

Conceptual and Numerical study on profit performance of the Canara Bank

*Vaibhavi Lambore, **Omkar Gopale, ***Dr. Ravichandra Reddy

*Vaibhavi Lambore, MBA Student, AIMS IBS, Bangalore

**Omkar Gopale, MBA Student, AIMS IBS, Bangalore

*** Dr. Ravichandra Reddy, Dean Academics, AIMS IBS, Bangalore

Abstract:

While all the companies in the other sector were in loss, the banking companies were still making profits. Here is the study of Canara Bank which yields the reason due to which the Canara Bank made profits in the era of Pandemic. The methodology used for the study is percentage analysis of the Canara Bank's financial reports of the previous four years. The percentage analysis of the following parameters are taken into consideration: Deposits, advances, interest earned, interest paid, turnover, profit per employee, business per employee, non-performing assets and net interest margin. The primary reason of this study is to understand how Canara Bank made more profits than their previous years even in the pandemic era. Also the research is being done to understand how amalgamation of Canara Bank and Syndicate Bank has helped the bank to gain more number of deposits and also more numbers advances being given on which the companies have paid interest and received interest respectively. Canara and Syndicate Bank will be combined to create the 4th largest public sector bank. As the Syndicate Bank was not making good profits, it had to amalgamate with the Canara Bank to survive in the banking sector. The amalgamation took place in the year 2020, after which the deposits and advances of the amalgamated firm increased at a very higher rate.

KEYWORDS: Deposits, Interest, turnover, etc.

Introduction

In the era of pandemic, there were many sectors in India which went into the loss making situations. But there were other sectors who were still making profits even in this pandemic. Banking sector was one of those sectors which was making profits.

The Indian banking system consists of **12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1485 urban cooperative banks and 96,000 rural cooperative banks** in addition to cooperative credit institutions. As of September 2021, the total number of ATMs in India reached 213,145. Canara Bank is one of the public sector banks which tremendously grew in the era of pandemic. While all the companies in the other sector were in loss, the banking companies were still making profits. Here is the study of Canara Bank which yields the reason due to which the Canara Bank made profits in the era of Pandemic.

Canara Bank is the third largest nationalised bank in India. It is under the ownership of the Ministry of Finance, government of India. It is headquartered in Bangalore. Established in 1906 at Mangalore by Ammembal Subba Rao Pai, the bank also has offices in London, Hong Kong, Dubai and New York. On 01 April, 2020 Canara Bank got merged with the Syndicate Bank which had a huge impact on the profits of the company.

It provides services like savings and deposits and consultancy services and card services and also provides credit facilities like loans and advances (loans such as Retail loan, DRI loans, Educational loan).

In the year 2019 the finance minister Nirmala Sitharaman announced mega mergers of ten state-run banks into four financial behemoths with an aim to unleash greater efficiencies and latent strength in India's banking sector with an eye on realising government's \$5 Trillion economy dream.

According to which the Canara and Syndicate Bank will be combined to create the 4th largest public sector bank with a business of rupees 15.20 lakh crores. The merged entity will have the 3rd largest branch network in India with 10342 branches. This merger will lead to large cost reduction and increased synergy due to network overlap.

Objective of study

- To analyse the profit performance of Canara Bank.
- To understand post amalgamation profit performance during the pandemic era (2020-21).
- To suggest valuable suggestions

Methodology

Scope: Canara Bank has been chosen as sample among 12 public sector banks .

The data collected for the study is limited to only 4 years between 2017-18 to 2020-21

The selected parameters have been considered to measure the post amalgamation performance during pandemic period

Analysis

Table no. 1: DEPOSITS

Deposits				
Years	2017-18	2018-19	2019-20	2020-21
Amount Deposited	5247718603	5990332748	6253511737	10108745827
Percentage Change		12.39%	4.21%	38.13%
Growth Rate	5.96%	14.15%	4.39%	61.65%

During the year 2017-18, the deposit growth rate was 5.96% and it has drastically increased to 14.5% in the year 2018-19 and decreased to 4.39% for the year 2019-20.

In the concluding year 2020-21, the deposit increased to 61.65%.

Table no. 2: ADVANCES

Advances				
Years	2017-18	2018-19	2019-20	2020-21
Amount	3817029864	4277272684	4321752048	6390489861
Percentage Change		10.76%	1.02%	32.37%
Growth Rate	11.61%	10.82%	1.58%	32.37%

During the year 2017-18, the advance growth rate was 11.61% and it has decreased to 10.82% in the year 2018-19 and drastically decreased to 1.58% for the year 2019-20.

In the concluding year 2020-21, the advance increased to 32.37%.

Table no. 3: INTEREST EARNED

Interest Earned				
Years	2017-18	2018-19	2019-20	2020-21
Amount	290887625	468103418	489349902	692397822
Percentage Change		60.92%	4.53%	41.49%

As compared to the year 2017-18, the interest earnings grew by 60.92% in the year 2018-19. In the year 2019-20, the interest earnings drastically decreased to 4.53%.

In the concluding year 2020-21, the interest earnings increased to 41.49%.

Table no. 4: INTEREST PAID

Interest Paid				
Years	2017-18	2018-19	2019-20	2020-21
Amount	412520876	323322201	358110834	420969599
Percentage Change		-21.62%	10.75%	17.55%

As compared to the year 2017-18, the interest payments decreased by 21.62% and it increased in the year 2018-19 by 10.75%

In the concluding year 2020-21, the interest Payment increased by 17.55%.

Table no. 5: TURNOVER

Turnover				
Years	2017-18	2018-19	2019-20	2020-21
Amount	9064748467	10267605432	10575263785	16499235688
Percentage Change		56.02%	3.00%	56.02%

As compared to the year 2017-18, the turnover of the company increased by 13.27% in the year 2018-19. In the year 2019-20 it drastically decreased to 3%. In the concluding year 2020-21, it drastically increased by 56.02%.

Table no. 6: PROFIT PER EMPLOYEE

Profit per Employee				
Years	2017-18	2018-19	2019-20	2020-21
No. of employees	58855	58350	58632	88213
Operating Profit(in crores)	9548	10591	9360	20009
Amount	16222920.7	18150814.05	15963978.71	22682597.8
Percentage change		11.88%	-12.48%	42.08%

As compared to the year 2017-18, the profit per employee increased by 11.88% in the year 2018-19. In the year 2019-20 it drastically decreased by 12.48%.

In the concluding year 2020-21, the Syndicate Bank got merged with Canara Bank, therefore the number of employees got increased, due to which the operating profit increased and hence the profit per employee increased by 42.08% .

Table no. 7: BUSINESS PER EMPLOYEE

Business per Employee				
Years	2017-18	2018-19	2019-20	2020-21
No. of employees	58855	58350	58632	88213
Turnover	9064748467	10267605432	10575263785	16499235688
Amount	154018.324	175965.8172	180366.7585	187038.5962
Percentage change		14.25%	2.50%	3.70%

As compared to the year 2017-18, the business per employee increased by 14.25% in the year 2018-19. In the year 2019-20 it drastically decreased by 2.5%.

In the concluding year 2020-21, the Syndicate Bank got merged with Canara Bank, therefore the number of employees got increased, due to which the turnover increased and hence the business per employee increased by 3.7% .

Table no. 8: NON-PERFORMING ASSETS (NPA)

NPA				
Years	2017-18	2018-19	2019-20	2020-21
Performance Percentage (%)	7.48%	5.37%	4.22%	3.82%

During the year 2017-18, the net NPA was 7.48% and it has increased to 5.37% in the year 2018-19 and decreased to 4.22% for the year 2019-20.

