index that shows bank has more liquid assets to pay back the trust (deposit) of the depositors. When withdrawals significantly exceed the new deposits banks usually recourse to replace this shortage of funds by selling securities. In the case of SFHs, the current liabilities will be the total deposits of the SFH which includes demand deposits and time deposits (Iqbal, 2001:373). The current ratio (CR) is measured as below:

$$ROE = \frac{\textit{Capital}}{\textit{TotalAssets}}$$

The capital asset ratio measures the ability of the bank to meet its obligation in a crisis situation; thus, the capital asset ratio reveals just how strong the bank is. The capital asset ratio is quite important for financial firms, since there is a minimum capital requirement for banks, which functions to protect their creditors in case the bank fails. On the other hand, the amount of capital will also affect the rate of return for the bank's shareholders; the rate of return will be

greater if the bank's capital was smaller given the return on assets. However, maintaining a lower capital asset ratio will increase the risk of bank's failure. Therefore, the appropriate regulatory body has set certain minimum capital asset ratio figures, which the bank should keep. However, these requirements are set to suit the conventional banks; therefore Islamic banks have yet to come up with their own minimum requirement (Iqbal, 2002:370). In addition, the capital asset ratio for Islamic banks would differ from that of conventional banks, since the portfolio of the Islamic banks includes investment deposits and *Mudarabah* funds which bear risks of losses and therefore are somewhat similar to equity finance (Salama, 2002:392). However, since the financial reports of each SFH does not provide details of these investment deposits and *Mudarabah* funds, the formulae of the capital asset ratio (CAR) for all SFHs will not differ:

$$CAR = \frac{Capital}{TotalAssets}$$

The deployment ratio (DR) evaluates the efficiency of the bank and how well the bank is making use of its resources (Iqbal, 2002:375). A high deployment ratio will indicate that the SFH is effective in using the resources at its disposal. The deployment ratio can be calculated as below:

$$DR = \frac{TotalInvestment}{TotalLiabilities}$$

To measure the overall efficiency of the bank, the cost/income ratio (CIR) is utilised (Iqbal, 2002:376). It is often regarded that the lower the cost/income ratio, the more efficient and cost-effective the bank is. Since SFHs operate on a non-interest basis, the income component for the SFHs will only include fee incomes and other incomes received by the SFH. The cost/income ratio (CIR) can be generated (RWE Encyclopaedia, September 16, 2005) using the formulae below:

$$\text{Cost / Income Ratio} = \frac{\text{Operating Costs (Minus Provisions)}}{\text{Income (including fee incomes and other incomes)}}$$

Descriptive Statistics has also been used in this study in order to support the results. At the 95% confidence level, mean, median, standard error, standard deviation, and variance have been calculated and compared.

On the other hand, single factor ANOVA test or Analysis of Variance is used to test the null hypothesis of equality of means in order for our comparison more reliable and meaningful. ANOVA provides a test to determine whether to accept or reject the hypothesis that all the group means are equal. In other words, ANOVA supports the conclusion that the population means of the variable for the SFHs are not identical. On the other hand, if the F-statistics is less than critical, ANOVA supports that the performances are not statistically different from each other.

4.2 COMPARING THE RESULTS OF RATIO ANALYSIS

4.2.1. RETURN ON ASSET RATIO

Table 4.1.a. Comparing Ratios

	2001	2002	2003	2004
ASYA FINANS	0.50	1.86	2.76	1.83
KUVEYT TURK	0.85	0.86	-1.19	0.24
FAMILY FINANS	-3.93	0.36	-1.13	1.02
ALBARAKA TURK	-1.77	0.11	1.49	2.35

Figure 4.1. ROA, 2001-2004

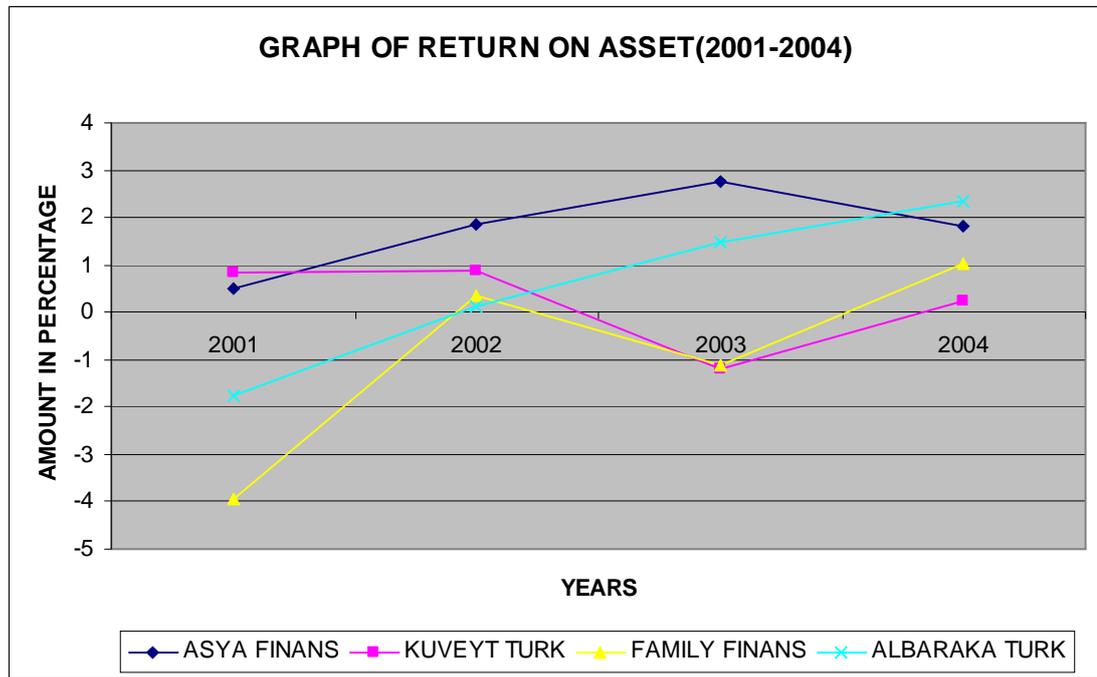


Table 4. 1.b Descriptive Statistics

	ASYA FINANS	KUVEYT TURK	FAMILY FINANS	ALBARAKA TURK
MEAN	1.7388	0.1896	-0.9209	0.5450
STANDARD ERROR	0.4671	0.4822	1.1000	0.8990
MEDIAN	1.8484	0.5432	-0.3837	0.7997
STANDARD DEVIATION	0.9342	0.9643	2.1999	1.7981
VARIANCE	0.8727	0.9300	4.8397	3.2331
CONFIDENCE LEVEL(95%)	1.4865	1.5345	3.5006	2.8612

