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A STUDY ON FINANCIAL PERFORMANCE ON CANARA BANK

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ABSTRACT
Canara Bank's financial performance from 2019-2020 to 2023-2024, focusing on key ratios such as Return on Assets (ROA), Return on Equity (ROE), Asset Turnover Ratio, Debt Ratio, and Equity Ratio. The ROA has shown variability, particularly with notable outliers in 2022-2023 and 2023-2024, suggesting modest asset utilization despite occasional high returns. Conversely, the ROE has significantly increased in the last two years due to a sharp rise in net profit, although its overall performance remains inconsistent. Additionally, the Asset Turnover Ratio has declined, indicating reduced efficiency in asset utilization as the bank's asset base expanded more rapidly than income generation.

KEYWORDS: *Financial Performance Return on Assets **(ROA),** Return on Equity **(ROE),** Asset Turnover Ratio Debt Ratio Equity Ratio Profitability.*

INTRODUCTION

Canara Bank, one of the largest public sector banks in India, has played a significant role in the country's banking sector since its inception in 1906. With a vast network of branches and a diversified portfolio of financial services, the bank has continually adapted to the changing dynamics of the banking industry. Understanding the financial performance of Canara Bank is crucial for assessing its operational efficiency, profitability, financial stability, and growth potential.

This analysis focuses on the key financial ratios that offer insights into the bank's overall performance, including its Return on Assets (ROA), Return on Equity (ROE), Asset Turnover Ratio, Debt Ratio, and Equity Ratio. These ratios help in evaluating how well Canara Bank has utilized its assets to generate income, the efficiency of its equity financing, and its reliance on debt. Over the last few years, Canara Bank has seen fluctuations in its financial ratios, which are indicative of both growth opportunities and risks in the evolving financial landscape.

The period from 2019-2024 provides a comprehensive view of the bank's financial performance, with particular attention to the impact of increased debt, changing asset base, and varying profitability levels. This report delves into these trends, offering a detailed assessment of Canara Bank's financial health and providing valuable insights for stakeholders, investors, and analysts interested in understanding the bank's future prospects and challenges.

OBJECTIVES

- Evaluate the bank's profitability through key ratios such as Return on Assets (ROA) and Return on Equity (ROE) to understand its ability to generate returns from its assets and equity.
- Analyze the Asset Turnover Ratio to assess how efficiently the bank is using its assets to generate income.
- Examine the Debt Ratio and Equity Ratio to understand the bank's reliance on debt and equity financing and assess its financial risk and capital structure.

REVIEW OF LITERATURE

- **Patel Bhaveshkumar K (2020),** study the financial performance of Canara bank, this study is based on secondary data that has been collected from annual reports of the bank, books, newspapers, magazines, journals, documents, research papers, websites and other published information. . It is major part of total banking system in India.
- **S. Subalashmi, S. Grahalakshmi and M. Manikandan (2018)** in their article titled " A study on Financial Ratio Analysis of CANARA (2009-2016)" has set aims at analysis the financial ratio analysis of Canara Banks The main objective for commercial bank is to maximize structure their portfolios in order to maximize their return.
- **Apurva A. Chouhan (2018)** gave an overview of financial inclusion in India. She concluded that India is at Moderate level regarding financial inclusion as compared to other countries regarding number of branches, ATMs, bank credit and bank deposits.

RESEARCH METHODOLOGY

INTRODUCTION

Research methodology is the foundation upon which any empirical study is built. It provides the blueprint for data collection, analysis, and interpretation. This chapter outlines the methodology adopted in studying the financial performance of Canara Bank. It includes research design, data sources, sample

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details, tools for analysis, and the hypotheses used to examine the bank's financial efficiency over time.

RESEARCH DESIGN

This study adopts a descriptive research design, aimed at evaluating the financial performance of Canara Bank over a specific period. Descriptive design is ideal for this research as it allows for the systematic collection and interpretation of historical financial data, offering insights into the bank's strengths, weaknesses, profitability, and growth.

The research specifically focuses on analyzing various financial parameters such as net profit, total income, operating expenses, return on assets (ROA), return on equity (ROE), net interest margin (NIM), and non-performing assets (NPA).