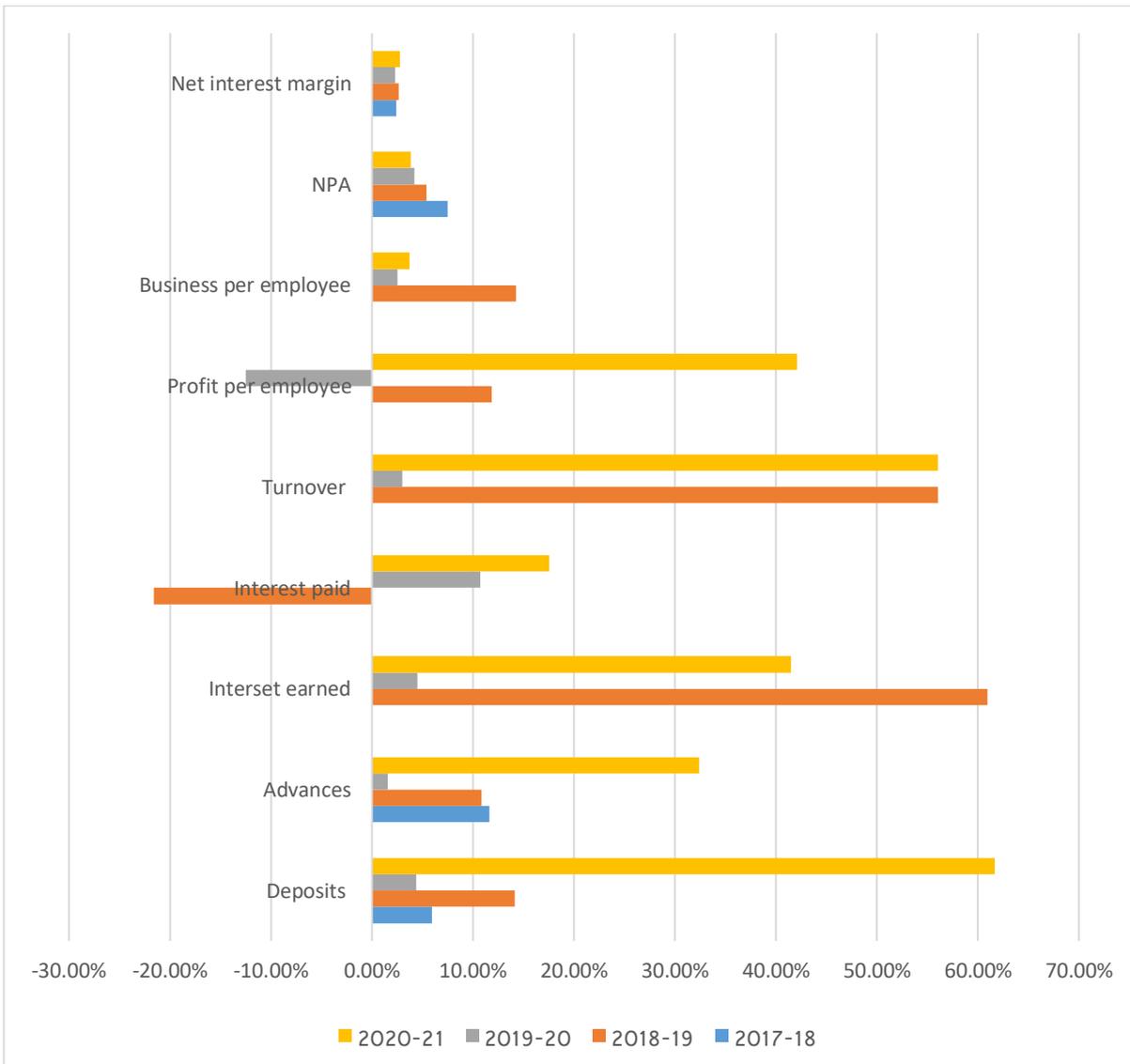
In the concluding year 2020-21, the net NPA decreased to 3.82%.

Table no. 9: NET INTEREST MARGIN

Net Interest Margin				
Years	2017-18	2018-19	2019-20	2020-21
Performance Percentage (%)	2.42%	2.63%	2.29%	2.75%

During the year 2017-18, the net interest margin was 2.42% and it has increased to 2.63% in the year 2018-19 and decreased to 2.29% for the year 2019-20.

In the concluding year 2020-21, the net interest margin increased to 2.75%.



Interpretation:

- In the above given graph we can see that the deposits in the year 2020-21 shown a drastic growth of 61.65% in deposits. The reason for this drastic growth was that in the pandemic era people thought that the safest place for investment would be depositing the money with the banks.
- Through the above graph we can see that there is a huge growth of 32.37% in advances during the year 2020-21. During the pandemic era many businesses were going in loss due to which they were in huge requirement of the funds which led drastic growth in the loans/advances.
- In the above graph it is clearly seen that the interest earned percentage has grown drastically by 41.49%. As the advances have drastically increased, therefore simultaneously the interest earned got increased.
- As shown in the graph that interest paid percentage has grown by 17.55% and the reason was huge increase in the deposits of the bank.
- The turnover of the bank got increased drastically to 56.02% due to simultaneous increase in the deposits and advances of the bank.
- The profit per employee percentage also got increased because during the pandemic era many employees got fired and the deposits and advances also got increased which eventually increased the profit.
- As we can see that the business per employee percentage got increased by 3.7% in the concluding year due to drastic increase in the turnover and also there is simultaneous growth in the number of employees because of the amalgamation of the two banks.
- The Non-performing Assets has decreased by 3.82% in the year 2020-21 and decline in the NPA is a good sign for the bank.
- The net interest margin has increased in the concluding year due to high proportionate change in the interest earned as compared to interest paid.

Hence, we can say that the deposits and advances of the bank got drastically increased due to the amalgamation of Syndicate Bank with Canara Bank in the pandemic era which simultaneously increased all other parameters of the bank.

Conclusion

The performance of the bank has shown the satisfactory level during the pandemic period in all the parameters chosen. The analysis which has been drawn by this study suggest that banks has met the standards as prescribed by RBI norms.

References

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