

# STUDY OF FINANCIAL PERFORMANCE EVALUATION OF CANARA BANK OF INDIA

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## ABSTRACT

The term "performance" comes from the verb "perform," which can be translated as "do" or "carry out" or "render." It alludes to the act of carrying out something; to the accomplishment, fulfilment, etc. Ratio analysis is the study and interpretation of numbers seen in financial accounts, the impact of which is typically proportional to the equity share of the shareholder's capital. Pre- and post-merger bank performance is often positive and improving. The majority of research findings indicate that M&As have been somewhat successful in the Indian banking sector. Therefore, the focus of this study is on the impact of Canara Bank's post-merger performance in India. It is crucial to a country's economic development and acts as the foundation of the money market in a developed country.

**KEYWORDS:** *Financial Performance, Ratio Analysis, Trend Analysis, Balance Sheet, Profit and Loss Account*

## INTRODUCTION

Performance is a shortened version of the word "performed, which translates as to "do," "carry out," or "deliver." It alludes to the act of carrying out something; to the accomplishment, fulfilment, etc. Performance in this context means completing a task in accordance with predetermined accuracy, completeness, cost, and speed standards. In other words, it describes the extent to which a feat is being performed or has been completed. According to FrichKohlar "The term "performance" is a generic one that refers to a portion or to all of an organization's behavior over a period of time, frequently in relation to past or future cost effectiveness, managerial responsibility or accountability, or something similar. As a result, the performance is referred to in addition to the presentation and the quality of the outcomes. Firm success, conditions, and compliance are determined by performance. Financial activity is referred to as financial performance. Financial performance, in a broader sense, refers to the extent to which financial goals are being or have been achieved. It is the process of calculating the monetary value of the outcomes of a firm's policies and operations. It is used to assess a company's overall financial standing over a certain time period and may also be used to compare similar companies within the same industry or to aggregate industries or sectors.

Ratio analysis relates to the evaluation and interpretation of the financial statements' numerical data (i.e., Profit and Loss Account, Balance Sheet and Fund Flow statement etc.). One figure is compared to another in this process. It makes financial statements easier to interpret for users including shareholders, investors, creditors, the government, and analysts, among others. A particularly effective analytical tool for assessing an organization's effectiveness is ratio analysis. Just like blood pressure, heart rate, body temperature, and other symptoms, accounting ratios can also be utilized as indicators. The doctor examines this data to determine the underlying reasons of sickness. Similar to how a doctor would examine a patient, a financial analyst should evaluate an organization's accounting ratios. The banking sector plays a significant role in the economics of a country. A banking institution is crucial to contemporary society. It is essential to a nation's economic growth

and serves as the backbone of the money market in a developed nation. The phenomena of globalization resulted in substantial changes in the goods and services provided to Indian clients, and as a result, the banking industry in India underwent a notable transition in the last ten years.

## LITERATURE REVIEW

**Dr.E.Muthukumar et.al (2017)** The definition of the finance function is the acquisition of funds and their efficient application. The business activity known as finance focuses on the acquisition and preservation of capital funds in order to satisfy a company's overall financial objectives. Numerous economists have studied and given different aspects of banking their attention because it is such a broad topic. Analysis of Canara Bank's financial performance in Coimbatore City is the study's main goal. Financial statement analysis, trend analysis, and ratio analysis have all been utilized as analysis methods. It is discovered that both fixed and current deposits have exhibited an upward trend. Shareholders in equity are also benefiting from an upward trend in the return on their investments. Although the bank's present assets and liabilities (current liquidity) are not ideal, it has been successful in maintaining a steady solvency position throughout time.

**Aditya Krishna T. R (2022)** Any nation's economic development is largely determined by the expansion of its banking sector. The goal of the current study is to use the CAMEL model to assess the economic viability of a sample of six Indian banks between 2017 and 21. The study's secondary data came from bank websites and yearly reports. The CAMEL framework was used to examine the data that was gathered. The banks chosen for analysis were ICICI Bank, HDFC Bank, SBI Bank, AXIS Bank, PNB Bank, and Canara Bank. The two best banks, according to the study's total ranking of the CAMEL analysis, are ICICI and HDFC banks. According to the data, PNB is the bank with the worst performance.

