

**A COMPARATIVE STUDY ON ISLAMIC DEVELOPMENT BANK  
(IDB) AND CATHOLIC SYRIAN BANK (CSB)**

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## **A COMPARATIVE STUDY ON ISLAMIC DEVELOPMENT BANK (IDB) AND CATHOLIC SYRIAN BANK (CSB)**

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### **ABSTRACT**

The purpose of this study paper is to have a thorough understanding of the Islamic Development Bank (IDB) and Catholic Syrian Bank (CSB). Islamic banking follows the principles of Sharia law and is interest-free. Profit and loss sharing, risk management, transparency, equitable investing, equality, and social peace are the key tenets of Islamic finance that have drawn interest from people of all backgrounds, including Muslims. Islamic banks are now widely accepted because of their interest-free policies and tenets. This paper provides a full discussion of Islamic Banking products and services, along with a comparison to traditional banking offerings. We also attempted to comprehend the distinctions between the Islamic and CSB banking systems. This study came to the conclusion that there are significant differences between the operational mechanisms of Islamic and CSB banking, including view points on interest charging, products, profit, and risk profiles, among other things.

**Keywords:** Islamic Development Bank, Catholic Syrian Bank, Products and Services, Banking Systems, interest, policies and free from interest.

### **INTRODUCTION**

A bank is a financial institution that accepts deposits from the public and creates a demand deposit while simultaneously making loans. Lending activities can be directly performed by the bank or indirectly through capital markets. Whereas banks play an important role in financial stability and the economy of a country, most jurisdictions exercise a high degree of regulation over banks. Most countries have institutionalized a system known as fractional-reserve banking, under which banks hold liquid assets equal to only a portion of their current liabilities. In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, the Basel Accords.

## STATEMENT OF THE PROBLEM

Analyzing the financial performance is the process of evaluating the common parts of financial statements to obtain a better understanding of bank's position and performance. Financial performance analysis enables the investors and the creditors to evaluate the past and current performance and financial position of the bank. Financial performance analysis is the process of determining the operating and financial characteristics of the bank, from the financial statements. The goal of such analysis is to determine the efficiency and the performance of the bank's management, as reflected in the records and reports. The analysis attempts to measure the bank's liquidity, profitability and other indicators that the business is conducted in a rational and normal way; ensuring enough returns to the shareholders to maintain at least its market value. In short, the study is to analyse the following important questions:

- 1) Which bank has better liquidity, profitability and other indicators position?
- 2) How is the financial performance of the bank over a given period of time?

The problem under the study is to answer the above questions.

## SCOPE OF THE STUDY

The objective of this study is to conduct a comprehensive comparative analysis of the financial performance of the Islamic Development Bank (IDB) and Catholic Syrian Bank (CSB). By examining the key financial indicators such as profitability, liquidity, asset quality, etc., we aim to assess and compare the overall financial strength and stability of Islamic Development Bank (IDB) and Catholic Syrian Bank (CSB). The findings of the study will provide valuable insights for the investor, the regulator and the stakeholder in evaluating the performance and resilience of these institutions.

## OBJECTIVES OF THE STUDY

- To analyse the SWOT concept of both Islamic Development Bank and Catholic Syrian Bank.
- To compare and analyse the liquidity, profitability and other indicators of IDB and CSB.
- To compare and analyse the financial performance of both the bank.

## LIMITATION OF THE STUDY

- The study is confined only for a period of 5 years. This time period was not sufficient to cover all the details of Islamic Development Bank (IDB) and Catholic Syrian Bank (CSB).
- As the analysis is entirely based on the secondary data, it has its drawback; banks can window dress their financial statements.

## RESEARCH METHODOLOGY

### SOURCES OF DATA:

The present study is based on secondary data. The data has been compiled from annual reports, journal, books and websites of the respective banking industry and necessary data also collected from similar research papers.

### PERIOD OF THE STUDY:

In order to get appropriate and clear information, the period of the study has been conducted for 5 years 2018 – 19 to 2022 – 23.

### TOOLS FOR ANALYSIS:

- Ratio analysis
- SWOT analysis
- Chi – square analysis

## REVIEW OF LITERATURE

**Advisor: Sriram Srinivasan December 2022 Thesis** on \*A Conceptual study on Islamic Banking and analysing the possibilities of imbibing it with Conventional Banking system in India.\* According to several studies, India has the potential to become a big market for Islamic banking institutions if the regulatory framework changes favourably and more people in India as a whole become aware of the opportunities. This notion has persisted despite years of effective Islamic banking operations and their amazing expansion globally.