Figure 4.1 depicts that there has been a gradual increase in the ROA value for Asya Finans House. In particular in 2003, there has been a jump to 2.76 which is higher than the trend. The same trend is evidenced in descriptive statistics, as well. While the mean value for the sample is 1.7388, the standard deviation is 0.9342, which is reflection of the dramatic increase in 2003. The descriptive statistics also indicates that with 95% confidence level the mean value is statistically expected to be around 1.4865, which is closer to absolute mean value.

On the other hand, ROA value for Kuveyt Turk Evkaf Finance House stayed almost same during the period between 2001-2002. However, it fell to -1.19% in 2003. As we can see from the descriptive statistics, this fall caused a value of 0.9643 spread as standard deviation while mean is 0.1896. Then, at the next period the ROA value jumped back again reaching a value of 0.24% by 2004. The descriptive statistics also indicates that with 95% confidence level the mean value is 1.5345 which is not too far to absolute mean value.

Figure 4.1 and Table 4.1.a illustrate a tremendous rise in the ROA value for Family Finans .In particular, in the period between 2001-2002, the figure rose from -3.93 to 0.36. The dramatic change can be seen in the descriptive statistics, too. While mean value for the case is -0.9209, standard deviation is 2.1999, which is rather a big spread, was caused from the above mentioned change. It is obvious from the table 4.2.a that with 95% confidence level the mean value is 3.5006, which is quite far to the absolute mean value.

Finally, it can be seen from the Figure a.1 and Table a.1 that ROA value for Albaraka Turk Finance House followed a steadily growing trend which started from -1.77 in 2001 and reached to 2.35 in 2004 having not any big fluctuations. This progressive trend can be depicted in the descriptive statistics, as well. As shown in the Table 4.1.b, mean value for the sample is 0.5450, while standard Deviation is 0.7997, which reflects the high performance of the bank during the period in question, a performance starting from negative values to increase 1.5. Besides, with 95% confidence level the mean value is 2.8612, which is very high when compared with the absolute mean value.

The descriptive statistics is supported by analytical analysis with the use of ANOVA test, which attempts to test the significance of differences in the performance of ROA, in this case, by the banks in each question.

Table 4.1.c. the ANOVA Results (Single Factor)

ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
				1.94537369		
Between Groups	14.4085442	3	4.80284805	8	0.176178	3.4903
Within Groups	29.6262752	12	2.46885627			
Total	44.0348194	15				

Analysis of variance (ANOVA) was conducted by using the ROA values as single factor or one-way analysis based on the following hypothesis:

H₀: The mean ROA is the same for each special finance house.

H₁: The mean ROA is **not** same for each special finance house

After conducting the ANOVA test, we check the P-value, 0.176178, which is more than the critical value of 0.05. So, we accept the null hypothesis, rejecting the alternative that there is a difference in the mean ROA. Thus, the ratios among the SFHs are statistically remains similar.

The coefficient of determination found from ANOVA test result is utilised to find how much of the variation in ROA mean values are explained by the differences in banks. The ratio between groups sum of squares to the total some of squares equals gives the R²-the coefficient determination. Coefficient determination can be utilised to find the explanatory power. In this case, $R^2=14.4085442/44.0348194=0.33$. Thus, 33% of the variability in ROA is explained by differences in the banks. In other words, being from different banks explains 33% of the variation in the ROA means values.

4.2.2. RETURN ON EQUITY RATIO

Table 4.2.a. Comparing Ratios

	2001	2002	2003	2004
ASYA FINANS	8.43	22.51	32.07	16.12
KUVEYT TURK	4.82	8.87	-30.79	15.35
FAMILY FINANS	-28.56	3.12	-10.26	10.62
ALBARAKA TURK	-22.56	0.95	9.54	30.75