**Dr. Hanmanth N Mustari et.al (2018)** The nation's economy develops as a result of the banking sector. Performance assessment is a diagnostic procedure used to show stakeholders an institution's financial situation in detail. A strong banking system is a prerequisite for higher economic growth because it aids in capital formation. In this article, the application of the CAMEL model is used to assess the financial soundness of Canara Bank as a financial intermediary. The secondary data used in the research was gathered from Canara Bank annual reports during a five-year period. Numerous ratios, along with their means, standard deviations, and two-tailed one-sample t tests, are used to analyse the performance of the bank. The study's findings indicate that Canara Bank must raise the quality of its assets and boost its management in order to increase profits.

**P. L. Pooja (2020)** One of the industries with the quickest growth rates and one of the most popular career paths in India is the banking sector. The banking industry is getting more complicated today. Currently, banks are expanding their business operations and offering new products and services, including opportunities in consumer finance, investment banking, wealth management, life insurance, general insurance, mutual funds, pension fund regulation, stock broking, custodian services, private equity, etc. Additionally, the majority of the top Indian banks are opening branches or offices abroad, either directly or via their subsidiaries. An efficient metric and indicator to verify the health of an economy's economic activity is performance evaluation of the banking sector. It's difficult to assess the success of the Indian banking industry. When separating good banks from poor banks, there are many aspects to take into account. The CAMEL model, which assesses the performance of banks from each of the key parameters including Capital Adequacy, Assets Quality, Management Efficiency, Earnings Quality, and Liquidity, has been used to assess the performance of the banking sector. 42 nationalized banks in the public and private sectors are evaluated during a five-year period after the model is chosen (2009-2013). Each parameter is given equal weights based on the significance of the study. Results indicated that on-camera bank is higher than corporate bank.

**Dr. Veena K.P et.al (2018)** As the financial sector develops and serves as the foundation of an economy, the banking sector represents a new stage in that growth. The growth of the financial and economic sectors encourages investors to compare and assess the profitability of various banking sectors in order to learn more about the banking industry's performance and make the appropriate decisions regarding their investments. The study's primary goals are to investigate the theoretical

foundation and profile of a few Indian banks, as well as Canara Bank and Union Bank's performance in terms of capital adequacy ratios and their levels of gross and net non-performing assets (NPAs). Finally, to evaluate the performance of the two chosen banks, ROA, ROE, and EPS analysis The comparison of the financial results of Canara Bank and Union Bank of India from 2012–2013 to 2016–2017 is the main goal of this study. A quantitative analysis was conducted to evaluate the bank's financial performance. Using descriptive statistical analysis, such as mean, co-efficient of variation, and standard deviation, the performance of each bank was also compared. According to the survey, Union Bank of India struggles more than Canara Bank to be profitable.

## RESEARCH METHODOLOGY

The study's sole foundation is secondary data. The secondary information was gathered from moneycontrol.com's official website. The study's time frame is restricted to three years, from 2020 to 2022, taking into account pre- and post-merger notions. The study's main focus is on the merger and how it affects Canara Bank's financial performance; to that end, the full Canara Bank financial statement was taken into account. To determine the financial performance with absolute change and percentage of changes and to compare the financial performance with two different periods, the researcher employed comparative financial statements. Ratio analysis is used to evaluate the camera bank's liquidity, profitability, and solvency status.