AREA OF THE STUDY

The area of the study is Canara Bank, one of India's largest public sector banks. The research is institution-specific and does not cover a geographic location, as it is centered on evaluating the bank's financial records and performance at the corporate level, based on its annual reports and financial statements.

POPULATION OF THE STUDY

The population of this study includes all financial data reported by Canara Bank over the last five financial years (2019–2024). This includes key indicators like balance sheet items, profit and loss statements, and financial ratios as disclosed in their annual reports, investor presentations, and regulatory filings.

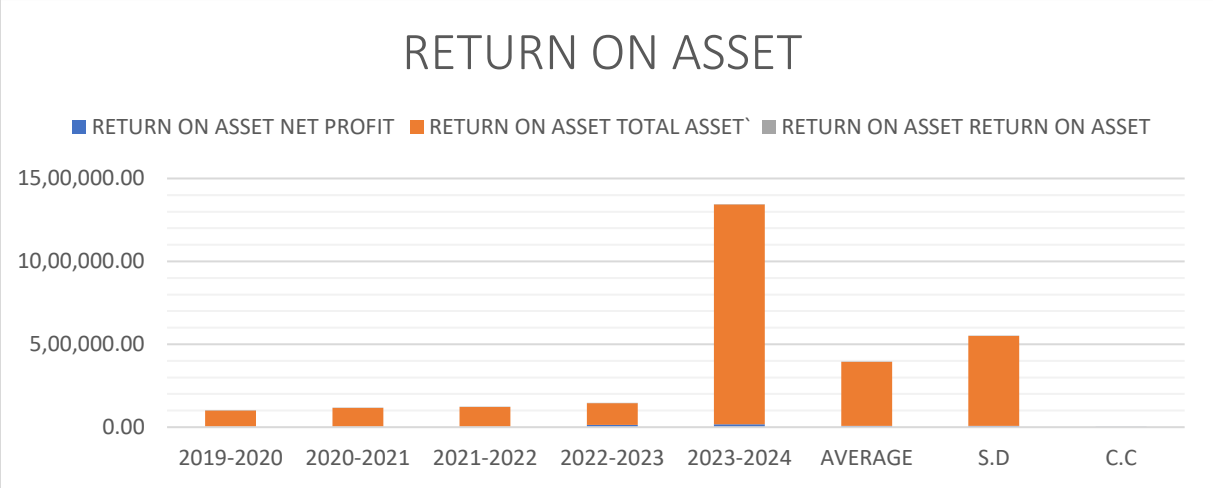
SAMPLE SIZE

The study evaluates financial data from five consecutive financial years (2020–2024). These five years provide a robust timeline to observe trends, anomalies, or improvements in the bank's financial health, especially considering post-COVID recovery and restructuring phases.

DATA COLLECTION

RETURN ON ASSET **ROA=Total AssetsNet Income**

RETURN ON ASSET			
YEAR	NET PROFIT	TOTAL ASSET`	RETURN ON ASSET
2019-2020	1,211.26	99,338.84	1.219321667
2020-2021	1,470.20	113637.92	1.293758281
2021-2022	1,496.35	1,20,873.36	1.326489461
2022-2023	14,110.15	1,85,643.27	1.345599561
2023-2024	18,133.25	1,326,320.53	1.367184598



INTERPRETATION

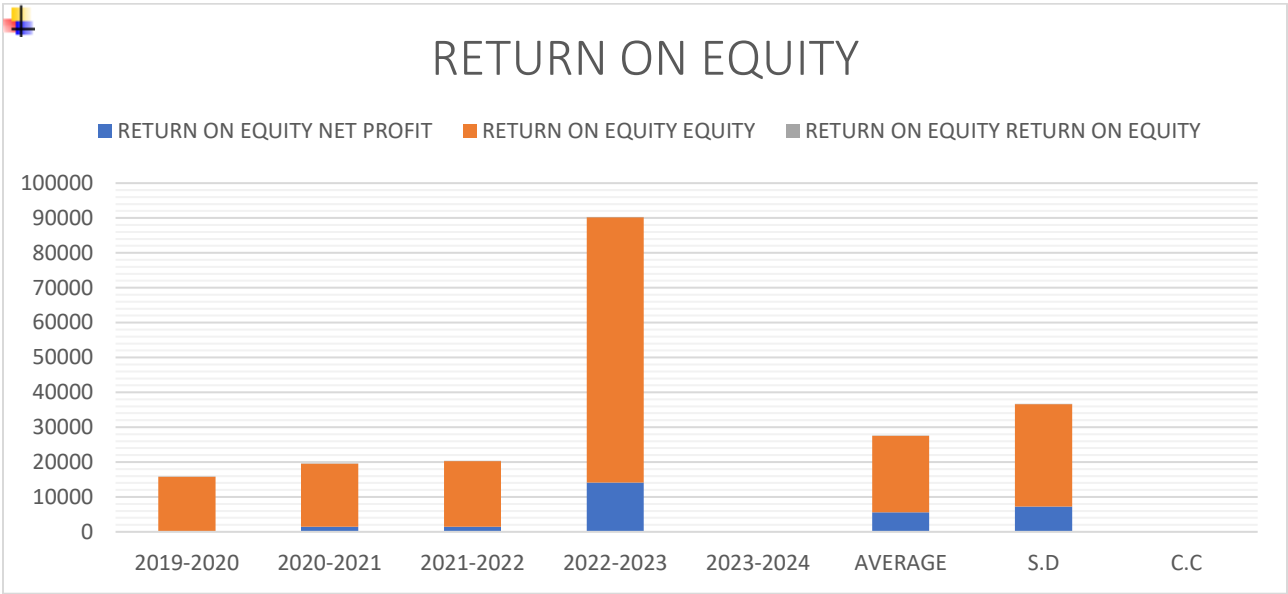
Canara Bank's Return on Assets (ROA) has averaged 3.04% over the past five years, indicating modest profitability, with a significant spike to 10.77% in 2022-2023 due to a one-time gain. Excluding this outlier, the ROA has remained stable at around 1.2% to 1.3%. The high standard deviations for net profit and ROA reflect considerable variability, while the more stable total assets suggest potential inefficiencies in the bank's asset utilization for consistent profit generation.

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RETURN ON EQUITY

TABLE-2 **ROE= Net Income/Shareholders' Equity**

RETURN ON EQUITY			
YEAR	NET PROFIT	EQUITY	RETURN ON EQUITY
2019-2020	1,211.26	15,808.82	7.66
2020-2021	1,470.20	18,070.06	8.14
2021-2022	1,496.35	18,824.93	7.95
2022-2023	14,110.15	**76,087.80**	18.54
2023-2024	18,133.25	81,568.12	22.23



INTERPRETATION

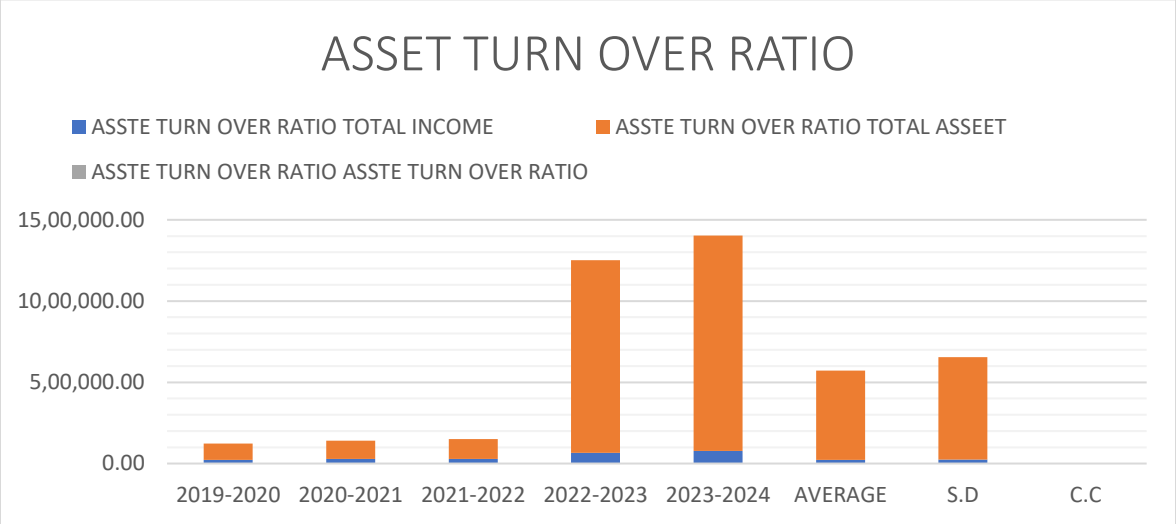
The Return on Equity (ROE) analysis for Canara Bank reveals a modest average of 5.99% over the five-year period, with steady values between 7.66% and 8.14% from 2019-2020 to 2021-2022. However, a dramatic increase in ROE to 18.54% in 2022-2023 and 22.23% in 2023-2024 indicates significant profitability improvements during these years, primarily driven by a substantial rise in net profit. The high standard deviation of 6.96% and a coefficient of variation of 0.861 highlight the volatility in performance, suggesting that while there have been periods of strong returns, the overall consistency of the company's profitability remains a concern.