Figure 4.2.1.ROE, 2001-2004

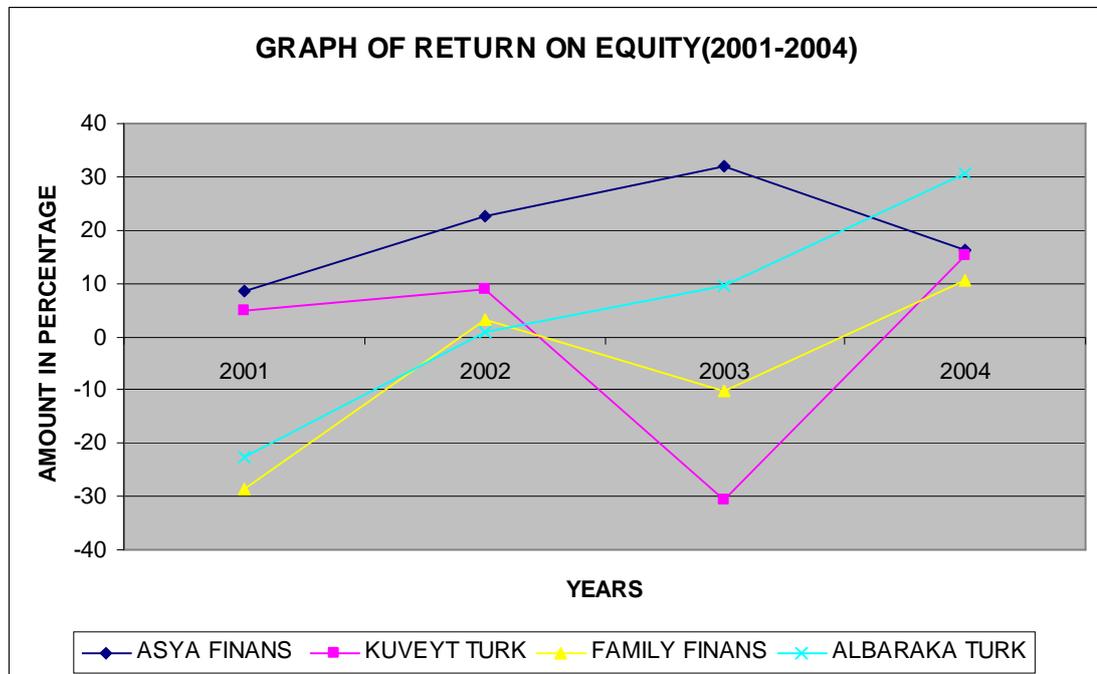


Table 4. 2.b Descriptive Statistics

	ASYA FINANS	KUVEYT TURK	FAMILY FINANS	ALBARAKA TURK
MEAN	19.7800	-0.4404	-6.2697	4.6687
STANDARD ERROR	5.0051	10.3476	8.5948	11.0275
MEDIAN	19.3124	6.8426	-3.5688	5.2463
STANDARD DEVIATION	10.0101	20.6951	17.1896	22.0549
VARIANCE	100.202 4	428.2879	295.4818	486.4204
CONFIDENCE LEVEL(95%)	15.9283	32.9306	27.3525	35.0944

The ROE value for Asya Finans follows a growing movement except the period between 2003 and 2004 where there has been a decrease to 16.12. The ROE value for Asya Finans reaches its peak with 32.07 in 2003. In descriptive Statistics, as a reflection of this decrease, standard deviation is 10.0101 where the mean value for ROE is 19.7800. The descriptive statistics also indicates that with 95% confidence level, the mean value is 15.9283, which is not too far to absolute mean value.

Figure 4.2.1 and Table 4.2.a illustrates an entirely different picture for ROA value for Kuveyt Turk Evkaf Finance House. The ROE value significantly deteriorated in particular, in the period between 2002-2003. Immediately after, dramatic increase can be seen in the Figure 4.2.1. Hence, as a result of this sharp decrease, standard deviation is 20.6951 while mean value for the case is -0.4404 as it can easily be seen in descriptive statistics. Descriptive statistics also indicates that, with 95% confidence level, the mean value is 32.9306, which is enormously far to the absolute mean value.

On the other hand, ROE value for Family Finans has a growing trend starting from -28.56 in 2001. As can be seen from the Figure 4.2.1, there has been a decline during 2002-2003 from 3.12 to -10.26. Then it reached to 10.62 in 2004. Hence, while mean value is -6.2697, standard deviation is 17.1896. With 95% confidence level the mean value is 27.3525, which is incredibly different from the absolute mean value.

Finally, it can be seen from the Figure b.1 and Table b.1 that ROE value for Albaraka Turk followed a gradually growing trend which started from -22.56 in 2001 and reached to 30.75 in 2004 having not any big fluctuations. This progressive trend can be depicted in the descriptive statistics, as well. As shown in the Table 4.2.b, mean value for the sample is 4.6687, while Standard Deviation is 22.0549. Besides, with 95% confidence level the mean value is 35.0944, which is not too far, either.

Table 4.2.c. the ANOVA Results (Single Factor)

ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	1495.533	3	498.511111	1.521715279	0.259286	3.4903
Within Groups	3931.178	12	327.598151			
Total	5426.711	15				

Single factor Anova test which was employed by using the ROE figures and based on the following hypothesis results have shown above:

H₀:The mean ROE is the same for each special finance house.

H₁: The mean ROE is **not** same for each special finance house

By employing the Anova Test, our computer calculates the P-value as 0.259286. Since 0.259286 is higher than 0.05 we accept the null hypothesis, rejecting the alternative that there is a difference in the mean ROE. $R^2=1495.533/5426.711=0.28$ which means 28% of the variability in ROE can be explained by the SFH differences.

4.2.3. CURRENT RATIO

Table 4.3.a. Comparing Ratios

	2001	2002	2003	2004
ASYA FINANS	23.10	18.08	16.11	21.35
KUVEYT TURK	33.04	22.92	17.39	15.79
FAMILY FINANS	35.60	18.15	18.26	11.31
ALBARAKA TURK	11.00	13.97	10.65	16.86

Figure 4.3.1.CR, 2001-2004

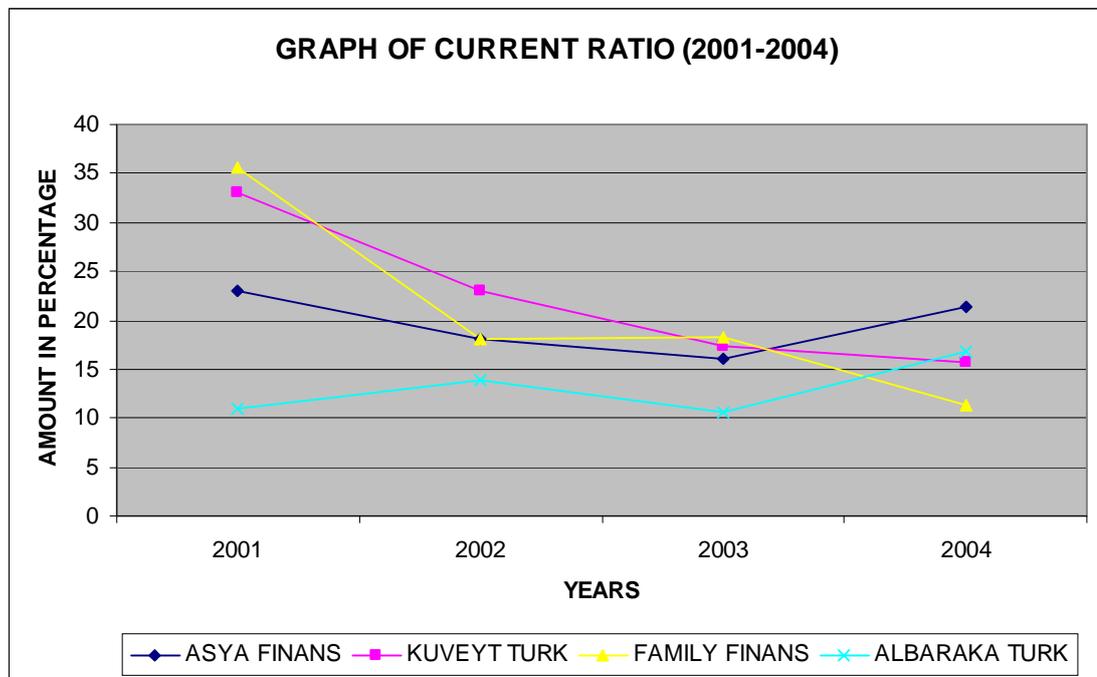


Table 4.3.b Descriptive Statistics

	ASYA FINANS	KUVEYT TURK	FAMILY FINANS	ALBARAKA TURK
MEAN	19.660	22.288	20.830	13.119
STANDARD ERROR	1.575	3.898	5.185	1.451
MEDIAN	19.717	20.157	18.203	12.485
STANDARD DEVIATION	3.151	7.795	10.371	2.902
VARIANCE	9.926	60.769	107.557	8.419
CONFIDENCE LEVEL(95%)	5.013	12.404	16.503	4.617