**Nithin Mathew Jose MBA (2020) Title: \*CSB PROJECT CHAPTER 2\*** uploaded on Aug 14, 2022 as per MG University. To become a top bank of India CSB bank has to increase its presence all over the country. Since 90% of its branches are located in Kerala Tamil Nadu

and Maharashtra, bank need to cancel some of its branches in these states and start new in other states.

**In 2013, Mohammad Faisal** had researched on Challenges and opportunities for Islamic banking and in Apr 2013, Jeet Singh had covered Growth and Potential of Islamic banks (Mhd. Faisal & Jeet Singh, 2013).

### **ISLAMIC DEVELOPMENT BANK (IDB)**

The Islamic Development Bank is a multilateral development finance institution that is focused on Islamic finance for infrastructure development and located in Jeddah, Saudi Arabia. There are 57 shareholding member states with the largest single shareholder being Saudi Arabia.

#### **SWOT Analysis:**

	Helpful	Harmful
Internal factor	<p><b><u>STRENGTHS</u></b></p> <ul style="list-style-type: none"> <li>• Good immune against NPA /Bankruptcy problems.</li> <li>• Higher funds utilization.</li> </ul>	<p><b><u>WEAKNESS</u></b></p> <ul style="list-style-type: none"> <li>• Professional trainings is costly and scarcity of experts.</li> </ul>
External factor	<p><b><u>OPPORTUNITIES</u></b></p> <ul style="list-style-type: none"> <li>• Huge employment potential will lead to better standard of living.</li> </ul>	<p><b><u>THREATS</u></b></p> <ul style="list-style-type: none"> <li>• Lack of awareness among the people regarding the principles followed in IDB.</li> </ul>

### **CATHOLIC SYRIAN BANK (CSB)**

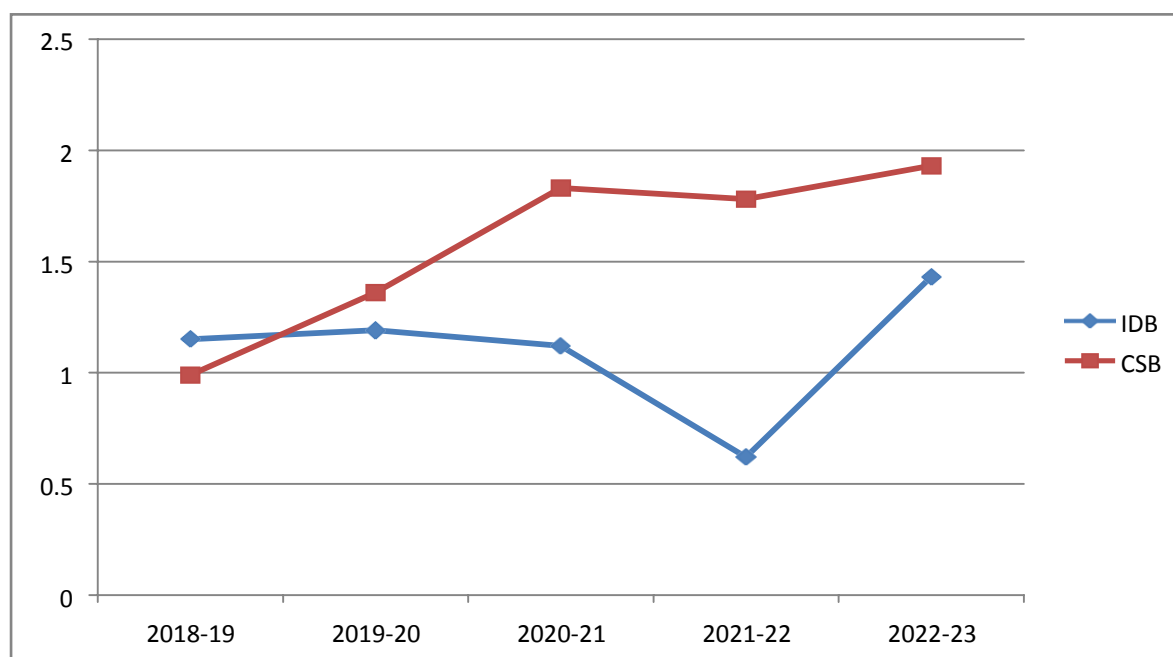
CSB Bank Limited is an Indian private sector bank with its headquarters at Thrissur, Kerala, India. The bank has a network of over 703 branches and more than 515 ATMs across India. CSB is not a nationalised bank. It is a privatised bank.

