

FINANCIAL PERFORMANCE OF CANARA BANK

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Abstract : Banking system occupies an important place in a nation's economy. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core of the money market in an advanced country. The phenomenon of globalization brought about significant changes in terms of products and services that are being offered to Indian customers and consequently the complexion of the banking sector in India too underwent a note worthy change in the last decade. The emergence of new private sector and foreign banks is one of the major challenges before the public sector commercial banks in India and this prompted the Indian banking industry to reckon with the challenges posed by the competition while rendering services to the customers. Canara Bank is one of the largest public sector banks owned by the Government of India. Its headquarter is in Bengaluru. It was established at Mangalore in 1906 by Ammembal Subba Rao Pai. It is one of the oldest public sector banks in the country. The government nationalized the bank in 1969. As of 30 October 2017, the bank had a network of 6639 branches and more than 10600 ATMs spread across all over India. The bank also has offices abroad in London, Hongkong, Moscow,Shangai, Doha, Bahrain, South Africa, Dubai, Tanzania and New York.

IndexTerms- Banking system, Financial analysis , Financial Ratios.

I. INTRODUCTION

Banking system occupies an important place in a nation's economy. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core of the money market in an advanced country. The phenomenon of globalization brought about significant changes in terms of products and services that are being offered to Indian customers and consequently the complexion of the banking sector in India too underwent a note worthy change in the last decade. The emergence of new private sector and foreign banks is one of the major challenges before the public sector commercial banks in India and this prompted the Indian banking industry to reckon with the challenges posed by the competition while rendering services to the customers. Canara Bank is one of the largest public sector banks owned by the Government of India. Its headquarter is in Bengaluru. It was established at Mangalore in 1906 by Ammembal Subba Rao Pai. It is one of the oldest public sector banks in the country. The government nationalized the bank in 1969. As of 30 October 2017, the bank had a network of 6639 branches and more than 10600 ATMs spread across all over India. The bank also has offices abroad in London, Hongkong, Moscow,Shangai, Doha, Bahrain, South Africa, Dubai, Tanzania and New York.

1.1.1.STATEMENT OF THE PROBLEM

Banking industry has started to occupy an important place in the life of different types of people including a common man. It is no longer considered as a luxury. It has become a necessity. In our country, banking service is provided by the public sector banks, as well as cooperative, private and foreign sector banks. The reserve bank of India regulates the banking service industry.

1.1.2. OBJECTIVE OF THE STUDY

- To study the about Canara Bank.
- To analyze the financial statements of Canara Bank.
- To find out the recent financial position of Canara Bank.

1.1.3.METHODODLOGY

1.2.1 SOURCES OF DATA

Secondary data are used in this study, which were collected from the various books, journal, magazines and websites.

1.2.2. PERIOD OF THE STUDY

The present study covers a period from 2013-2014 to 2017-2018.

1.2.3. FRAME WORK OF ANALYSIS

Analyzing the performance of a company can be done through a careful and critical analysis of financial statements. The two important statements are 'Balance sheet' and 'Profit and Loss account'. It indicates the operating results and financial position of the concern, therefore analyzing and interpreting these statements, performance can be appraised .in the light of the above. It is a preliminary step towards the financial evaluation of results drawn by the analyst towards appraisal and evaluation. preparation of financial statement is not end the purpose of preparing these statements are to determine significance and meaning of the financial data. This study various financial ratios and variables have been used to examine the objective of the study.

1.2.4. SCOPE OF THE STUDY

The study is designed to assess the financial performance of Canara Bank through modern tools and techniques of financial analysis. The study is based on the financial statements and data of Canara Bank issued in various journals, magazines and web sites.

1.2.5. LIMITATIONS OF THE STUDY

The study covers a period of five years from 2013-14 to 2017-18. Secondary data were collected from various books, journal, magazines and websites.

II.REVIEW OF LITERATURE

1. Eichengreen and Gupta (2012) state that the Indian banking system was initially thought to be insulated from the global financial crisis owing to heavy public ownership and conservative management. However, some banks experienced a deposit flight, as depositors reallocated their money towards government-owned banks, specifically towards the State Bank of India, the largest public sector bank. After 2010, public banks thus experienced slower credit growth, lower returns, deteriorated asset quality and higher provisioning after the financial crisis. Hence, there is no sign of greater stability or returns for public sector banks in the recovery period following the crisis.