Overall, it can be seen from the Figure 4.3.1 and table 4.3.a that CR values for almost all SFHs deteriorated. First, Asya Finans, experienced a slight decline. Starting with a figure of 23.10 in 2001 the CR for Asya Finans has fallen to figure of 16.11 in 2003. After that, it rose to 21.35 back. The same trend is evidenced in descriptive statistics as well. While the mean for the sample is 19.660, standard deviation is 3.151. Descriptive statistics depicts that with 95% confidence level, the mean value is 27.3525, which is different to some extent from the absolute mean value.

Secondly, CR value for Kuveyt Turk Evkaf Finance House has a sharp declining trend during the 4 years period. It started with a figure of 33.04 in 2001 and fell to a figure of 22.92 in 2002 showing a disappointing decline which is lower than the trend. This can be seen in Figure 4.3.1 and Table 4.3.a. The same trend is supported in descriptive statistics, too. The mean value for the case is 22.288, while standard deviation is 7.795, which is a reflection of the dramatic decrease in 2002. Descriptive statistics depicts that with 95% confidence level, the mean value is 12.404, which is not very close to the absolute mean value.

Thirdly, although it has a slight increase in the period between 2002 and 2003 CR value for Family Finans followed a decreasing trend. The greatest decline took place in the first period (2001-2002) and finally reached the smallest value, which is 11.31 in 2004. On the other hand, in descriptive statistics, mean value is 20.830, while standard deviation is 10.371 as a result of the dramatic fall which is lower than the trend. Descriptive statistics depicts that with 95% confidence level, the mean value is 16.503, which is close to the absolute mean value.

Finally, there has been gradual increase in the CR value for Albaraka Turk. In particular in 2004, there has been a jump to 16.86 which is higher than the trend. This can be seen in Figure c.1 and Table c.1. The same trend is evidenced in

descriptive statistics, as well. While the mean value is 13.119, the standard deviation is 2.902. The descriptive statistics depicts that with 95% confidence level, the mean value is 4.617, which is close to the absolute mean value.

Table 4.2.c. the ANOVA Results (Single Factor)

ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
	48.5808		16.1936	1.39309	0.31370	
Between Groups	8	3	3	3	7	4.06618
			11.6242			
Within Groups	92.9938	8	2			
	141.574					
Total	7	11				

We employ the Anova test on the CR figures using single factor based on the following hypothesis:

H₀:The mean CR is the same for each special finance house.

H₁: The mean CR is **not** same for each special finance house

By employing the Anova Test, our computer calculates the P-value as 0.313707. Since 0.313707 is higher than 0.05 we accept the null hypothesis, rejecting the alternative that there is a difference in the mean CR. $R^2=48.58088/141.5747=0.34$ which means 28% of the variability in CR can be explained by the SFH differences.

4.2.4. CAPITAL ASSET RATIO

Table 4.4.a. Comparing Ratios

	2001	2002	2003	2004
ASYA FINANS	5.12	5.06	5.14	6.21
KUVEYT TURK	4.27	7.72	8.03	13.49
FAMILY FINANS	19.82	9.60	10.73	7.17
ALBARAKA TURK	4.15	4.16	7.34	6.85

Figure 4.4.1.CAR, 2001-2004

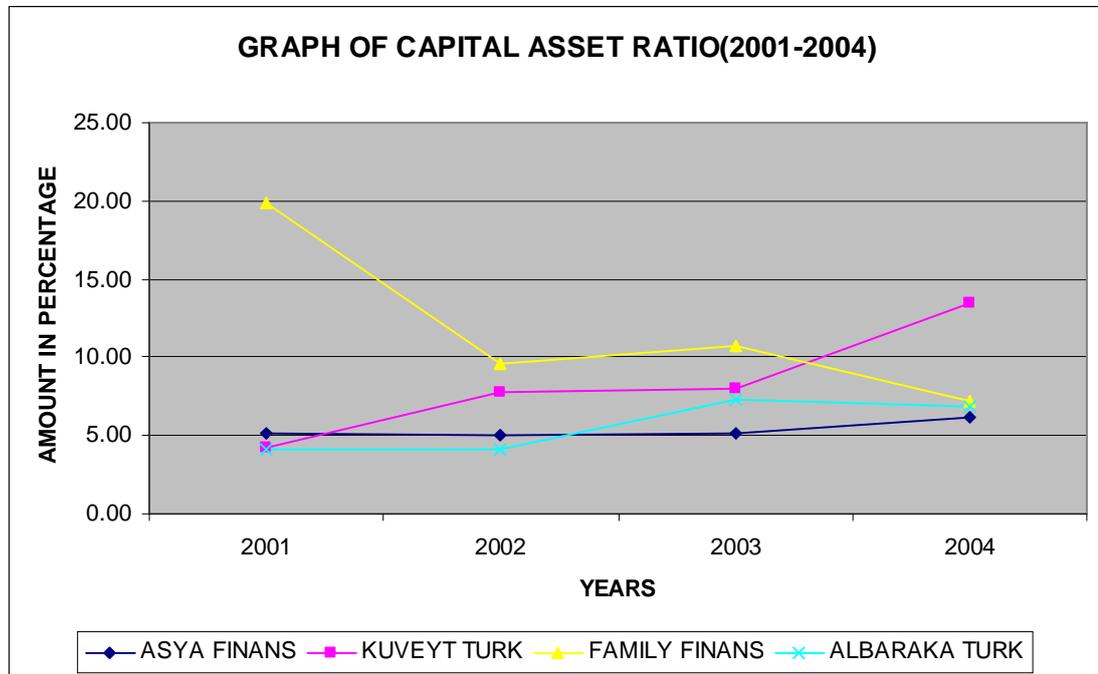


Table 4.4.b Descriptive Statistics

	ASYA FINANS	KUVEYT TURK	FAMILY FINANS	ALBARAKA TURK
MEAN	5.3837	8.3777	11.8320	5.6224
STANDARD ERROR	0.2775	1.9062	2.7630	0.8536
MEDIAN	5.1321	7.8755	10.1690	5.5016
STANDARD DEVIATION	0.5550	3.8124	5.5260	1.7072
VARIANCE	0.3080	14.5346	30.5370	2.9146
CONFIDENCE LEVEL(95%)	0.8832	6.0664	8.7932	2.7166