## DATA ANALYSIS

### Comparative Statement Analysis

TABLE 1 Comparative Statement of Canara Bank for the year 2020 and 2021

EQUITIES AND LIABILITIES	2021 (Rs. In Cr)	2020 (Rs. In Cr)	Absolute Change	Percentage of changes
<b>SHAREHOLDER'S FUNDS</b>				
Equity Share Capital	1,646.74	1,030.23	616.51	59.84
<b>Total Share Capital</b>	<b>1,646.74</b>	<b>1,030.23</b>	616.51	59.84
Revaluation Reserve	0	6,332.79	-6,332.79	-100.00
Reserves and Surplus	60,762.85	33,842.93	26,919.92	79.54
<b>Total Reserves and Surplus</b>	<b>60,762.85</b>	<b>40,175.72</b>	20,587.13	51.24
<b>Total Share Holders Funds</b>	<b>62,409.59</b>	<b>41,205.95</b>	21,203.64	51.46
Minority Interest	0	730.1	-730.10	-100.00
Deposits	10,10,985.02	6,25,408.32	3,85,576.70	61.65
Borrowings	50,012.80	42,761.77	7,251.03	16.96
Other Liabilities and Provisions	56,132.19	31,334.13	24,798.06	79.14
<b>Total Capital and Liabilities</b>	<b>11,79,539.60</b>	<b>7,41,440.27</b>	4,38,099.33	59.09
<b>ASSETS</b>				
Cash and Balances with Reserve Bank of India	43,115.94	22,572.96	20,542.98	91.01
Balances with Banks Money at Call and Short Notice	1,35,750.44	46,016.86	89,733.58	195.00
Investments	2,86,191.25	1,92,645.37	93,545.88	48.56
Advances	6,39,286.54	4,32,403.38	2,06,883.16	47.84
Fixed Assets	11,271.17	8,323.35	2,947.82	35.42
Other Assets	63,924.26	39,478.35	24,445.91	61.92
<b>Total Assets</b>	<b>11,79,539.60</b>	<b>7,41,440.27</b>	4,38,099.33	59.09
<b>CONTINGENT LIABILITIES, COMMITMENTS</b>				
Bills for Collection	53,385.99	35,939.89	17,446.10	48.54
Contingent Liabilities	5,07,289.38	3,73,712.88	1,33,576.50	35.74

Source: [www.moneycontrol.com](http://www.moneycontrol.com)

In 2021, Syndicate Bank and Canara Bank amalgamated. The consolidated Balance Sheet following the merger is shown in the above table. It was discovered that the Canara Bank's equity share capital in 2021 is Rs. 1646.74 crores, up from the pre-merger value of Rs. 1030.23 crores in 2020. The absolute changes, or 59.84% of changes in equity capital, are reported as Rs. 616.51 crore. The total amount of reserves and surplus increased by 51.24% to Rs. 60762.85 crore from Rs. 40175.72 crore in the prior year. The total amount of shareholders' funds increased significantly, rising to Rs. 62409.59 crores in 2021, a 51.46% rise.

It was discovered that the increased values of Rs. 10,10,985.02, Rs. 50,012.80, and Rs. 56,132.19 crores for the deposits, borrowings, and other obligations and provisions, respectively, showed growth of 61.65%, 16.96%, and 79.14%. The post-merger period saw a significant growth in cash and bank balances, or 91.01%, with an enhanced value of Rs. 43,115.94 crores in 2021. Balances with banks and money available for immediate use have grown by 195%, reaching a peak of Rs. 1,35,750.44 crores in 2021. The value of investments increased by Rs. 93,545.88 with a change in percentage of 48.56%. Additionally showing positive increase of 47.84%, 35.42%, and 61.92%, respectively, were advances, fixed assets, and other assets.

In 2021, the value of the total capital, assets, and liabilities increased by 59.09% to Rs. 11,79,539.60 crores from Rs. 7,41,440.27 crores. Canara Bank's financial performance between 2020 and 2021 turned out well and efficiently.

