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## A STUDY ON FINANCIAL PERFORMANCE OF CANARA BANK WITH SPECIAL REFERENCE TO COIMBATORE CITY

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### **Abstract**

Finance function is defined as the procurements of funds and their effective utilization. Finance is that business activity which is concerned with the acquisition and conservation of capital fund in meeting financial needs an overall objective of a business enterprise. Banking is a vast subject many economic researchers have studying and focusing their attention on various spheres of banking. The objective of the study is to analyze the financial performance of Canara Bank in Coimbatore City. For analysis the tools used are financial statement analysis, Trend analysis & Ratio Analysis has been used. It is found that Fixed and current deposits have shown an increasing trend. Equity shareholders are also enjoying an increasing trend in the return on their capital. Though current assets and liabilities (current liquidity) of the bank is not so satisfactory but bank has succeeded in maintaining a stable solvency position over the years.

**Keywords:** Financial performance, Canara Bank

### **Introduction**

Finance is regarded as the life blood of a business enterprise. This is because in the modern money - oriented economy, finance is one of the basic foundations of all kinds of economic activity. It is the master key which provides access to all sources of being employed in manufacturing and merchandising activities. It has rightly been said that business needs money to make more money, only when it is properly managed. In general finance may be defined as the provision of money at the time it is wanted. However, as a management function it has a special meaning finance function may be defined as the procurements of funds and their effective utilization. Sources of authoritative definition as follows:

“Business finance is that business activity which is concerned with the acquisition and conservation of capital fund in meeting financial needs an overall objective of a business enterprise”. Harward and Upten says “Finance is an administrative area or set of administrative functions in an organization which relate with arrangement of Cash and credit so that the organization may have the means to carry out its objectives as satisfactory as possible”.

### **Statement of Problem**

Banking is a vast subject many economic researchers have studying and focusing their attention on various spheres of banking. The studies available on the performance of commercial banks are minimum in number. There are, still many unexplored areas that are

needed to be explored. In their context "Financial performance of Canara Bank "is selected for the present study. This study is meant to assess the performance of commercial banks with special reference to Canara Bank in terms of branch expansion, deposit mobilization, credit expansion and priority sector advance and also in the light of objectives of nationalization.

### **Objective**

- To study the products and services in CANARA Bank.
- To analyses the financial statements of the corporation to assess its true financial position by the use of ratios.
- To find out the recent Trend through the analysis of CANARA Bank.
- To suggest some of the measures to CANARA Bank for future development.

### **Limitations of the Study**

- Difficulty in data collection.
- The analysis and interpretation are based on secondary data contained in the published annual reports of CANARA Bank for the study period.
- Due to the limited time available at the disposable, the study has been confined for a period of 5 years (2012-2016).
- Inter firm comparison was not possible due to the non-availability of competitor's data.
- The study of financial performance can be only a means to know about the financial condition of the company and cannot show a through picture of the activities of the company.

### **Tools used for the Study**

Sample percent experience statistical tool are used to analyze the collected primary data. The researcher has used the following tools for analyzing and interpreting the data.

- Financial statement analysis
- Trend analysis

### **Reviews**

- Sai Naga Radha V (2013), concluded that net profit margin, operating profit margin, return on capital employed, return on equity and debt equity ratio there is no significant difference in these ratios before after merger. Significant difference with respect to gross profit margin.
- 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.
- Anitha.J (2013): Studied to analyze to study on the performance of Ambasamudram cooperative urban bank. The overall performance of the bank by referring the audited

balance sheets of the bank. The performance of the using percentage method, ratio analysis method. She concluded that short term and long term loans and advances decreased considerably .the bank could take necessary steps to increase the medium term loans and advances as to increase the profit.

### Introduction about the Bank

Canara Bank is an Indian state-owned bank headquartered in Bangalore, Karnataka. It was established at Mangalore in 1906, making it one of the oldest banks in the country. The government nationalized the bank in 1969.as of September 2016; the bank had a network of 5849 branches and more than 10026. ATM" s spread across India. The bank also has offices abroad in London, Hong Kong, Moscow, Shanghai, Doha, Bahrain, South Africa, Dubai, Tanzania and New York