Table 4.4.a and Figure 4.4.1 depicts that CAR value for Asya Finans has been more or less a constant. Especially in the first two periods it has almost stayed same. There has been a minor increase in the CAR value for Asya Finans in 2004. This minor upwards trend is evidenced in descriptive statistics, too. While the mean value for the sample is 5.3837, the standard deviation is 0.5550 as an indicator of the increase in 2004. Descriptive statistics depicts that with 95% confidence level, the mean value is 0.8832.

The CAR value for Kuveyt Turk Evkaf Finance House follows a growing trend. There has been a jump in the CAR value for Kuveyt Turk Evkaf Finance House to 13.49 in 2004. In descriptive statistics, as a reflection of this increase, standard deviation is 3.8124 where the mean value for CAR is 8.3777. The descriptive statistics also indicates that with 95% confidence level, the mean value is 6.0664, which is close to absolute mean value.

Overall, it can be seen from the Table 4.6.a and Figure 4.6.1. that CAR for family Finans has deteriorated. Starting with a figure of 19.82 in 2001, the CAR for Family Finans has suddenly fallen to a figure of 9.60, which is lower than the trend. This can be seen in the descriptive statistics, as well. In descriptive statistics, as a reflection of this decrease, standard deviation is 5.5260 where the mean value for CAR is 11.8320. The descriptive statistics also indicates that with 95% confidence level, the mean value is 8.7932.

The CAR value for Albaraka Turk has followed a growing trend, too. There has been a rise in the CAR value for Albaraka Turk to 7.34 in 2003. As a reflection of this increase, standard deviation is 1.7072 where the mean value for CAR is 5.6224 in descriptive statistics. The descriptive statistics also indicates that with 95% confidence level, the mean value is 2.7166.

Table 4.4.c. the ANOVA Results (Single Factor)

ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	108.685405	3	36.22846845	3.000644564	0.07272	3.4903
Within Groups	144.882745	12	12.07356209		9	
Total	253.568150	15				

H₀: The mean CAR is the same for each special finance house.

H₁: The mean CAR is **not** same for each special finance house.

By employing the one way Anova Test based on above mentioned hypothesis, our computer calculates the P-value as 0.072729. Since 0.072729 is higher than 0.05 we accept the null hypothesis, and reject the alternative that there is a difference in the mean CAR. $R^2 = 108.6854054 / 253.5681505 = 0.43$. Hence, SFH differences explain 43% of the variability in CAR.

4.2.5. DEPLOYMENT RATIO

Table 4.5.a. Comparing Ratios

	2001	2002	2003	2004
ASYA FINANS	2.22	1.52	3.20	5.51
KUVEYT TURK	0.00	0.00	0.25	2.04
FAMILY FINANS	2.72	2.15	23.19	17.20
ALBARAKA TURK	0.00	0.00	2.53	2.65

Figure 4.5.1.DR, 2001-2004

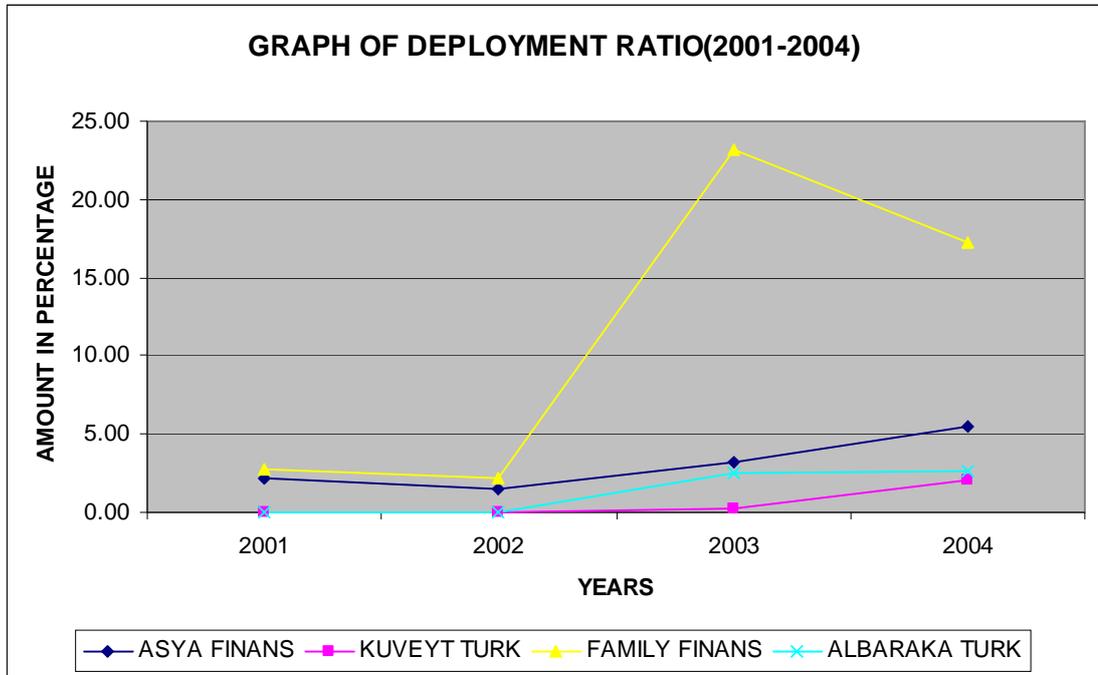


Table 4.5.b Descriptive Statistics

	ASYA FINANS	KUYEYT TURK	FAMILY FINANS	ALBARAKA TURK
MEAN	3.1120	0.5709	11.3134	1.2950
STANDARD ERROR	0.8697	0.4919	5.2729	0.7481
MEDIAN	2.7108	0.1238	9.9571	1.2644
STANDARD DEVIATION	1.7393	0.5709	10.5458	1.4961
VARIANCE	3.0253	0.9678	111.2133	2.2384
CONFIDENCE LEVEL(95%)	2.7677	1.5654	16.7807	2.3807

