

# A Comparative Study on Financial Performance of Canara Bank and Corporation Bank

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**Abstract:** Banking sector is one of the fastest growing sectors and been one of the most preferred avenues of employment in India. Today's banking sector is becoming more complex. Today, banks have diversified their activities and are getting into new products and services that include opportunities in credit cards, consumer finance, wealth management, life and general insurance, investment banking, mutual funds, pension fund regulation, stock broking services, custodian services, private equity, etc. Further, most of the leading Indian banks are going global, setting up offices in foreign countries, by themselves or through their subsidiaries. Performance evaluation of the banking sector is an effective measure and indicator to check the soundness of economic activities of an economy. Evaluating Indian banking sector performance is not an easy task. There are multiple factors to be considered, while differentiating good banks from bad ones. To evaluate the performance of banking sector the CAMEL model has been used which measures the performance of banks from each of the important parameter like Capital Adequacy, Assets Quality, Management Efficiency, Earning Quality and Liquidity. After deciding the model, the performance of 42 public and private sector nationalized banks is evaluated over a period of five years (2009-2013). According to the importance of study each parameter is given equal weights. Results shown that on canara bank is high when compared with corporation bank.

**Keywords:** CAMEL approach, