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A Study on Financial Performance on Canara Bank

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ABSTRACT—

 "A study on financial performance of canara bank" helps to analyses the financial performance the canara Bank. The analyses is done by using various ratios of ratio analysis and using trend analysis. The financial Performance of the bank is analyzed by analyzing balance sheet, financial statements and profit and loss Account of the bank. The data were collected from the official websites of the company and other websites and Journals. The analysis done for the last five years. The ratio provide indicators of how well the bank and Business units are performing. Trend analysis are used to analyses the sales and income percentage of the bank.

I. INTRODUCTION

INTRODUCTION TO THE STUDY:

The word 'Performance is derived from the word "parfourmen', which means to do', 'to carry out or 'to render'. It refers the act of performing; execution, accomplishment, fulfillment, etc. In border sense, performance refers to the accomplishment of a given task measured against preset standards of accuracy, completeness, cost, and speed. In other words, it refers to the degree to which an achievement is being or has been accomplished. In the words of FrichKohlar "The performance is a general term applied to a part or to all the conducts of activities ofan organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like. Thus, not just the presentation, but the quality of results achieved refers to the performance. Performance is used to indicate firm's success, conditions, and compliance.

Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Financial performance analysis is the process of identifying the financial strengthsand weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account it also helps in the short term and long term forecasting and growth can be identified with the help of financial performance analysis the analysis of financial statements is a process of evaluating the relationship between the component parts of financial statements to obtain a better understanding of the firm's position and performance

STATEMENT OF THE PROBLEM:

Analyzing financial performance, is the process of evaluating the common parts offinancial statements to obtain a better understanding of banks position and performance. It also enables the investors and the creditors evaluate the past and the current performance, financial position, and to predict future performance. Financial statement is used to judge the profitability and financial soundness of a bank. In this study an attempt is made to identify the financial strength and weakness of the bank by properly establishing relationship between the items in the balance sheet and profit and loss account of Canara Bank.

OBJECTIVES OF THE STUDY:

- To analyze the profitability position of Canara Bank.
- To analyze liquidity, solvency and profitability position.
- To study the business performance of the Canara Bank.

SCOPE OF THE STUDY:

The study was carried at Canara Bank to analyse the financial performance of the past 5 years. The data are collected from the previous 5 years audit book, profit and loss account and balance sheet. The study aims to analyse the liquidity, profitability, solvency position of the bank. The project is conducted in order to know the functioning of the bank. It will help in determining the negatives and positives of the business concern. The study will also help in the future growth and decision making of the bank.

RESEARCH METHODOLOGY:

Nature of Data:

The nature of the study is analytical.

Source of Information:

The study based on secondary data. Secondary data has been collected from various sources like Research papers, reports published by IBEF and from Annual reports of the sample unit and to supplement the different data published, various books, journals and different websites related to textile industry have been used for better reliability.

Nature of Data:

The present study is primarily based on secondary data. Apart from that primary data is collected through instructed interview with the manager of the bank. The major source of data that was collected through the profit and loss account and balance sheet for a period of 5 years and other published sources.

Secondary Data:

These secondary data are those which have already been collected by someone else and which have already been passed through the statistical process. Thus the data was collected from company annual reports and books.

The data were collected from secondary the major source of secondary data were;

  1. Balance sheet

  2. Profit and loss account

Tools Used for Analysis:

- Solvency ratio
- Profitability ratio
- Liquidity ratio

LIMITATIONS OF THE STUDY:

- To study the financial performance of five years of CANARA BANK.
- The study is limited with CANARA BANK and not included with other banks.
- The limitation of using secondary data may offer the result.

II. REVIEW OF LITERATURE

1. *S. Gokul Kumar, et.al ., (2017)* "An Exploratory Analysis on the Impact of Institutional-Specific Cum Macroeconomic Indicators on the Non-Performing Assets of SBI And Associate Banks in India", The study through correlation coefficients observed there is a positive association between the variables examined with NPA. Further observation on determinants viz ., CAR, CRR, PLR, MS, GDP growth rate is found to be negatively correlated with NPA.

