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A Study on Financial Performance of Canara Bank

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ABSTRACT:

"A study on financial performance of Canara bank" helps to analyses the financial performance the Canara Bank which is one of the leading public sector banks. The financial Performance of the bank is analysed by analysing the financial statements which means profit and loss Account and Balance Sheet of the bank. The data were collected from the official websites of the Bank and other websites and Journals. The purpose of this study is to assess the credit performance, liquidity Position and financial efficiency of the Bank.

KEYWORDS: Financial performance, Canara Bank, Public sector Banks.

INTRODUCTION:

Finance is a life blood of business it is required from the establishment of the business to liquidity or winding up of a business, so financial institutions played a very important role on the operation of the business.

Financial institutions such as banks, financial service companies, insurance companies, securities firms and credit unions have very different ways of reporting financial information. Running a bank is just difficult as analysing it for investment purposes.

Financial analysis is the process of analysing and interpreting financial statement. Analysing means simplifying the data and interpreting means explaining the meaning and significance of data simplified.

OBJECTIVES:

- To evaluate the financial stability of CANARA Bank.
- To make suggestion to management to improve the financial stability of the Bank institution.
- To find out the recent trend through the analysis of CANARA Bank.

SCOPE OF THE STUDY:

Both the internal and external user such as analysts, investor, creditor of the financial statement needs to evaluate Bank's profitability, liquidity, solvency. The most common method used for financial statement analysis are comparative statement, common size statement, fund flow statement and ratio analysis. To determine and asses the financial position and liquidity and solvency position of the Bank.

REVIEW OF LITERATURE:

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.

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.

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 estimates of NPLs showed significant negative relation indicating incidence of high NPLs this indicates increase in NPLs leads to decrease in ROA. The coefficient estimates of LQDT ratio showed significant negative relation indicating increase in loan to deposit ratio leads to decreases profitability. The coefficient estimates of CAR showed significant positive relation indicating incidence of high CAR results to upward movement of profitability. The coefficient estimates of GDP showed insignificant negative relation indicating rise in GDP results to decrease in ROA whereas GDP cannot explain the profitability of banks.

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.

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.

STATEMENT OF PROBLEM:

Financial Analysis enables the investors and the creditors evaluate the past and the current performance, financial position, and to predict future performance and it is also 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.

PROFILE OF THE BANK:

CANARA BANK is an Indian public sector bank based in Bangalore, India. Established in 1906 at Mangalore by Ammembal Subba Rao Pai. It is one of the oldest public sector banks in country. The Government of India Nationalized the Bank in the year 1968. As of 31 March 2019, the bank has a network of 6310 branches and more than 8851 ATMs spread across 4467 centres. The Bank also has offices abroad in London, Hong Kong, Moscow, Shanghai, Dubai, Tanzania, and New York as well. As per the announcement made by Finance Minister Nirmala Sitharaman on 30 August 2019, Canara Bank will be anchoring bank for Manipal based Syndicate Bank and this merger is expected to come to force from 01 April 2020 making it the fourth largest Bank in the Country.

- In 1958, the Reserve bank of India had ordered Canara Bank to acquire G. Raghumathmul Bank, in Hyderabad.
- In 1870, the bank was established.
- In 1925, Canara bank converted to a limited company. At the time of the acquisition G. Raghumathmul Bank had five branches.
- In 1961, the merger took effect and in later 1961, Canara Bank acquired Trivandrum Permanent Bank.
- In 1899, 7th February Trivandrum Permanent Bank had been founded and had 14 branches at the time of the merger.