There has been a slight decline between 2001 and 2002 and then a gradual increase in the DR value for Asya Finans. At the end of the 2003-2004 periods, DR value for Asya Finans has managed to reach to a figure of 5.51. This can be seen in the Table 4.5.a and Figure 4.5.1. This can be seen in the descriptive statistics, too. As it is shown in Table 4.5.b mean value for Asya Finans is 3.1120, while standard deviation is 1.7393. The descriptive statistics also indicates that with 95% confidence level, the mean value is 2.7677, which is not far to the absolute mean value.

Table 4.5.a and Figure 4.5.1 also shows that DR value for Kuveyt Turk has stayed at a constant, which is figure of 0, during the period of 2001 and 2002. Although it has increased only a small percentage at 2003, at the end of the period of 2003 and 2004 it has finally reached to the better value of 2.04. Table 4.5.b indicates that the mean value for the sample is 0.5709, while the standard deviation is 0.5709. The descriptive statistics also indicates that with 95% confidence level, the mean value is 1.5654.

DR value for Family Finans illustrates a completely different picture. As can be seen from the Table 4.5.a and Figure 4.5.1 DR value for Family Finans has increased insignificantly in 2002 then in the period of 2002 and 2003 has risen enormously more than twenty times. It can be evidenced in the descriptive statistics, as well. According to Table e.2 mean value for Family Finans is 11.3134, while standard deviation is 10.5458 as a reflection of this dramatic increase. The descriptive statistics also indicates that with 95% confidence level, the mean value is 16.7807

On the other hand, DR value for Albaraka Turk has stayed at a constant figure of 0 during the first two periods. Then there has been a gradual increase reaching to the value of 2.65 at the end of the four years period. In descriptive statistics, as it is shown in Table 4.5.b, mean value for Albaraka Turk is 1.2950, while standard deviation is 1.4961. The descriptive statistics also indicates that with 95% confidence level, the mean value is 2.3807.

Table 4.5.c. the ANOVA Results (Single Factor)

ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	303.07465	2	151.5373	3.702522	0.08967	5.143249
Within Groups	245.56882	6	40.92814			
Total	548.64347	8				

H₀: The mean DR is the same for each special finance house.

H₁: The mean DR is **not** same for each special finance house.

By employing the one way Anova Test based on above mentioned hypothesis, our computer calculates the P-value as 0.08967. Since 0.08967 is more than 0.05 we accept the null hypothesis, and reject the alternative that there is a difference in the mean DR. Coefficient determination - R^2 - = $303.07465/548.64347=0.55$. Thus, about 55% of the variability in ROE is explained by SFH differences.

4.2.6. COST INCOME RATIO

Table 4.6.a. Comparing Ratios

	2001	2002	2003	2004
ASYA FINANS	77.40	36.54	37.26	30.62
KUVEYT TURK	43.19	38.64	58.73	45.19
FAMILY FINANS	95.75	88.12	74.51	49.10
ALBARAKA TURK	86.25	82.36	60.38	28.92

Figure 4.6.1.CIR, 2001-2004

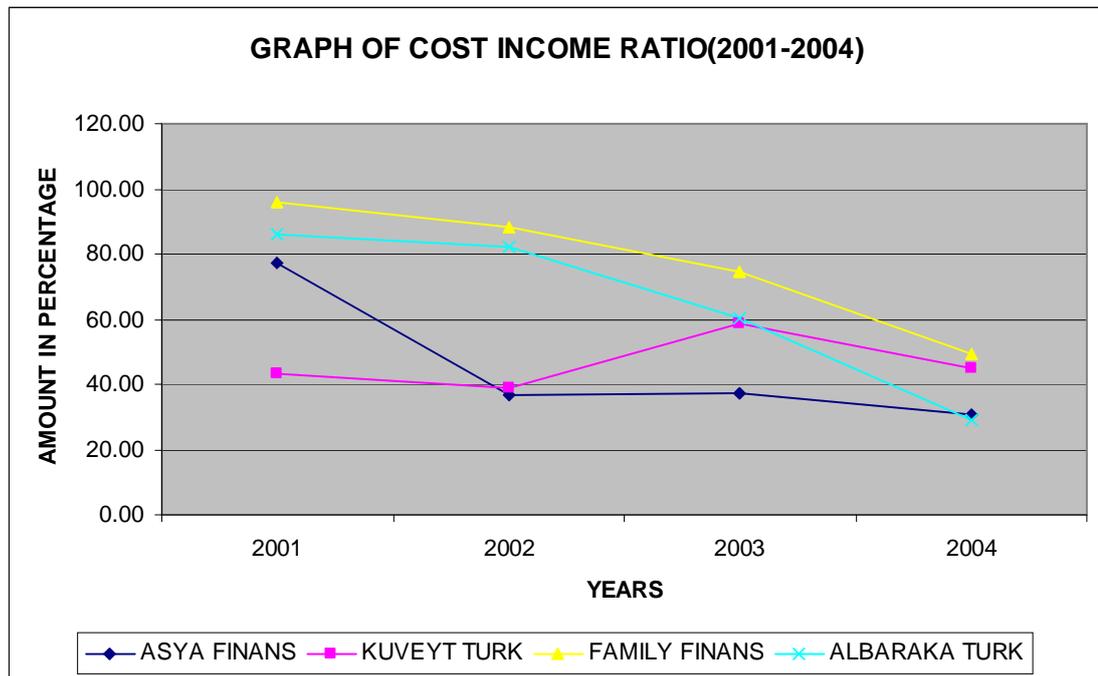


Table 4.6.b Descriptive Statistics

	ASYA FINANS	KUVEYT TURK	FAMILY FINANS	ALBARAKA TURK
MEAN	45.4544	46.4384	76.8705	64.4772
STANDARD ERROR	10.7505	4.3207	10.2448	13.1486
MEDIAN	36.9003	44.1893	81.3169	71.3671
STANDARD DEVIATION	21.5011	8.6414	20.4895	26.2972
VARIANCE	462.2967	74.6737	419.8198	691.5451
CONFIDENCE LEVEL(95%)	34.2131	13.7504	32.6034	41.8448

The CIR value for Asya Finans has illustrated a declining trend. Particularly in 2002, there has been a significant decrease which is lower than the trend. This can be evidenced in the Table 4.6.a and Figure 4.6.1 and in descriptive statistics, too. As it is shown in the Table 4.6.b, while the mean value is 45.4544, the standard deviation is 21.5011, which is a signal of the dramatic decrease in 2002.

The descriptive statistics also indicates that with 95% confidence level, the mean value is 34.2131.

CIR value for Kuvoyt Turk has followed a growing trend in spite of having slight decreases in the periods 2001-2002, and 2003-2004. There has been a jump to 58.73 in 2003 which can be witnessed in the Table f.1 and Figure f.1 and in descriptive statistics, as well. While mean value for Kuvoyt Turk is 46.4384, standard deviation is 8.6414. The descriptive statistics also indicates that with 95% confidence level, the mean value is 13.7504 which is different very much from the absolute mean value.

It can be seen from the Table 4.6.a and Figure 4.6.1 that CIR value for Family Finans has deteriorated. Starting with a value of 95.75 in 2001, CIR value for Family Finans has fallen to a figure of 49.10 in 2004, showing a disappointing fall particularly in this period (2003-2004). This trend can be seen in the Table 4.6.a and Figure 4.6.1. The same trend can be evidenced in descriptive statistics, as well. While mean value for Family Finans is 76.8705, standard deviation is 20.4895. The descriptive statistics also indicates that with 95% confidence level, the mean value is 32.6034 which is too far from the absolute mean value.

Finally, Table 4.6.a and Figure 4.6.1 illustrates a tremendous decline in the CIR value for Albaraka Turk. Especially during the last period between 2003 and 2004, the CIR value for Albaraka Turk decreased from 60.38 to 28.92. Reflection of this dramatic decline can be evidenced in the descriptive statistics, too. As can be seen in the Table f.2, while the mean value for Albaraka Turk is 64.4772, standard deviation is 26.2972. The descriptive statistics also indicate that with 95% confidence level, the mean value is 41.8448 which is too far from the absolute mean value.

Table 4.6.c. the ANOVA Results (Single Factor)

ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	2754.906014	3	918.302005	2.228434902	0.137454	3.4903
Within Groups	4945.006043	12	412.083837			
Total	7699.912057	15				

H₀: The mean CIR is the same for each special finance house.

H₁: The mean CIR is **not** same for each special finance house.

After conducting the one way Anova Test based on above mentioned hypothesis, our computer calculates the P-value as 0.137454. Since 0.137454 is more than 0.05 we accept the null hypothesis, and reject the alternative one that there is a difference in the mean CIR. In the case, coefficient determination = $2754.906014 / 7699.912057 = 0.36$. In other words, 36% of the CIR variability is explained by the SFH difference.

4.3. COMPARISON OF SFHs' PERFORMANCES

Previous section attempted to present the ratio analysis, descriptive statistics and ANOVA test for four SFHs. This section, however, aims to provide a direct comparison of the four SFHs by using the analysis of empirical results.

4.3.1 ROA

Figure 4.1 and table 4.1.a evidently illustrate that Asya Finans and Albaraka Turk have best outperformed in terms of return on assets despite Asya Finans has experienced a fall in 2004. Moreover, the figures for Asya Finans on return on assets were notably higher than that of the other SFHs. Although Albaraka Turk has started from -1.77, it has finally reached to 2.35 receiving the greatest profits on their assets in 2004. Both Kuvveyt Turk and Family Finans have had a quite big decline in 2003. The financial failure experienced all over the country may have

been the reason for this decline. Despite Family Finans has a growing upwards trend, it is still rather below from Asya Finans and Albaraka Turk, and according to the figure, it is the lowest performed SFH. However, it can also be seen that except Kuveyt Turk, other three SFHs have a growing trend evidencing that they are making better progress in terms of profitability.

4.3.2. ROE

It can obviously be seen from the Figure 4.1 and 4.2 that all SFHs have experienced very similar trends on ROA and ROE. Although Albaraka Turk has reached the highest amount in 2004, Asya Finans has best performed during 2001 to 2003. Figure 4.2 also illustrates big failures for ROE values in 2003 for both Kuveyt Turk and Family Finans, like ROA. In spite of these decreases, all SFHs have received higher values in 2004 when compared to 2001, in other words, they have better progressed during 2001 and 2004.

4.3.3. CURRENT RATIO

As can be seen from the Figure 4.1, current ratio values for all SFHs have declined significantly until 2003. Then, Asya Finans and Albaraka Turk have started to lift their trend upwards again in 2004. This decrease indicates that from 2001 to 2003 SFHs have had less liquid assets to pay back the trust (deposit) of the depositors. In other words, there has been a significant amount of withdrawals since 2001. The reason for this is the serious financial crises experienced all over the banking sector in Turkey in 2000 and 2001. During this crisis almost 20 banks' and one of the SFH called Ihlas Finans' ownership have transferred to Savings Deposit Insurance Fund. As soon as Savings Deposit Insurance Fund declared Ihlas Finans' bankruptcy in 2001, this exceeding withdrawal occurred among the SFHs. These decreases in the current ratio also indicate that SFHs invested too much and so had less liquid assets on hold. Fortunately, SFHs could stand strong enough and trend has started to increase in 2004.

4.3.4. CAPITAL ASSET RATIO

Apart from Family Finans, other SFHs have shown a growing capital asset figure trend. Although Family Finans' capital asset ratio has been falling, they have managed to keep their capital asset ratio highest except 2004. The fall in Family Finans' capital ratio could be a sign of worry since all banks are required to keep a minimum capital asset ratio in the case bank fails, and if Family Finans' capital ratio continues to fall, some action has to be done immediately by the management to prevent it. The other SFHs' lower capital asset ratios indicate illiquidity as more of the assets are long term in nature. Kuveyt Turk is the second best performed SFH in terms of capital asset ratio following a growing trend. Asya Finans and Albaraka Turk don't show a good performance, as they have invested in long term.