2. *SoheliGhose, et.al ., (2017)* "An Empirical Inter Sectoral Comparison of Nonperforming Assets in the Indian Banking System", compared and analysed proportion of NPAs in Indian CBs. The study analysed the influence of NPAs on profitability of banks. This study also opined, Pvt.SBs have managed to keep NPA at low levels as compared with the PSBs. Finally, the study opined banks to comprehensive remedial measure sector-wise is required to tackle the scope of risk with preventive and curative measures.

3. *Peter Stephen Kingu, et.al ., (2018)* "Impact of Non-Performing Loans on Bank's Profitability: Empirical Evidence from Commercial Banks in Tanzania", the study investigated the effect of NPAs on profitability of CBs by employing RE and FE panel analysis. The coefficient estimate of NPLs showed significant negative relation indicating incidence of high NPLs this indicates increase in NPLs leads to decrease in ROA. The coefficient estimate of LQDT ratio showed significant negative relation indicating increase in loan to deposit ratio leads to decreases profitability. The coefficient estimate of CAR showed significant positive relation indicating incidence of high CAR results to upward movement of profitability. The coefficient estimate of GDP showed insignificant negative relation indicating rise in GDP results to decrease in ROA whereas GDP cannot explain the profitability of banks.

4. *AsitRanjanMohanty, et.al ., (2019)* "Determinants of Non-Performing Loans in India: A System GMM Panel Approach", examined macro-economic variables, corporate specific and bank specific variables in determining asset quality and surge in NPLs of Indian banking system. For this purpose the study applied GMM panel estimation method. The study opined fiscal policy has significant impact on NPLs whereas the progress in economic growth and rise in stock market performance could enable banks in meeting the credit demands in the economy. The analysis of bank specific variables read higher CD ratio, higher ROE, higher CRAR and growth in bank branches could reduce the incidence of NPLs. The study opined operating expenses excluding interest expenses greatly affects the NPLs in banks. One of the key findings of the study was there is insignificant impact of lending rates on NPLs and priority sector advances generates NPLs

5. *Sathye (2020)* assessed the productive effectivity of banks in a developing nation,Particularly India. Using information envelopment analysis, the dimension of effectivity was actually completed.The effectiveness of three banking agencies, namely publicly owned, privately owned, and overseas-owned is Assessed. It has been established that Indian banks have a lower effectivity rating than public sector banks and Foreign banks in India when compared to the rest of the globe. The current strategy of reducing non-performing Assets and explaining the body of personnel and branches may be continued in order to gain efficiency benefits And make Indian banks more internationally competitive, which is a primary intent of the Indian government.

III. DATA ANALYSIS AND INTERPRETATION

1. PROFITABILITY RATIO:

- *OPERATING PROFIT RATIO:*

YEAR	OPERATING PROFIT RATIO
2017-2018	-27.77
2018-2019	-19.51
2019-2020	-27.77
2020-2021	-29.54
2021-2022	-25.27

- *RETURN ON ASSET RATIO:*

YEAR	RETURN ON ASSET RATIO
2017-2018	-0.62
2018-2019	0.08
2019-2020	-0.26
2020-2021	0.24
2021-2022	0.48

2. LIQUIDITY RATIO:
- *CURRENT RATIO:*

YEAR	CURRENT RATIO
2017-2018	0.99
2018-2019	0.98
2019-2020	0.99
2020-2021	0.43
2021-2022	1.01

3. SOLVENCY OR LEVERAGE RATIO:
- *DEBT TO EQUITY RATIO:*

YEAR	DEBT EQUITY RATIO
2017-2018	436.87
2018-2019	172.51
2019-2020	33.64
2020-2021	34.44
2021-2022	55.09

Debt To Equity Ratio

(Chart: Canara Bank Debt To Equity Ratio)