- In 1963, Canara Bank acquired four banks namely The Sree Poornathrayeesa Vilasam Bank, Thirppunithura, Arnad Bank, Tiruchirappalli, Cochin Commercial Bank, Cochin, and Pandyan Bank, Madurai.
- In 1923, 21st February the Sree Poornathrayeesa Vilasam Bank had been established and at the time of its acquisition it had 14 branches.
- In 1936, 3rd January the Cochin Commercial Bank had been established and at the time of its acquisition had 13 branches.
- In 1942, 23rd December the Arnad Bank had been established and at the time of its acquisition had only one branch.
- In 1969, 19thJuly the government of India nationalised Canara Bank, along with 13 other major commercial banks of India.
- Karkala Pulkeri Janardhan Prabhu (KPJ Prabhu) served as chairman of the Bank post nationalisation of the Canara bank in 1969 by Government of India.
- In 1976, Canara Bank inaugurated its 1000th branch.
- In 1985, Canara Bank acquired Lakshmi Commercial Bank in a rescue.
- In 1996, Canara Bank became the first Indian Bank to get ISO certification for "Total Branch Banking" for its Seshadripuram branch in Bangalore. Canara Bank has now stopped opting for ISO certification of branches.
- In 2019, Finance Minister Nirmala Sitaraman announced that Syndicate Bank would be merged with Canara bank. The proposed merger would create the fourth largest public sector bank in the country with total business of ₹15.20 lakh crore (US$190 billion) and 10,324 branches. The Board of Directors of Canara Bank approved the merger on 13 September.
- In 2020, 4th march the Union Cabinet approved the merger
- In 2020, 1st April the merger was completed with Syndicate bank shareholders receiving 158 equity shares in the former for every 1,000 shares they hold.

LIMITATION OF STUDY

- This study investigated only for five-year period.
- Unavailability of full-fledged data from the firm.
- The analysis and interpretation are based on secondary data contained in the published annual report of CANARA Bank for the study period.

ANALYSIS AND INTERPRETATION OF DATA

CURRENT RATIO

Current ratio defined as the relationship between current assets and current liabilities. This ratio measures general liquidity and it is most widely used to make the analysis of a short-term financial position or liquidity of a firm. It is calculated by dividing the total of current assets by total of current liabilities. The thumb rule for a current ratio is 2:1.

CURRENT RATIO = CURRENT ASSET / CURRENT LIABILITIES

Current Assets would include cash, cash equivalents, accounts receivable, stock inventory, marketable securities, pre-paid liabilities, and other liquid assets. Current assets may also be called current accounts.

Current liabilities are a company's short-term financial obligations that are due within one year or within a normal operating cycle.

TABLE SHOWING CURRENT RATIO

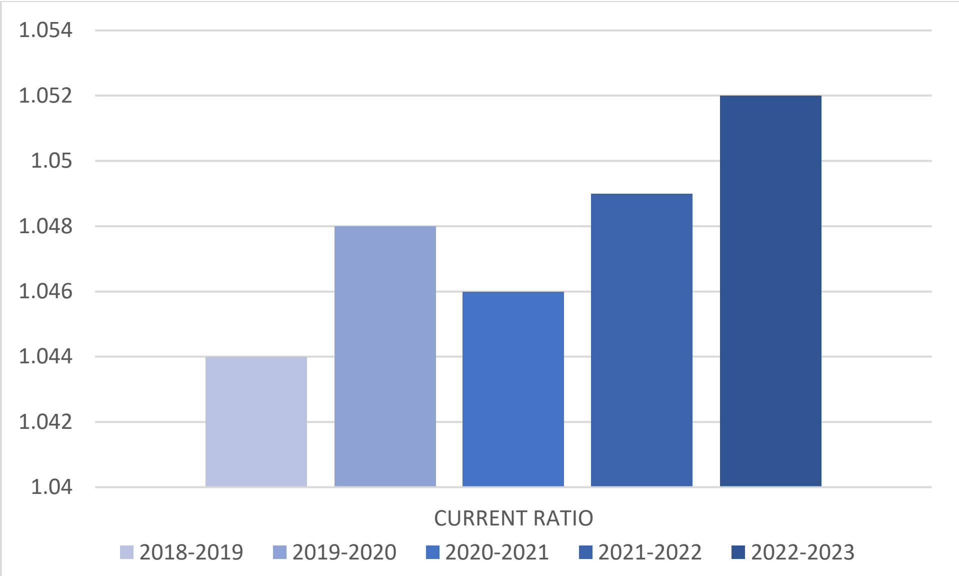
YEAR	CURRENT ASSET	CURRENT LIABILITIES	CURRENT RATIO
2018-2019	7,03,350.03Cr	6,73,425.70Cr	1.044
2019-2020	7,33,116.92Cr	6,99,504.22Cr	1.048
2020-2021	11,68,268.42Cr	11,16,336.63Cr	1.046
2021-2022	12,46,213.84Cr	11,86,877.52Cr	1.049
2022-2023	13,70,695.60Cr	13,02,072.02Cr	1.052

SOURCE: SECONDARY DATA

INTERPRETATION

The above table represent the level of current ratio from 2019 to 2023. In the year 2018- 19 the current ratio is 1.044 then it increased in the next year 2019-20 at 1.048, it decreased gradually in the year 2020-21 at 1.046. In the next year 2020-21, it increased to 1.049 and during 2021-22 it increased and reached to 1.052.