**TABLE 2 Comparative Statement of Canara Bank for the year 2021 and 2022**

EQUITIES AND LIABILITIES	2022	2021	Absolute Change	Percentage of changes
<b>SHAREHOLDER'S FUNDS</b>				
Equity Share Capital	1,814.13	1,646.74	167.39	10.16
Total Share Capital	1,814.13	1,646.74	167.39	10.16
Revaluation Reserve	0	0	0.00	0.00
Reserves and Surplus	68,147.19	60,762.85	7,384.34	12.15
Total Reserves and Surplus	68,147.19	60,762.85	7,384.34	12.15
Total Share Holders Funds	69,961.32	62,409.59	7,551.73	12.10
Minority Interest	0	0	0.00	0.00
Deposits	10,86,340.95	10,10,985.02	75,355.93	7.45
Borrowings	46,284.96	50,012.80	-3,727.84	-7.45
Other Liabilities and Provisions	55,076.30	56,132.19	-1,055.89	-1.88
Total Capital and Liabilities	12,57,663.53	11,79,539.60	78,123.93	6.62
<b>ASSETS</b>				
Cash and Balances with Reserve Bank of India	51,637.07	43,115.94	8,521.13	19.76
Balances with Banks Money at Call and Short Notice	1,30,754.35	1,35,750.44	-4,996.09	-3.68
Investments	3,11,347.24	2,86,191.25	25,155.99	8.79
Advances	7,03,864.05	6,39,286.54	64,577.51	10.10
Fixed Assets	11,449.70	11,271.17	178.53	1.58
Other Assets	48,611.12	63,924.26	-15,313.14	-23.96
Total Assets	12,57,663.53	11,79,539.60	78,123.93	6.62
<b>CONTINGENT LIABILITIES, COMMITMENTS</b>				
Bills for Collection	0	53,385.99	-53,385.99	-100.00
Contingent Liabilities	0	5,07,289.38	-5,07,289.38	-100.00

The consolidated Balance Sheet one year after the merger is shown in Table 2. the values used for analysis up to April 2022. In comparison to the previous year's value of Rs. 1646.74 crore in 2021, it was discovered that the equity share capital of the Canara Bank is now Rs. 1814.13 crore in 2022. Absolute changes, or 10.16% of changes in equity capital, are calculated as Rs. 167.39 crore. The total amount of reserves and surplus increased by 12.15 percent to Rs. 68,147.19 crore from Rs. 60,762.85 crore in the prior year. Total shareholder funds increased more, rising to Rs. 69,961.32 crores in 2022, a 12.10% rise.

It was discovered that the deposits increased by 7.45%, reaching a value of Rs. 10,86,340.95 in 2022. With values of Rs. 46,284.96 and Rs. 55,076.30 crores, respectively, borrowings, other liabilities, and provisions similarly showed a negative shift of - 7.45% and -1.88%. The post-merger period saw an increase in cash and bank holdings, or 19.76%, with an enhanced

value of Rs. 51,637.07 crores in 2022. With a value of Rs. 1,30,754.35 crores in 2022, balances with banks and money on call and short notice growth show a negative shift of -3.68% over the four-month period from January to April. Investments had a greater change of Rs. 3,11,347.24 and an 8.79% percentage change. Advances and Fixed Assets both had positive growth, with respective increases of 10.10% and 1.58%. The Other assets had a negative change of -23.96% as a result.

Even with a four-month financial performance, the total capital, assets, and liabilities show a better performance overall, rising by 6.62% to Rs.12,57,663.53 crores in 2022 from Rs.11,79,539.60 crores in 2021.

**Ratio Analysis**

**Table 3 KEY FINANCIAL RATIOS OF CANARA BANK (in Rs. Cr.)**

Financial Ratios	March 2022	March 2021	March 2020
Basic EPS (Rs.)	35.04	19.11	-23.55
Book Value [ExclRevalReserve]/Share (Rs.)	385.65	328.68	338.5
Operating Revenue Per Share	389.17	426.37	482.99
Net Profit/Share (Rs.)	31.94	16.41	-19.63

The Key Financial Ratios of Canara Bank from 2020 to 2022 are shown in the above table. It was evident that Canara Bank's Basic EPS improved from a negative value of -23.55 in 2020 to 35.04 today. Between 2020 and 2022, Canara Bank's book value increased by 385.65 from 338.5. In the year 2022, operating revenue per share climbed to 389.17. Additionally, Net Profit per Share increased from a negative value of - 19.63 in 2020 to a positive value of 31.94 in 2022. Overall, the Key Financial ratios show that Canara Bank had a successful and prosperous financial performance following the merger. Table 4: The Canara Bank's Key Performance Ratios (in Rs. Cr.)