- 2017-2018: 436.87
- 2018-2019: 172.51
- 2019-2020: 33.64
- 2020-2021: 34.44
- 2021-2022: 55.09
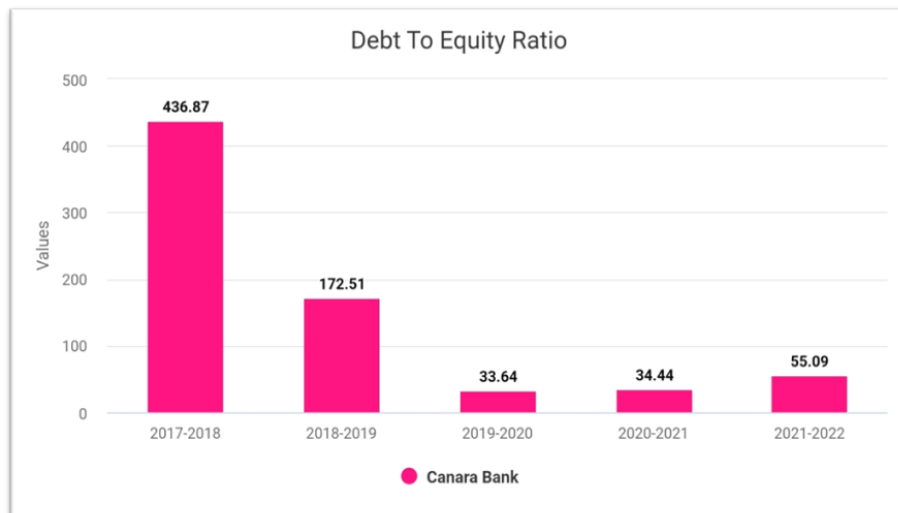
● Canara Bank

- *SHAREHOLDERS EQUITY RATIO:*

YEAR	SHAREHOLDERS EQUITY RATIO
2017-2018	6.43
2018-2019	3.57
2019-2020	6.45
2020-2021	6.25
2021-2022	6.09

IV. FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS:

The study made on Canara Bank following findings.

- Canara Bank has 100.00 retention ratio in the year 2017-2018. It shows that the bank has lead the money to customers.

- Canara Bank has Lowoperating profit ratio in the year of -29.54.

- The current ratio of Canara Bank is satisifactory, it has increased ratio of 1.01for Canara Bank in the year 2021-2022.

- Return on Capital employed of Canara Bankis highlygenerated profit in the year2021-2022 is 1.93.

- Canara Bank couldn't use it asset effectively.

- Canara Bank has paid low dividend payout ratio of 20.7% in last three years.

- Canara Bank has 0.48% of return on asset value so it could use its asset effectively.

- Net profit margin, Canara Bank has 8.20 high ratio in the year 2021-2022.

SUGGESSTIONS:

- Canara Bank should improve the capital position of the company. the bank may tighten the credit policy to the customers to reduce the debt collection period.

- Canara Bank has to focus on investing earnings and has to improve the financial position.

- Canara Bank has to make use of assets more effectively in overall period.

- Canara Bank should increase the rate of saving account.

- Canara Banks should provide loan at the lower interest rate and education loans should be given with ease without much documentation. All the banks must provide loans against shares.

- It is advisable that the company has to earn more profits by efficient use of capital employed.

CONCLUSION:

Canara Bank is one of the nationalized banks in the country. The present study was conducted with main objective of analyzing the financial performance of Canara bank and for this present study has taken five years financial statements. This included analyzing the working capital management, liquidity, profitability and solvency position of Canara Bank. The study reveals that the liquidity position and solvency position is not that much satisfactory. The study also indicates that they have incurred low profitability in the last five years. The working capital management of the company is in a good position. But still the bank runs in a good manner and the overall performance of the company is satisfactory.

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2   *AsitRanjanMohanty, et.al ., (2019*)Non-Performing Loans, Macroeconomic variables, Bank specific Variables, Corporate specific variables, System-GMM approach,Indian banking system JEL Classification: C23, G21, G28, O16

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