ASSET TURN OVER RATIO

TABLE-3 **Asset Turnover=Average Total Assets/Net Sales**

ASSET TURN OVER RATIO			
YEAR	TOTAL INCOME	TOTAL ASSET	ASSET TURN OVER RATIO
2019-2020	23,419.35	99,338.84	0.24
2020-2021	27,569.51	113637.92	0.24
2021-2022	29,329.27	120877.36	0.24
2022-2023	66,063.39	1,185,834.25	0.06
2023-2024	77,169.12	1,326,320.53	0.06

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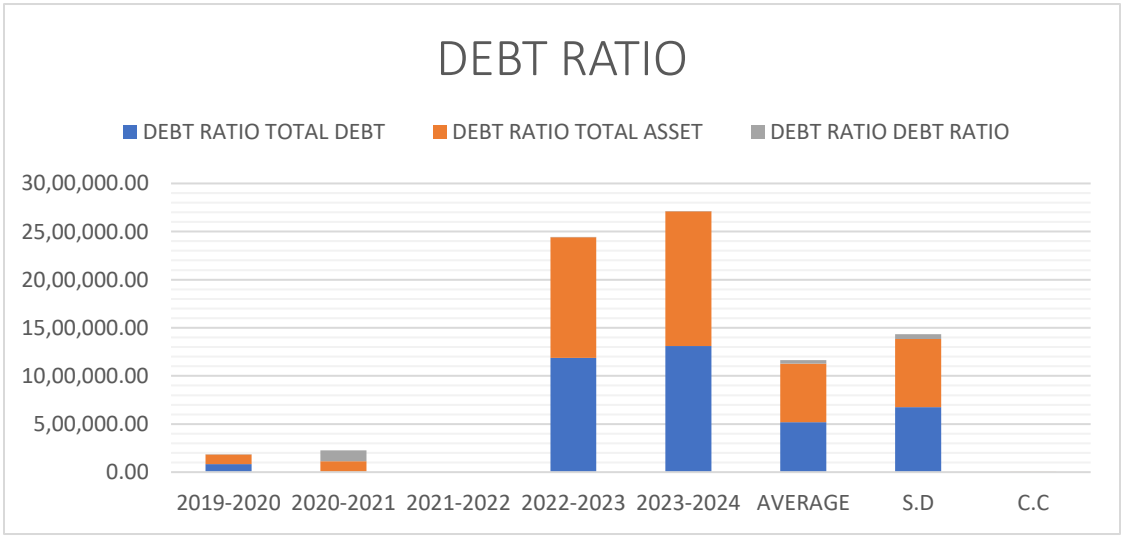
INTERPRETATION

The Asset Turnover Ratio for Canara Bank reveals a significant decline in the efficiency of asset utilization over the years. From 2019 to 2022, the ratio remained stable at 0.24, indicating a consistent income generation relative to total assets. However, in 2022-2023 and 2023-2024, the ratio plummeted to 0.06, reflecting a marked decrease in asset efficiency. Despite an increase in total income during this period, the rapid growth of the asset base outpaced income generation, resulting in a lower return on assets. The average Asset Turnover Ratio of 0.088 further highlights this decline in efficiency, while the high standard deviation and coefficient of variation indicate considerable volatility in asset utilization, primarily driven by the substantial asset growth in recent years.

