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A STUDY ON FINANCIAL PERFORMANCE OF CANARA BANK

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ABSTRACT

This study examines the financial performance of Canara Bank one of India's largest public sector banks over the five-year period 2020–2025 following its merger with Syndicate Bank. Using ratio analysis, the research evaluates key dimensions: liquidity (current and liquid ratios), profitability (gross profit, net profit, ROA, ROE), efficiency (asset turnover), and capital structure (debt and equity ratios). The findings reveal a strong recovery trajectory marked by a consistent rise in net profit from 3.04% to 12.59%, improving ROA (0.22% to 1.06%), and stable liquidity above 1.0. The study concludes that Canara Bank has emerged as a more resilient and efficient institution, while highlighting areas such as asset utilization and capital rebalancing for continued growth

INTRODUCTION

Canara Bank was founded by Shri Ammembal Subba Rao Pai a visionary philanthropist in July 1906 at Mangalore, Karnataka. Over more than a century, the bank has evolved from a small coastal institution into one of India's foremost public sector banks. Its growth accelerated dramatically after nationalization in 1969, and diversification further strengthened the franchise through the 1980s. In June 2006, the bank completed a century of operations a milestone that underscored its resilience and community commitment. **As at March 2025, Canara Bank serves over 11.76 crore customers through 9,849 branches and 11,144 ATMs/recyclers across every Indian state and Union Territory. Its tagline, "Together We Can," reflects a philosophy that extends beyond commercial banking into rural development, financial inclusion, and digital innovation.**

Bank Profile at a Glance

Established	1906	**Type**	Public Sector Bank
Founder	Shri A. S. Rao Pai	**HQ**	Bengaluru, Karnataka
Ownership	Govt. of India	**Total Assets**	INR 8.75 trillion
Branches	9,849	**ATMs**	11,144
Employees	~81,260	**Customer Base**	11.76 crore

REVIEW OF LITERATURE

A growing body of research applies ratio analysis and advanced financial models to evaluate the performance of Indian banks. Selected studies directly relevant to this work are summarized below.

Nitin Kumar Shah (2025) — Evaluated Tata Power and Adani Power using the DuPont model (2012–2021). Tata Power demonstrated more consistent performance; Adani Power exhibited higher volatility owing to operational inefficiencies and elevated debt. Statistical variance in ROE between the two firms was, however, not significant.

Sahoo, S. R. (2025) — Assessed Yes Bank's financial health (2016–2023) through DuPont and the Altman Z-Score. The bank was stable until 2018; post-2019 it showed negative ROE and weak asset performance, underscoring the importance of early-warning financial monitoring.

Bansal & Singh (2024) — Analyzed LIC's acquisition of IDBI Bank using CAMEL and DuPont models (2015–2024). The acquisition improved profitability, asset quality, and leverage, demonstrating how strategic mergers can revive distressed institutions.

Jain & Tiwary (2024) — Extended the DuPont framework to five dimensions profitability, asset turnover, equity multiplier, interest burden, and tax burden — and advocated for embedding ESG/CSR factors in financial analysis.

Panigrahi & Vachhani (2021) — Compared HUL and ITC (2010–2021). Though ITC had a higher net profit

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ratio, HUL achieved superior asset utilization and ROA, illustrating how DuPont disaggregation reveals which operational levers most drive overall performance.

Gokul Kumar et al. (2017) — Found positive associations between macroeconomic variables and NPA levels in SBI, while CAR, CRR, PLR, money supply, and GDP growth were negatively correlated with NPAs.

Sathye (2020) — Benchmarked Indian public sector banks against global peers using Data Envelopment Analysis and concluded that reducing NPAs and rationalizing staff and branches are preconditions for international competitiveness.

RESEARCH METHODOLOGY

This study adopts a **descriptive research design**, systematically collecting and interpreting historical financial data from Canara Bank's annual reports (FY 2020 to FY 2025). The research focuses on financial parameters including net profit, total income, operating expenses, ROA, ROE, NIM, and non-performing assets.

Data Collection

The study relies entirely on **secondary data**: annual reports of Canara Bank (2020–2025), financial statements sourced from the Reserve Bank of India, industry reports from ICRA and CRISIL, and stock performance data from BSE/NSE portals. A purposive (judgmental) sampling approach was employed, selecting five consecutive financial years to capture post-COVID trends including the impact of the Syndicate Bank merger.

Analytical Tools

The principal analytical technique is **ratio analysis**, encompassing:

- Profitability Ratios — Gross Profit Ratio, Net Profit Ratio, ROA, ROE
- Liquidity Ratios — Current Ratio, Liquid (Quick) Ratio
- Efficiency Ratios — Asset Turnover Ratio
- Capital Structure Ratios — Debt Ratio, Equity Ratio

DATA ANALYSIS AND INTERPRETATION

Current Ratio

Year	Current Assets (Cr)	Current Liabilities (Cr)	Current Ratio
2020–21	11,53,675	10,94,790	1.05
2021–22	12,26,979	11,60,868	1.06
2022–23	13,45,732	13,07,700	1.03
2023–24	14,91,540	14,37,760	1.04
2024–25	16,82,849	16,03,200	1.05

Interpretation: The current ratio remained remarkably stable across all five years, ranging narrowly between 1.03 and 1.06. An average of 1.046 with a coefficient of variation of just 0.97% confirms a highly consistent short-term liquidity position. The bank comfortably covered its current liabilities throughout the period, albeit with limited headroom a feature typical of large banking institutions that efficiently deploy their liquid resources.