2. Sinha (2012) opines that the Indian banking sector withstood the spill over effects of the global financial crisis as was evident in the robust CRAR (13.58 %) and Tier 1 CRAR (Capital to Risk Weighted Assets Ratio) which remained far above the stipulated regulatory minimum of 9 %. However the effects of the crisis were visible in the credit growth of banking sector as the Y-o-Y growth in advances fell from 28.5 % in March 2007 to 12.3 % by Sept 2009 while the figures for assets were 22.9 % and 15.1 % during the same period.

3. Srinivas K.,Saroja L.(2013), Compared and analyzed the Financial Performance of SBI and CANARA Bank . For the purpose of analysis of comparative financial performance of the selected banks using CAMELS model with test. The result showed that there is no significance difference between the CANARA and SBI bank financial performance but the CANARA bank performance is slightly less compared with SBI.

III. FINANCIAL ANALYSIS OF CANARA BANK

PROFITABILITY RATIOS

The Profitability ratios measures the overall performance and effectiveness of the firm.

3.1.NET PROFIT RATIO

Net profit ratio (NP ratio) expresses the relationship between net profit after taxes and sales. This ratio is a measure of the overall profitability net profit is arrived at after taking into account both the operating and non-operating items of incomes and expenses. The ratio indicates what portion of the net sales is left for the owners after all expenses have been met.

3.1. Net profit ratio

$$\text{Net profit} = \text{Net profit} / \text{sales} * 100$$

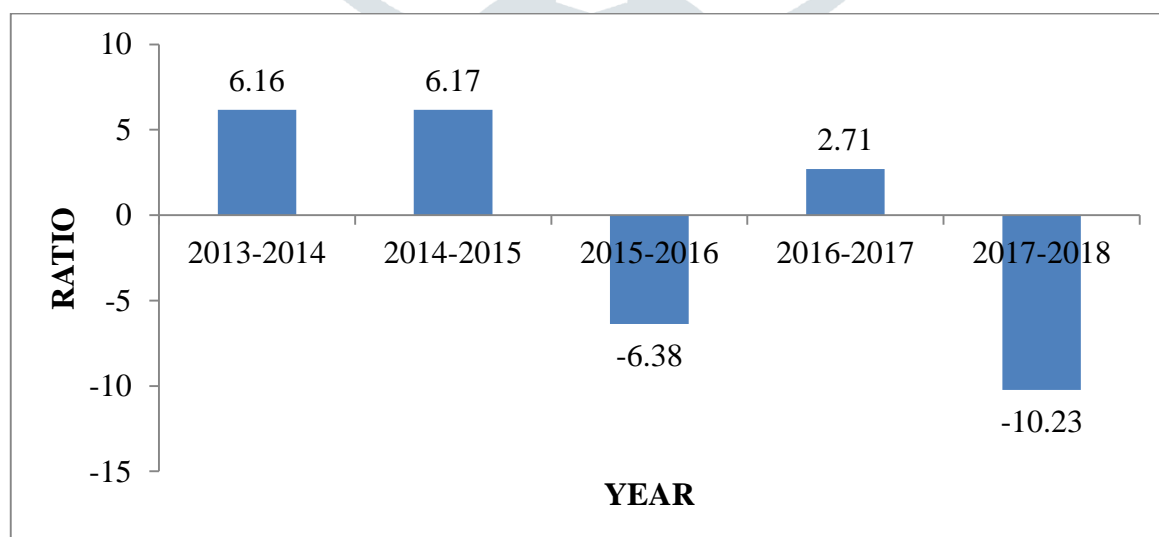
Year	Net Profit	Sales	Ratio
2013-2014	2438.19	39547.61	6.16
2014-2015	2702.62	43750.04	6.17
2015-2016	-2812.82	44022.14	-6.38
2016-2017	1121.92	41387.64	2.71
2017-2018	-4222.24	41252.09	-10.23

Source: Computed

INFERENCE:

The above table shows the Net profit ratio of the Canara Bank . The Net profit ratio was ranges from 6.16 to -10.23 during the study period 2013-14 to 2017-18.