According to the following table, the return on capital employed ratio grew from 1.36 before the merger to 1.95 in 2022. Canara Bank's net profit margin, which was negative in 2020 at 4.06, climbed to a positive 8.2 in 2022. In contrast to the negative number of -0.26 in 2020, return on assets showed a positive sign of 0.46 in 2022. Return on Equity with Net Worth increased from a negative value of -5.69 in 2020 to 8.41 in 2022. In the years following the merger, Canara Bank's overall key performance was quite strong.

**PROFITABILITY RATIOS**

The profitability ratios gauge the company's efficiency and overall success.

**NET PROFIT RATIO**

The link between net profit after taxes and sales is expressed by the "net profit ratio" (NP ratio). This ratio serves as an indicator of total profitability since it calculates net profit after deducting operational and non-operating incomes and expenses. The ratio shows how much of the net sales remain for the owners after all costs are paid.

**Net profit ratio**

Net profit = Net profit / sales \* 100

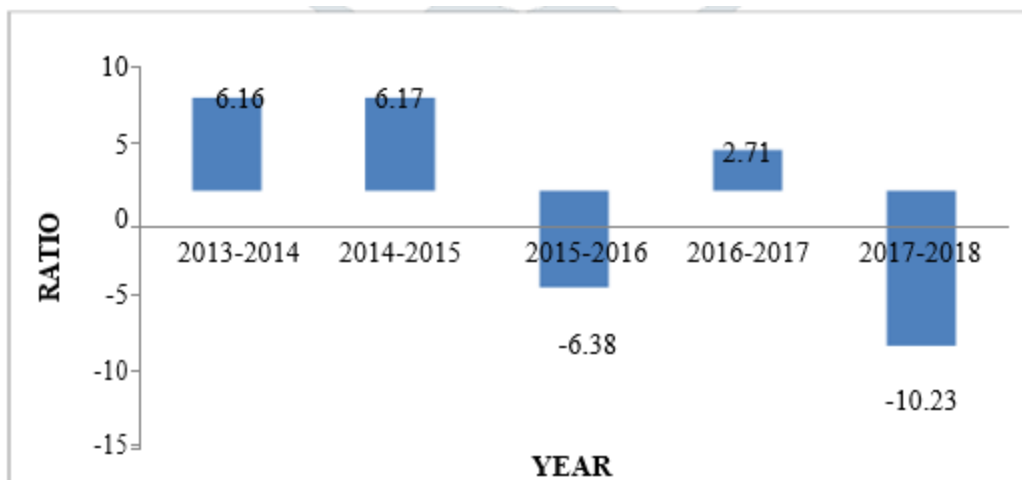
Year	Net Profit	Sales	Ratio
2013-2014	2438.19	39547.61	6.16
2014-2015	2702.62	43750.04	6.17
2015-2016	-2812.82	44022.14	-6.38
2016-2017	1121.92	41387.64	2.71
2017-2018	-4222.24	41252.09	-10.23

Source: Computed

**INFERENCE:**

The Canara Bank's net profit ratio is displayed in the table above. During the research period from 2013–2014 to 2017–2018, the net profit ratio varied from 6.16 to –10.23.