### Analysis and Interpretation

Particulars	2012-2013		2013-2014		2014-2015		2015-2016	
	Absolute change	% of change	Absolute change	% of change	Absolute change	% of change	Absolute change	% of change
Capital	153.08	14	9.51	0.8	213.34	17	0.61	.04
Reserves and surplus	9502.96	80	2097.76	10	21943.61	94	3062.2	7
Deposits	65264.39	65	65427.02	40	13920.86	6	(26083.23)	(11)
Borrowings	4977.41	15	12734.12	33	14392.4	28	1675.26	25
Other Liabliites and Provisions	3831.71	18	13000.76	51.5	4666.75	12	851.04	2
Total Capital and Liabilities	83729.55	50	93269.17	37	55136	16	(20494.12)	(5.1)
<b>Assets</b>								
Investment	21060.04	42	19710.45	27.5	20196	22	(8396.03)	(7.5)
Advances	54757.96	60	49702.49	34	29750.48	15	(7305.23)	(3.25)
Fixed Assets	(57.32)	(1.4)	(57.3)	(1.4)	185.47	5	(307.27)	(7.5)
Capital Work in Progress	51.64	54	41.72	28.2	(189.66)	-100	0.00	0.00
Current Assets	7917.23	37	23871.8	81	5194.17	10	(4485.58)	(8)
Total Assets	83729.55	50	93269.16	37	55136.96	16	(20494.11)	(5.1)

### Products and Services

Saving Accounts, Current Account, Salary Accounts, Fixed deposits, Security Deposits, Home Loan, Credit Cards, Debit Cards, Forex Services, NRI Services, Online Services

### Interpretation

- The capital of bank increased by 14% in 2012-13, 0.8% in 200613-14, 17% in 2014-15, and 0.04 % in 2015-16. This shows that there is fluctuation in the rate of increase in the capital.
- In 2012-13 and 2014-15 the rate of increase in capital is more than that of 2013-14 and 2015-16.
- There is a huge fluctuation in the rate of increase in reserves and surplus also. This shows that bank is effectively utilizing its reserves and surplus.
- In 2012-13 deposits increase by 65%, in 2013-14 it increased by 40% and an increase of 6% in 2014-15. In 2015-16 deposits fall by 11%. This shows that the bank has replayed its deposits in this year.
- The borrowings are also showing a fluctuating rate of increase.in2015-16 the borrowings have increased at a very low rate. This shows that bank has repaid a large amount of borrowings in this year and thereby reducing the dependence on outside debt The investments are also increasing but with lower rates compared to the preceding years.
- Similarly advances rose by 60% in 2012-13, an increase of 34% in 2013-14, 15% increase in 2014-15 and finally decreased by 3.25% in 2015-16.
- There has been a consistent decline in the fixed assets over years in 2012-13 and 2013-14 it decreased by 1.4%, increased by5% in 2014-15 and again decreasing by 7.5% in 2015-16 this is mainly due to increase in the rate of depreciation in the subsequent years.
- A huge fluctuation is revealed from current assets. It increased by 37% in 2012-13, rate of increase rose to 80% in 2013-14 and then the it increased at a much lower rate i.e. at 10%. This shows that the bank is effectively utilizing its working capital. There is a fall in current assets in 2015-16 by 8 %. This is mainly due to their payment of deposits in the years 2015-16.

### Trend Analysis

**Trend Percentage of Canara Bank from 2012-2013 to 2015-2016**

Particulars	2012	2013	2014	2015	2016
Deposits	100	165	231	245	219
Advances	100	160	214	247	239
Net profit	100	127	155	207	187

### Interpretation

- There is a continuous increase in the deposits till the year ending 2015 followed by a down fall in the year ending 2016 due to repayment of deposits in this year.
- Similarly advances also shows as increasing trend till the year ending 2015 followed by a slight downfall in the year ending 2016.
- There has been a substantial increase in net profit till the year ending 2015.In four years it has been more than double.
- The overall performance of the bank is satisfactory.

### Ratio Analysis

- **CURRENT RATIO:** Current Ratio of CANARA BANK for The Period of 2012 - 2016

Year	Current Assets	Current Liabilities	Current Ratio
2012	21632.56	21396.16	1.01
2013	29549.79	25227.88	1.17
2014	53421.59	38228.64	1.39
2015	58615.76	42895.38	1.36

### Interpretation

An ideal solvency ratio is 2. The ratio of 2 is considered as a safe margin of solvency due to the fact that if current assets are reduced to half (i.e.) 1 instead of 2, then also the creditors will be able to get their payments in full. But here the current ratio is less than 2 and more than 1 which shows that the bank has current assets just equal to the current liabilities which are not satisfactory as the safety margin is very less or zero. Therefore, the bank should keep more current assets so that it can maintain a satisfactory safety margin.