DEBT RATIO

TABLE-4 **Debt Ratio=Total Assets /Total Liabilities**

DEBT RATIO			
YEAR	TOTAL DEBT	TOTAL ASSET	DEBT RATIO
2019-2020	83,530.02	99,338.84	0.84
2020-2021	94,177.86	113637.92	113637.92
2021-2022	1,01,420.83	1,20,873.36	0.83
2022-2023	1,185,834.25	1,254,077.14	0.95
2023-2024	1,311,515.48	1,398,563.92	0.90



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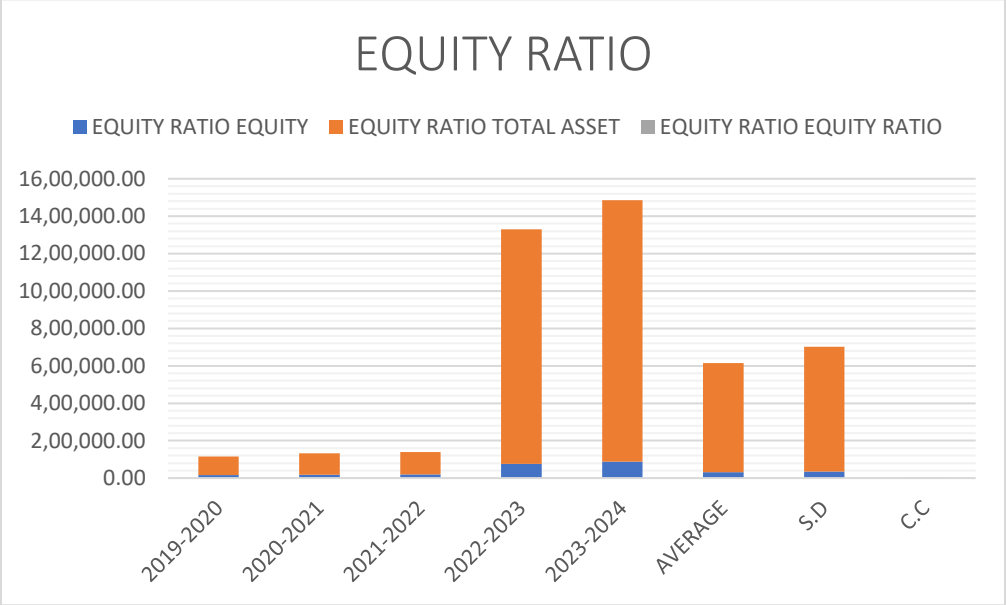
INTERPRETATION

The Debt Ratio analysis indicates a significant increase in Canara Bank's reliance on debt to finance its assets, rising from a stable range of 0.84 to 0.83 from 2019 to 2021 to a spike of 0.95 in 2022-2023 and 0.90 in 2023-2024. This suggests that nearly 90-95% of the bank's assets were funded by debt during these years, reflecting heightened financial leverage. The average Debt Ratio of 0.36 appears to be a calculation error, as it contradicts the observed ratios, while the high standard deviation and coefficient of variation highlight the volatility in the bank's debt levels, particularly in recent years.

EQUITY RATIO

TABLE-5 **Equity Ratio=Total Assets/Total Equity**

EQUITY RATIO			
YEAR	EQUITY	TOTAL ASSET	EQUITY RATIO
2019-2020	15,808.80	99,338.84	0.16
2020-2021	18,070.06	113637.92	0.16
2021-2022	18,824.93	120773.36	0.16
2022-2023	76,087.80	1,254,077.14	0.06
2023-2024	87,048.44	1,398,563.92	0.06



INTERPRETATION

The Equity Ratio analysis reveals a significant shift in Canara Bank's capital structure, with a stable ratio of 0.16 from 2019 to 2022, indicating that 16% of total assets were financed by equity. However, this ratio sharply declined to 0.06 in 2022-2023 and 2023-2024, suggesting increased reliance on debt for financing. The average Equity Ratio of 0.046 further underscores the trend of low equity financing, while high variability in the ratio indicates fluctuations in the bank's financial structure. This decline signals a heightened dependence on debt, potentially exposing the bank to financial risks amid changing market conditions.

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