NET PROFIT RATIO



3.2. PROFIT AND LOSS ACCOUNT RATIOS

INTEREST EXPENDED / INTEREST EARNED

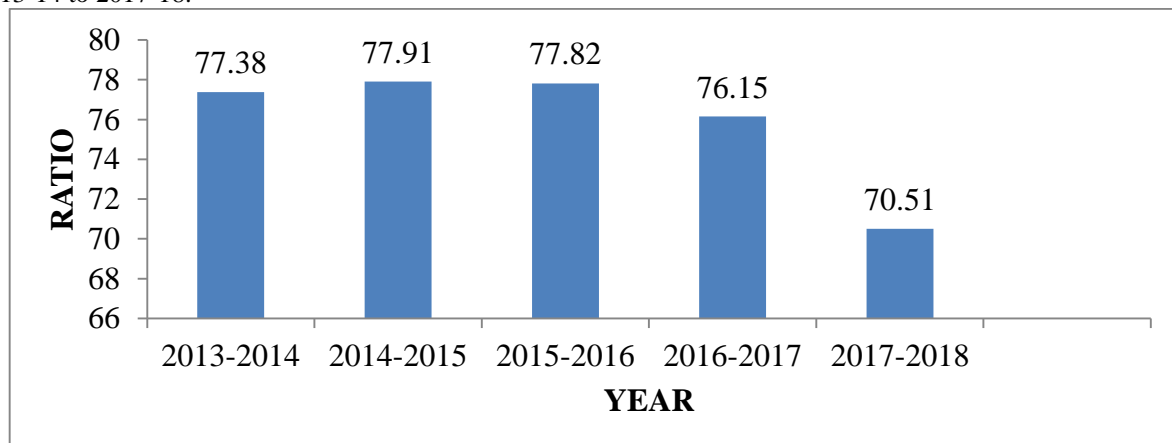
Interest Expended / Interest Earned * 100

Year	Interest Expended	Interest Earned	Ratio
2013-2014	30603.17	39547.61	77.38
2014-2015	34086.37	43750.04	77.91
2015-2016	34258.77	44022.14	77.82
2016-2017	31515.87	41387.64	76.15
2017-2018	29088.76	41252.09	70.51

Source: Computed

INFERENCE:

The above table shows the proprietary ratio position of the Canara Bank. The ratio was ranges from 77.38to 70.51during the study period 2013-14 to 2017-18.



3.3. OTHER INCOME / TOTAL INCOME

Other Income / Total Income *100

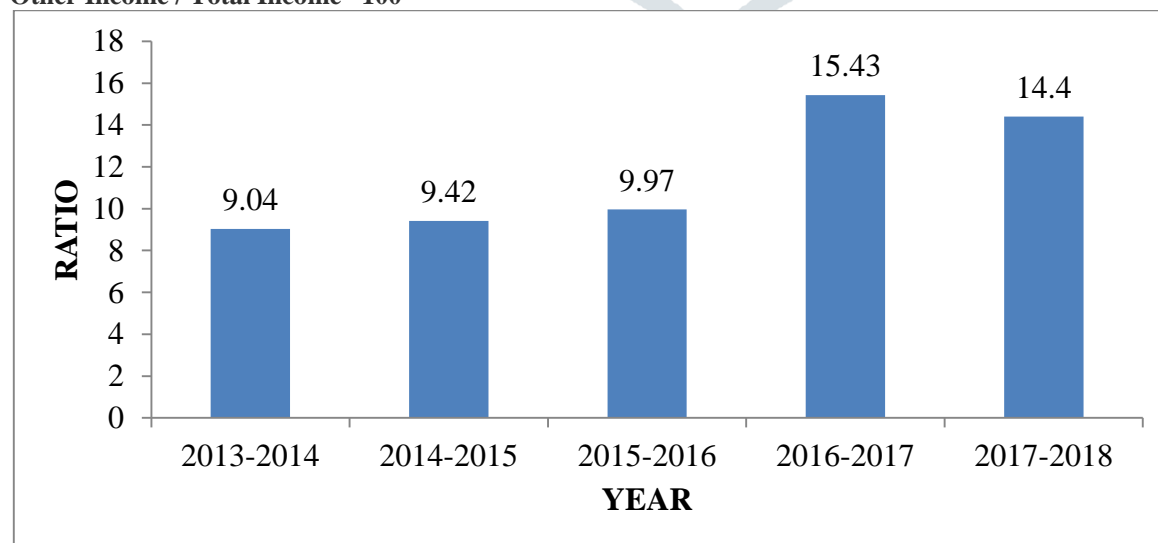
Year	Other Income	Total Income	Ratio
2013-2014	3932.76	43480.37	9.04
2014-2015	4550.25	48300.29	9.42
2015-2016	4875.23	48897.37	9.97
2016-2017	7554.40	48942.04	15.43
2017-2018	6942.85	48194.94	14.40

Source: Computed

INFERENCE:

The above table shows the Ratio position of the Canara Bank. The Ratio ranges from 9.04 to 14.40 during the study period 2013-14 to 2017-18.