4.3.5. DEPLOYMENT RATIO

It seems that Family Finans has best performed in terms of efficient use of resources especially having a drastic difference from the other SFHs in 2003. While Kuveyt Turk and Albaraka Turk have disappointing 0 performans during 2001 and 2002, Asya Finans has had a steadily upwards trend performing the second better one. What is more, Kuveyt Turk and Albaraka Turk's very low deployment ratio signifies that they might not be using their resource well enough unlike Family Finans and Asya Finans.

4.3.6. COST/INCOME RATIO

As regards to overall cost effectiveness, in spite of its cost/income ratio has been high in 2001, Asya Finans has managed to operate in the most efficient way in comparison to the other SFHs. Family Finans has been the worst performed in terms of cost effectiveness having the highest values although they could lowered

the cost/income ratio during the four years. In fact, it can be seen from the Figure 4.6.1 that all SFHs have had higher cost/income ratio in 2001 when compared to 2004 and they all followed a decreasing trend during four years. Albaraka Turk has been the second SFH having a higher cost/income ratio. Year 2002 has been the year that Kuveyt Turk has lowered their cost/income ratio like Asya Finans.

SUMMARY AND CONCLUSION

From the preceding analysis, it can be seen that there is evidence to show that Asya Finans and Albaraka Turk have made significant progress on return on assets and return on equity. The comparison of Asya Finans and Albaraka Turk with other SFHs on ROA and ROE shows a difference from Kuveyt Turk and Family Finans. It can be said that Asya Finans and Albaraka Turk are much stronger on profitability than Kuveyt Turk and Family Finans. However, liquidity performance between 2001 – 2003 and 2004 in measures of current ratio and capital asset ratio show different ranks. Inter bank comparison of liquidity performance suggest that Family Finans and Kuveyt Turk have been statistically more liquid compared to Asya Finans and Albaraka Turk until 2003. Nevertheless, in 2004, it can be seen that, at least in the measure of current ratio, Asya Finans and Albaraka Turk have better results than Kuveyt Turk and Family Finans. On the other hand, Family Finans is best performed SFH in terms of efficient use of resources with a drastic difference. Although Family Finans is very weak in profitability and cost/income efficiency, they are best at deployment ratio and capital asset ratio. Alternatively, Asya Finans is also the best SFH in cost/income efficiency just like it is in profitability and liquidity in 2004. In cost/income ratio measurement, Kuveyt Turk and Albaraka Turk follows Asya Finans respectively.

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Personal Profile

High personal integrity, and able to relate to and create trust in all.

- Highly articulate, confident and persuasive team-builder, able to motivate and communicate to achieve exceptional business performance.
- Dependable and reliable in supporting and enabling team effort to produce genuine long-term sustainable development.
- Persistent and flexible approach to the mutually beneficial achievement of business plans and personal goals of staff, suppliers and customers.

Experience

**2007- Present Data Processor Barclays Bank,
Leicester Local Processing Centre , Leicester, UK**

Duties: Providing a high standard of data processing.

Prioritising and organising work effectively and training and guiding other members in the team.

Being a flexible and self-motivated team member with the ability to adapt to change positively.

Communicating effectively with the staff and over the telephone with both staff, customers and other banks in a professional manner.

Applying technical knowledge along with good judgement in order to solve problems in a committed and enthusiastic manner.

Observing the bank's policies, UK Law, and FSA regulations and guidelines.

Completing all paperwork and liaising with the process experts.

Operating, preparing and monitoring reports.

2006- 2007 Data Processor HSBC

Commercial Services & Sales Centre, Leicester, UK

Duties: Instigating a new system for monitoring of visa chargebacks resulting in a quicker completion of routine procedures.

Preparing and printing reports effectively.

2005 – 2006 Interpreter Leicester City Council, Leicester, UK

1998-2001 Assistant Expert Ihlas Finance Institution, Konya, Turkey

Duties: Customer services, loans, first cashier, international banking transactions, preparation of letter of credits, processing payment and transfers, process customer enquiries and requests, import and Export Collections, supervising ISO 9000 standardization procedures.

Education

**2003 – 2005 Loughborough University, Markfield Institute of Higher Education
MA in Banking, Finance and Management**

Dissertation: The Comparison of Performances Of Turkey's Four Special Finance Houses During 2001-2004

**1993-1998 Gazi University, Ankara, Turkey
B.A. from Faculty of Economics and Business Administration**

Trainings

-06.2008 -07.2008 Durham University/UK
Islamic Finance Summer School

-10.2004 -12. 2004 Islamic Development Bank
Current Issues in Islamic Banking and Finance

-07.2002 Leicester College, Adult Education College, Leicester, UK
Computer Literacy and Information Technology

-01.2001- 09.2001 University of Essex, Colchester, UK
Advanced English Course

-01.1999-07.1999 Ihlas Finance Ins. Head Office Istanbul, Turkey
Intensive International Trade and Banking Course

Topics of the Course:

Import legislation and procedure

Export legislation and procedure

Letter of Guarantees and Stand by L/C's

Customer and Bank to Bank Transfers

ICC 500, ICC 522, ICC 525, ISP 98

Case studies on the above mentioned topics by the examples provided from abroad and real international trade transactions of several banks in Turkey.

-11.1999-12.1999 Ihlas Finance Inst. Head Office Istanbul, Turkey
Basic Banking Course (1 month duration)

Topics of the Course

Accountancy, Banking Law, Treasure, Public Relations, Foreign Exchange, Loans

Unpublished Papers

An Assessment of Economic Growth in Turkey between 1970 and 2002

Asymmetric Information and Adverse Selection in Insurance Markets: The Problem of Moral Hazard

Corporate Social Responsibility: Performance and Reporting

The Concept of Waqf and its Turkish Experience

Asian Financial Crisis – A General Overview-

Interests

Running, gardening, home decoration, cooking, reading, travelling, computing.

Countries visited: France, Germany, Italy, Switzerland, Luxembourg, Belgium, Spain

Computer Knowledge: MS-DOS, Windows XP, Word, Excel, Access, Internet

Language : English- very good, Turkish- mother tongue