CHART SHOWING CURRENT RATIO



ABSOLUTE LIQUID RATIO

This ratio measures the total liquidity available to the company. This ratio only considers marketable securities and cash available to the company. This ratio only tests short-term liquidity in terms of cash, marketable securities, and current investment.

ABSOLUTE LIQUID RATIO = CASH+SHORT TERM INVESTMENT /

CURRENT LIABILITIES

TABLE SHOW ABSOLUTE LIQUID RATIO

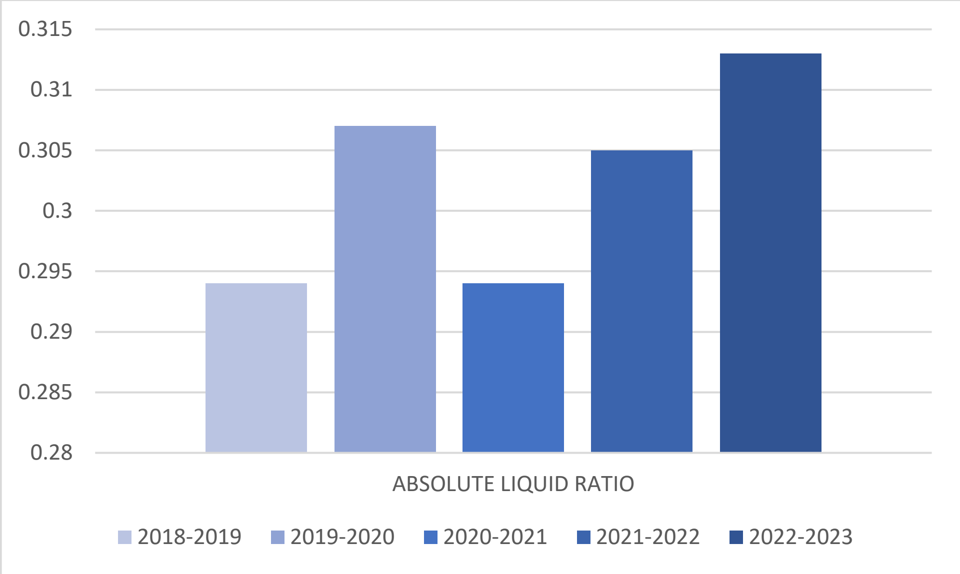
YEAR	ABSOLUTE LIQUID ASSET	CURRENT LIABILITIES	ABSOLUTE LIQUID RATIO
2018-2019	1,98,599.48Cr	6,73,425.70Cr	0.294
2019-2020	2,15,218.33Cr	6,99,504.22Cr	0.307
2020-2021	3,29,307.19Cr	11,16,336.63Cr	0.294
2021-2022	3,62,984.32Cr	11,86,877.52Cr	0.305
2022-2023	4,07,937.94Cr	13,02,072.02Cr	0.313

SOURCE: SECONDARTY DATA

INTERPRETATION

The above table represent the level of absolute liquid ratio of the bank from 2019 to 2023. In the year 2018-19 the absolute liquid ratio is 0.294 then it increased in the next year 2019-20 at 0.307, it decreased gradually in the year 2020-21 at 0.294. In the next year 2020-21, it increased to 0.305 and during 2021-22 it increased and reached to 0.313.

CHART SHOWING ABSOLUTE LIQUID RATIO



SUGGESTION

As the current ratio was less than the ideal ratio 2:1 in Canara bank and therefore the bank needs to increase the current ratio by investing more in current asset or by decreasing the value of current liabilities so that the bank can able to maintain the standard ideal ratio.

CONCLUSION

The main purpose of this study is to analyse the financial performance of Canara bank for the period of 2019-2023. The tools used to evaluate the performance of the bank are ratio analysis, comparative balance sheet and cash flow statement. Though the current asset of the bank is not satisfactory but still it maintains its solvency position of the year. If the expenses and other liabilities are reduced the bank can increase the profit.

In future period, the bank takes the essential step by following the suggestion to improve the profitability and liquidity position of the financial institution. The study was undertaken with the objective of evaluating the financial performance of the selected unit. In conclusion the overall financial position of the bank is satisfied.

REFERENCE:

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.

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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