**SWOT Analysis:**

	Helpful	Harmful
<b>Internal factor</b>	<p><b><u>STRENGTHS</u></b></p> <ul style="list-style-type: none"> <li>• Company with low debt.</li> <li>• Strong profitability.</li> </ul>	<p><b><u>WEAKNESS</u></b></p> <ul style="list-style-type: none"> <li>• Lag in customer service.</li> <li>• High interest payments compared to earnings.</li> </ul>
<b>External factor</b>	<p><b><u>OPPORTUNITIES</u></b></p> <ul style="list-style-type: none"> <li>• Make use of market analytics.</li> <li>• Digital marketing.</li> </ul>	<p><b><u>THREATS</u></b></p> <ul style="list-style-type: none"> <li>• Companies increasing debt as percent annual report.</li> <li>• High competition.</li> </ul>

**DATA ANALYSIS****RATIO ANALYSIS****CURRENT RATIO:**

<b>Years</b> <b>Bank</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
IDB	1.15	1.19	1.12	0.62	1.43
CSB Bank	0.99	1.36	1.83	1.78	1.93

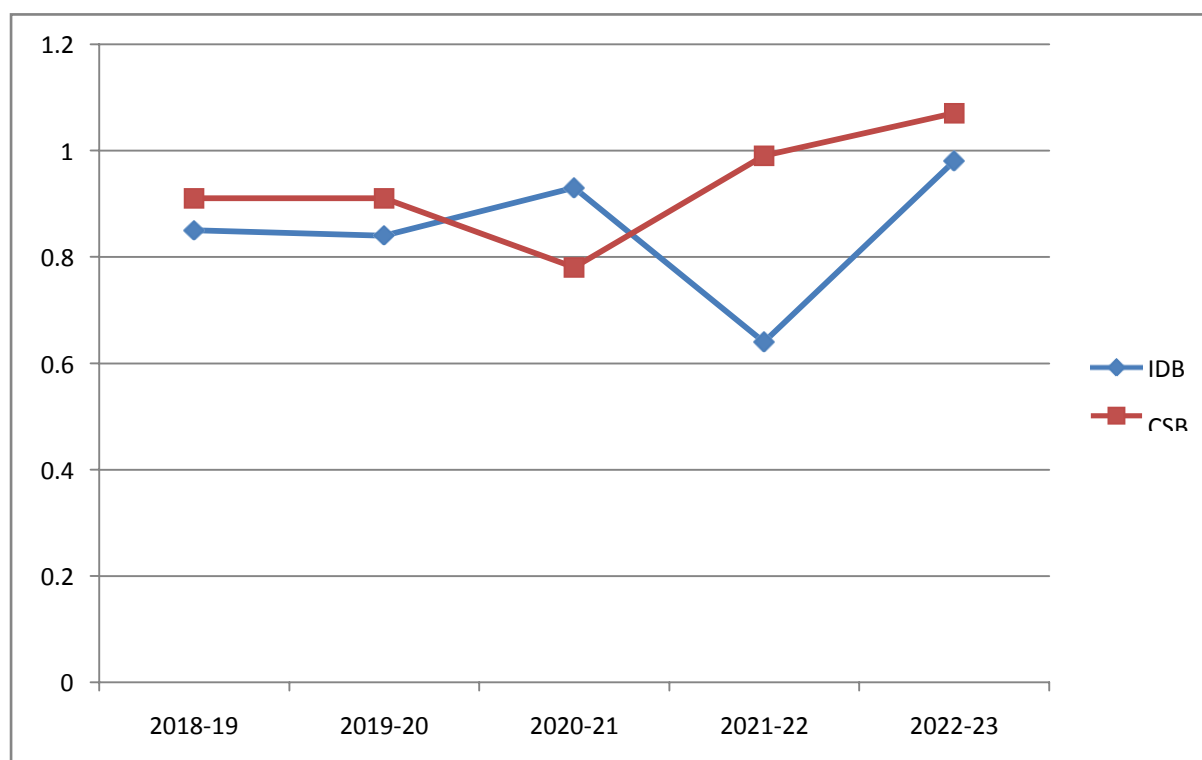
**Graph: Current ratio**

**INTERPRETATION:**

The above table shows the current ratio for 5 years 2018 – 23. The current ratio of the Islamic Development Bank (IDB) is higher in the year 2018 – 19 when compare to the Catholic Syrian Bank. The ratio of the CSB Bank is higher in the year 2019 – 20 when compare to the IDB Bank. The value of current assets and current liabilities is lesser in the year of 2020 – 21 of IDB than the CSB Bank. The current ratio of the CSB Bank increases constantly than the IDB Bank with the ratio of 1.78 and 1.93.