**FIG 1**



**PROFIT AND LOSS ACCOUNT RATIOS**

**INTEREST EXPENDED / INTEREST EARNED**

Interest Expended / Interest Earned \* 100

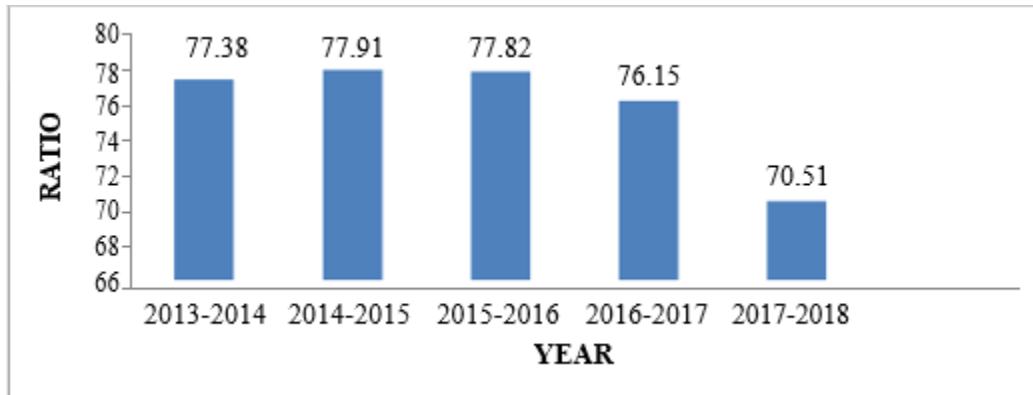
Year	Interest Expended	Interest Earned	Ratio
2013-2014	30603.17	39547.61	77.38
2014-2015	34086.37	43750.04	77.91
2015-2016	34258.77	44022.14	77.82
2016-2017	31515.87	41387.64	76.15
2017-2018	29088.76	41252.09	70.51

Source: Computed

## INFERENCE:

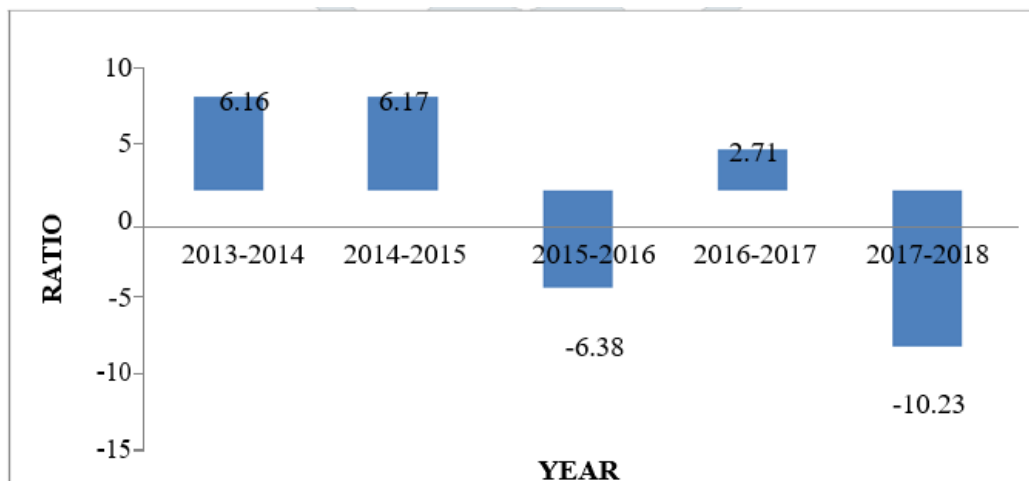
The proprietary ratio position of Canara Bank is displayed in the above table. During the research period from 2013–2014 to 2017–2018, the ratio varied between 77.38 and 70.51.

FIG 2



## NET PROFIT RATIO

FIG 3



## CONCLUSION

Financial activity is referred to as financial performance. Financial performance, in a broader sense, refers to the extent to which financial goals are being or have been achieved. Just like blood pressure, heart rate, body temperature, and other symptoms, accounting ratios can also be utilized as indicators. Canara Bank firmly believes that by pursuing international benchmarks in profitability, operational efficiency, asset quality, risk management, and extending the Bank's global reach, the twenty-first century will be equally rewarding and eventful, not only in service to the nation but also in helping the Bank become a "Preferred Bank." But the bank has been able to keep its profitability level fair. The return on capital is improving, which is good news for equity investors. The "net profit ratio" measures the relationship between net profit after taxes and



sales (NP ratio). Since it determines net profit after deducting operating and non-operating incomes and expenses, this ratio serves as a gauge of overall profitability.

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