- **LIQUID RATIO:** Liquid Ratio of CANARA BANK for the period of 2012 - 2016

Year	Quick Assets	Current Liabilities	Current Ratio
2012	12929.97	21396.16	0.6
2013	17040.22	25227.88	0.67
2014	37121.33	38228.64	0.97
2015	38041.13	42895.38	0.88

### Interpretation

A quick ratio of 1:1 is considered favorable because for every rupee of current liability, there is at least one rupee of liquid assets. A higher value of ratio is considered favorable. Here this ratio is less than 1 in 2012, 2013 & 2016 but in 2014 & 2015 it is close to 1 which is not satisfactory. This means the bank has not managed its funds properly in this particular period. Therefore, bank should rationally utilize its funds to maintain an ideal liquid ratio.

- **NET PROFIT RATIO:** Net Profit Ratio of CANARA BANK for the period of 2012-2016

Year	Net Profit	Sales	Net Profit Ratio
2012	2005.2	9409.9	21.3
2013	2540.07	13784.49	18.42
2014	3110.22	22994.29	13.52
2015	4157.73	30788.34	13.5
2016	3758.13	31092.55	12.08

### Interpretation

Although both the sales and net profit have increased during the above period but the Net Profit Ratio of the bank is declining continuously. This is because of the reason that net profits have not increased in the same proportion as of the sales.

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- **OPERATING PROFIT RATIO:** Operating Profit Ratio of CANARA BANK for the period of 2012 – 2016

Year	operating Profit	Sales	operating Ratio
2012	2956	9409.9	31.41
2013	4690.67	13784.49	34.02
2014	5874.4	22994.29	25.54
2015	7960.69	30788.34	25.85
2016	8925.23	31092.55	28.7

### Interpretation

In the year 2005 & 2006 the operating profit is 31.41% & 34.02% respectively. After that it has been consistently declined from the year 2007 till 2008 and again gaining momentum in 2009. This may be due to the reason that operating expenses have been increased more as compared to sales during the above period consequently reducing the operating profits. Therefore the and should check on unnecessary operating expenses to correct this situation and to provide a sufficient return.

### Suggestions

Although the short term liquidity position is quite satisfactory as per revealed by liquid ratio but the current ratio is below the ideal ratio of 2:1. So the bank should make efforts to increase its current assets to maintain a safety margin and to maintain a better liquidity position.

- 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. Consequently, the interest expenses will decline and profits will increase which is good for the bank. Similarly, non-productive expenses should be curtailed to improve profitability.
- Higher trend of credit deposit ratio reveals that the bank has performed satisfactorily as regard to granting loans and advances to generate income. 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.
- Though the bank has been successful in increasing its deposits but to further improve upon such situation it can introduce some new and attractive schemes for public. Such schemes can be in the form of higher rate of interest and shorter maturity period for FD" s etc.
- 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. The increasing reliance on external equities may prove hazardous in the long run. So in order to remedy this

situation bank should increase its focus on internal equities and other sources of internal financing.

- Bank can also think for improving its day-to-day service to its clients. Such service can be improved by providing prompt service and showing an attitude of co-operation to its clients. It will help to give a kind of confidence to the public and build a better public image.
- 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. Bank can appoint commission agents for different area who can encourage general public to invest in the capital of the bank and make more deposits in CANARA Bank.
- 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.
- Last but not least, bank should adopt branch automation experiment to control the operational cost.

## 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. The bank has succeeded in increasing its share capital also which has increased around 50% in the last 5 years. Individuals are the major shareholders. The major achievement of the bank has been a tremendous increase in its deposits, which has always been its main objective.

Fixed and current deposits have also shown an increasing trend. Equity shareholders are also enjoying an increasing trend in the return on their capital. Though current assets and liabilities (current liquidity) of the bank is not so satisfactory but bank has succeeded in maintaining a stable solvency position over the years. As far as the ratio of external and internal equity is concerned; it is clear that bank has been using more amount of external equity in the form of loans and borrowings than owner's equity. Bank's investments are also showing an increasing trend. Due to increase in advances, the interest received by the bank from such advances is proving to be the major source of income for the bank.

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