Other Income / Total Income *100



3.4. Operating Expense / Total Income

Operating Expense / Total Income *100

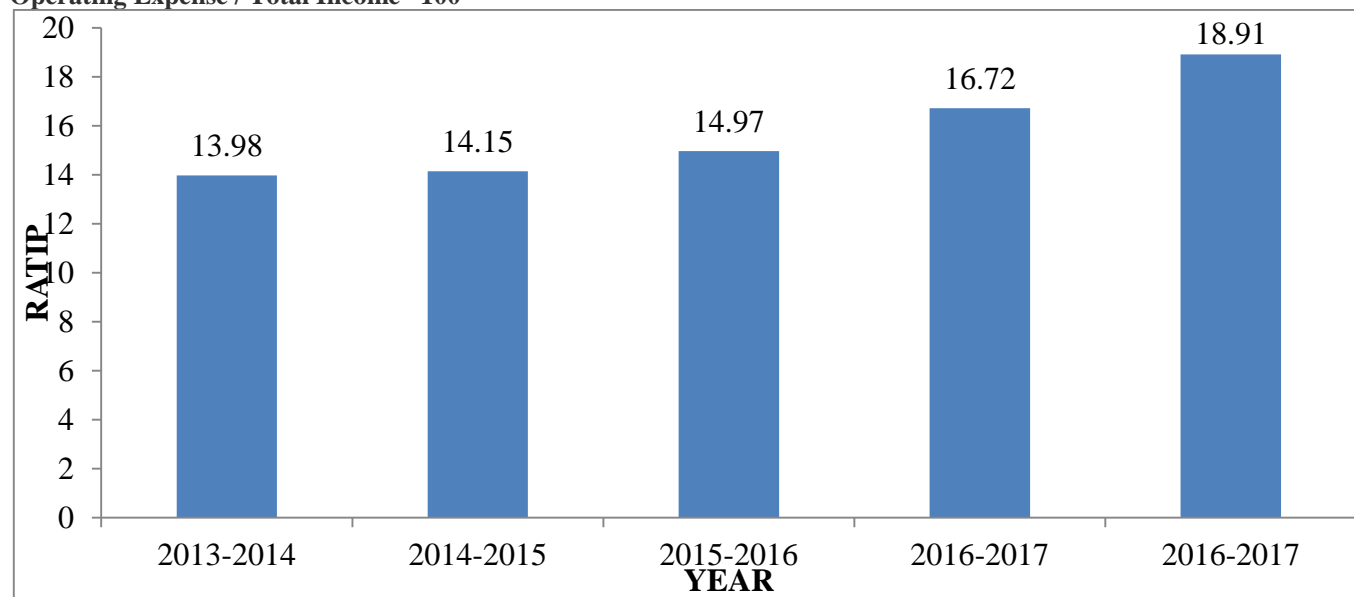
Year	Operating Expense	Total Income	Ratio
2013-2014	6081.07	43480.37	13.98
2014-2015	7263.56	48300.29	14.15
2015-2016	7491.93	48897.37	14.97
2016-2017	8512.28	48942.04	16.72
2016-2017	9557.95	48194.94	18.91

Source: Computed

INFERENCE:

The above table shows the ratio of Canara Bank. The Ratio ranges from 13.98 to 18.91 during the study period for the study period 2013-14 to 2017-18.