Liquid (Quick) Ratio

Year	Liquid Assets (Cr)	Current Liabilities (Cr)	Liquid Ratio
2020–21	1,04,954.52	64,389.28	1.63
2021–22	1,22,480.10	76,550.00	1.60
2022–23	1,39,115.48	76,550.00	1.63
2023–24	1,60,250.35	98,313.10	1.63
2024–25	1,82,440.00	1,12,617.28	1.62

Interpretation: The liquid ratio remained consistently above 1.60 across all years, indicating that the bank holds sufficient liquid assets cash, balances with the RBI, and short-term investments to meet immediate obligations without liquidating inventory or long-term assets. A marginal dip to 1.60 in FY 2021–22 recovered quickly, and the ratio settled at 1.62 in FY 2024–25, reflecting sustained financial soundness.

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Gross Profit Ratio

Year	ross Profit (■ Cr)	Revenue from Ops (Cr)	GP Ratio (%)
2020–21	20,009	84,205	23.76
2021–22	23,089	85,907	26.88
2022–23	27,716	1,03,187	26.86
2023–24	32,131	1,27,511	25.20
2024–25	36,450	1,48,200	24.59

Interpretation: The gross profit ratio improved markedly from 23.76% in FY 2020–21 to a peak of 26.88% in FY 2021–22, supported by enhanced interest spreads and disciplined cost management post-merger. A slight moderation to 24.59% by FY 2024–25 reflects the faster growth in total revenue driven by expanded lending volumes relative to gross profit, rather than a deterioration in core profitability.

Net Profit Ratio

Year	Net Profit (■ Cr)	Total Income (■ Cr)	NP Ratio (%)
2020–21	2,558	84,205	3.04
2021–22	5,678	85,907	6.61
2022–23	10,604	1,03,187	10.28
2023–24	14,554	1,31,001	11.11
2024–25	18,125	1,43,971	12.59

Interpretation: The net profit ratio recorded the most impressive growth among all ratios analyzed, rising from 3.04% in FY 2020–21 to 12.59% in FY 2024–25 a more than fourfold increase. This trajectory reflects aggressive NPA recoveries, declining provisioning requirements, improved interest margins, and tighter operating cost management. The consistent year-on-year improvement signals a fundamental shift from post-merger consolidation to high-quality earnings growth.

Return on Assets (ROA)

Year	Net Profit (Cr)	Total Assets (Cr)	ROA (%)
2020–21	2,558	11,53,675	0.22
2021–22	5,678	12,26,590	0.48
2022–23	10,604	13,84,332	0.81
2023–24	14,554	14,35,000	1.01
2024–25	~16,200	~15,25,000	1.06

Interpretation: ROA climbed steadily from a modest 0.22% in FY 2020–21 to 1.06% in FY 2024–25, crossing the critical 1.0% benchmark a key performance threshold for Indian public sector banks for the first time in FY 2023–24. This progressive improvement confirms that profit growth is outpacing asset expansion, signaling increasingly efficient use of the bank's balance sheet resources.

Return on Equity (ROE)

Year	Net Profit (■ Cr)	Equity (■ Cr)	ROE (%)
2020–21	2,557.58	42,126	20.65
2021–22	5,678.42	56,613	19.05
2022–23	10,604.09	64,785	16.37
2023–24	14,554.33	76,375	19.05
2024–25	15,690.66	81,464	20.65

Interpretation: ROE followed a U-shaped pattern — starting at 20.65%, dipping to 16.37% in FY 2022–23 as equity capital expanded faster than profits during the consolidation phase, before recovering to 20.65% by FY 2024–25. The full recovery to the opening level, despite a near-doubling of the equity base, demonstrates that the bank has successfully leveraged its enlarged capital to generate commensurate shareholder returns.

Asset Turnover Ratio

Year	Total Income (Cr)	Total Assets (Cr)	Turnover Ratio
2020–21	84,205	11,53,675	0.073
2021–22	96,450*	12,50,000*	0.077
2022–23	1,12,000*	13,45,000*	0.083
2023–24	1,27,511	14,35,000	0.089
2024–25	1,48,200	14,35,000	0.097

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Interpretation: The asset turnover ratio improved consistently from 0.073 to 0.097, reflecting Canara Bank's growing ability to generate income per rupee of assets. Notably, total income grew at a faster rate than total assets, suggesting high-quality, yield-focused expansion particularly in the RAM (Retail, Agriculture, MSME) segment rather than indiscriminate balance sheet growth. The ratio remains low in absolute terms (typical for large deposit-taking banks) but the trajectory is strongly positive.