**QUICK RATIO:**

<b>Years</b> <b>Bank</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
IDB	0.85	0.84	0.93	0.64	0.98
CSB Bank	0.91	0.91	0.78	0.99	1.07

**Graph 4.1.2 Quick ratio**

**INTERPRETATION:**

The above table shows the quick ratio for 5 years 2018 – 23. The quick ratio of the Islamic Development Bank (IDB) is lesser in the year 2018 – 19 when compare to the Catholic Syrian Bank. The ratio of the CSB Bank is lesser in the year 2019 – 20 when compare to the IDB Bank. The value of quick assets and current liabilities is higher in the year of 2020 – 21 of IDB than the CSB Bank. The quick ratio of the CSB Bank increases constantly than the IDB Bank with the ratio of 1.78 and 1.93.

**CHI – SQUARE ANALYSIS****CURRENT RATIO:**

Row Labels	0.62	1.12	1.15	1.19	1.43	Grand Total
0.99	0.223346008	0.23	0.12	0.17	0.24	0.99
1.36	0.306818758	0.32	0.17	0.23	0.33	1.36
1.78	0.40157161	0.41	0.22	0.31	0.44	1.78
1.83	0.412851711	0.42	0.23	0.32	0.45	1.83
1.93	0.435411914	0.45	0.24	0.33	0.47	1.93
<b>Grand Total</b>	<b>1.78</b>	<b>1.83</b>	<b>0.99</b>	<b>1.36</b>	<b>1.93</b>	<b>7.89</b>

**P Value:** 0.064268

**INTERPRETATION:**

The above table reveals that, calculated p value is 0.064268 are significant. The calculated p-value is more than the 5% (0.05) level of significance. So, the null hypothesis is accepted. Hence, there is no significance difference between the current ratio of Islamic Development Bank and Catholic Syrian Bank.

**QUICK RATIO:**

Row Labels	0.64	0.84	0.85	0.93	0.98	Grand Total
0.78	0.165708155	0.15	0.15	0.13	0.18	0.78
0.91	0.386652361	0.36	0.36	0.3	0.42	1.82
0.99	0.210321888	0.19	0.19	0.17	0.23	0.99
1.07	0.227317597	0.21	0.21	0.18	0.25	1.07
<b>Grand Total</b>	<b>0.99</b>	<b>0.91</b>	<b>0.91</b>	<b>0.78</b>	<b>1.07</b>	<b>4.66</b>



**P Value:** 0.5619619

### **INTERPRETATION:**

The above table reveals that, calculated p value is 0.5619619 are significant. The calculated p-value is more than the 5% (0.05) level of significance. So, the null hypothesis is accepted. Hence, there is no significance difference between the quick ratio of Islamic Development Bank and Catholic Syrian Bank.

### **FINDINGS**

- **CURRENT RATIO:** The current ratio of IDB and CSB Bank has an average of 1.1% and 1.6% from the past 5 years data.
- **QUICK RATIO:** The quick ratio of IDB and CSB Bank has an average of 0.8% and 0.9% from the past 5 years data.
- There is no significance difference between the current ratio of Islamic Development Bank and Catholic Syrian Bank.
- There is no significance difference between the quick ratio of Islamic Development Bank and Catholic Syrian Bank.

### **SUGGESTIONS**

- Both the banks needs to closely monitor its long-term borrowings and other long-term liabilities as they have shown an increase rate in some ratios, leads to a higher level of debt.
- Develop awareness regarding the services provided by the Islamic Development Bank (IDB) through campaigns, etc., and those principles of services can be followed in CSB Bank also.
- Focus on increasing current assets to improve liquidity in both IDB and CSB Bank.
- Consider reducing current liabilities to improve the current ratio and liquidity in CSB Bank.
- Continue to maintain a strong equity position and use it to finance future growth opportunities by both IDB and CSB Bank.

## CONCLUSION

The comparative study of Islamic Development Bank (IDB) and Catholic Syrian Bank (CSB) suggests that both the banks have strengths and weaknesses. IDB has finest services towards its customers and it can also be adapted by the CSB Bank; whereas, CSB Bank is leading in assets value, capital adequacy, etc. However, both banks have taken steps to address their challenges and continue to invest and develop to stay competitive in the banking sector. It is found from the analysis that the financial performance of the banks is at moderate level and requires further improvement for considering the competitors from other banking industry. It is known that both the banks perform well equally. The findings of the study are very useful to the policy makers, the investors, etc., to formulate financial policies because it is difficult for researches to measure the financial performance of banks in such dynamic environment where everything is changing at rapid rate.

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