Operating Expense / Total Income *100



3.5. DEBT COVERAGE RATIOS

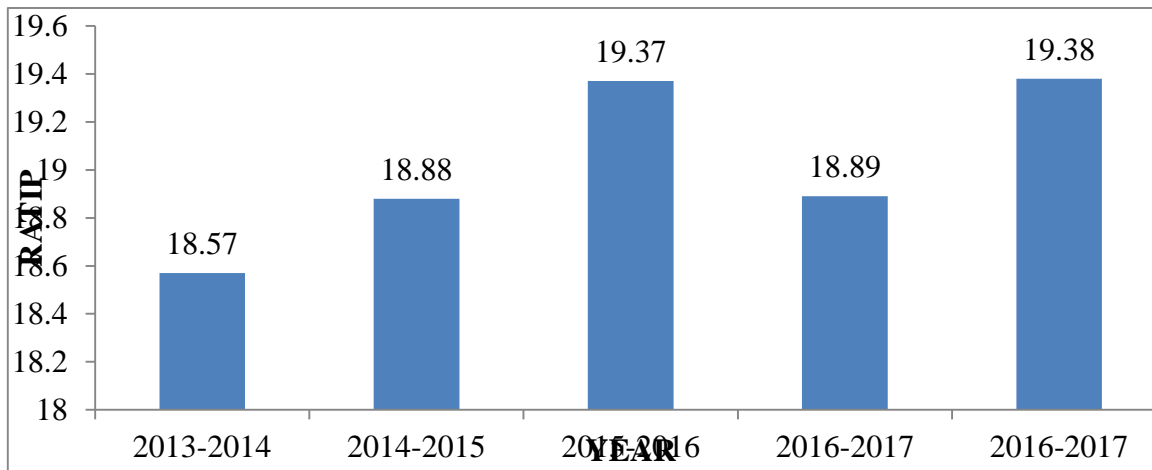
Total Debt / Owners Fund

Year	Total Debt	Owners Fund	Ratio
2013-2014	447953.46	24121.86	18.57
2014-2015	499511.67	26453.38	18.88
2015-2016	506664.88	26158.54	19.37
2016-2017	534778.80	28312.39	18.89
2016-2017	563580.37	29080.10	19.38

Source: Computed

INFERENCE:

The above table shows the ratio of Canara Bank. The Ratio ranges from 18.57 to 19.38 during the study period for the study period 2013-14 to 2017-18.



IV. SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSIONS

Performance of a company measured in financial terms, the success of the firm depends on how it is perceived by and reacts to the external economics markets. The field of managing fiancé is much more complicated and faster faces today. Financial managers need to know how effective decisions can be made and ineffective ones be avoided.

The present study is concerned with financial analysis of Canara Bank for a period of five years during 2013-14 to 2017-18. This chapter optimizes the major findings, suggestions and conclusions for efficient utilization with respect to Canara Bank.

FINDINGS

- The Net profit ratio of the Canara Bank was ranges from 6.16 to -10.23 during the study period 2013-14 to 2017-18.
- PROFIT AND LOSS ACCOUNT RATIOS
- Interest expended / Interest earned ratio. The ratio was ranges from 77.38to 70.51during the study period 2013-14 to 2017-18.
- Other Income / Total Income Ratio .The Ratio ranges from 9.04 to 14.40 during the study period 2013-14 to 2017-18.
- Operating Expense / Total Income . The Ratio ranges from 13.98to 18.91during the study period for the study period 2013-14 to 2017-18.
- Debt Equity ratio of Canara Bank shows the ranges from 18.57 to 19.38during the study period for the study period 2013-14 to 2017-18.

V SUGGESTIONS

The profitability of the bank for the period under study is not satisfactory. Profits are increasing but not with same pace as of the expenditure due to higher reliance on debt capital in the form of borrowings and loans for financing capital structure. So in order to improve profitability, the bank should reduce its dependence on external equities for meeting capital requirements. It suggests that the credit performance of bank is good and it is performing its business well by fulfilling the major objective of granting credit and accepting deposit. So in order to have more creditability in the market the bank should maintain its credit deposit ratio. Bank should try to finance more and more projects. Financing will help it to earn higher amount of profits. The bank is having a greater reliance on debt capital. To achieve the objective of Rural development it should open more and more branches in different rural areas of the country. It will facilitate in providing help to rural poor farmers and other living below the poverty line. The bank should simplify the procedure of advances for quick disbursement. To achieve organizational success a proper independent working atmosphere should be developed to achieve desired objective more effectively.

VI CONCLUSION

On the basis of various techniques applied for the financial analysis of CANARA Bank we can arrive at a conclusion that the financial position and overall performance of the bank is satisfactory. Though the income of the bank has increased over the period but not in the same pace as of expenses. But the bank has succeeded in maintaining a reasonable profitability position. Equity shareholders are enjoying an increasing trend in the return on their capital.

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