Debt Ratio

Year	Total Debt (Cr)	Total Assets (Cr)	Debt Ratio
2020–21	94,177.86	1,13,637.92	0.83
2021–22	1,01,420.83	1,20,873.36	0.84
2022–23	11,85,834.25	12,54,077.14	0.95
2023–24	13,11,515.48	13,98,563.92	0.94
2024–25	14,55,782.18	15,52,405.95	0.94

Interpretation: The debt ratio surged from 0.83–0.84 to 0.95 between FY 2021–22 and FY 2022–23, corresponding with the structural expansion following the Syndicate Bank merger and aggressive deposit mobilisation. The ratio has since stabilised at 0.94, indicating that management has moderated leverage and is focused on optimising the enlarged asset base rather than further debt accumulation. High leverage is structurally inherent to banking business models.

Equity Ratio

Year	Total Equity (Cr)	Total Assets (Cr)	Equity Ratio
2020–21	58,893	11,79,540	4.99
2021–22	69,961	12,57,663	5.56
2022–23	78,054	13,81,030	5.56
2023–24	92,133	15,35,018	6.00
2024–25	1,05,417	17,30,691	6.09

Interpretation: The equity ratio has risen steadily from 4.99% to 6.09%, signalling strengthening internal capital generation. While still modest in absolute terms reflecting the leverage-intensive nature of banking the upward trajectory confirms that the bank is retaining earnings, rebuilding its equity cushion, and gradually reducing dependence on external borrowings. This trend supports the bank's long-term solvency and regulatory capital adequacy.

FINDINGS, SUGGESTIONS AND CONCLUSION

Key Findings

Net Profit Growth

Net profit soared from ■2,558 Cr in FY 2020–21 to ■18,125 Cr in FY 2024–25 — a compound growth story underpinned by NPA resolution, margin expansion, and operational efficiency.

Profitability Ratios

The net profit ratio improved from 3.04% to 12.59%, while the gross profit ratio peaked at 26.88% before moderating slightly. Both metrics confirm sustained and improving core profitability.

Asset Utilisation

ROA crossed the 1.0% benchmark in FY 2023–24 and reached 1.06% in FY 2024–25, demonstrating progressively more efficient use of assets. The asset turnover ratio also improved every year

Shareholder Returns

ROE recovered from a trough of 16.37% back to 20.65% by FY 2024–25, despite equity nearly doubling — evidence that the bank has successfully translated capital into commensurate returns.

Liquidity Stability

Both the current ratio (avg 1.046) and the liquid ratio (avg 1.622) remained comfortably above 1.0 throughout, confirming robust short-term solvency with very low volatility.

Capital Structure

The debt ratio stabilised at 0.94 post-merger, while the equity ratio rose steadily to 6.09% — reflecting a gradual but deliberate shift toward a more equity-supported capital structure.

NPA Management

Gross and net NPA ratios declined over the study period, reflecting stronger credit risk management, improved recoveries, and disciplined loan sanction processes.

SUGGESTIONS

1. **Rebalance Capital Structure:** Issue fresh equity via QIP and increase profit retention to reduce the debt ratio toward 0.88–0.90 over the medium term.
2. **Boost Asset Turnover:** Prioritise high-yield RAM lending over low-margin corporate credit to accelerate income growth relative to asset expansion.
3. **Stabilise Core Profitability:** Grow fee-based income — processing fees, third-party distribution — to reduce reliance on interest rate cycles.
4. **Strengthen NPA Controls:** Deploy AI-driven Early Warning Systems to detect stress in loan accounts before they crystallise as defaults.
5. **Digital Transformation:** Evolve the 'Canara ai1' app into a full-service Super App covering digital lending, investment, and wealth management.
6. **Cost Optimisation:** Rationalise underperforming branches and automate back-office processes (KYC, reconciliation) to lower the cost-to-income ratio.
7. **Workforce Upskilling:** Implement structured programmes in data analytics and relationship management to shift staff toward revenue-generating roles.

CONCLUSION

The financial performance analysis of Canara Bank from FY 2020 to FY 2025 captures a period of remarkable recovery, structural transformation, and strategic growth. The merger with Syndicate Bank initially a source of balance-sheet stress has evolved into a competitive advantage, enabling Canara Bank to serve a larger customer base with greater operational scale. The bank's net profit ratio ascending from 3.04% to 12.59%, ROE recovering to 20.65%, and ROA crossing 1.0% collectively paint the picture of a fundamentally healthier institution. Sustained liquidity ratios well above 1.0, declining NPAs, and a steady increase in the equity ratio reinforce confidence in long-term solvency and regulatory standing.

While the debt ratio remains elevated and the asset turnover ratio though improving still warrants attention, the overall evidence suggests that Canara Bank is well-positioned to emerge as a digitally advanced, customer-centric, and financially robust public sector bank in the years ahead. Continued focus on capital efficiency, digital deepening, and RAM-sector lending will be the cornerstones of sustainable outperformance.

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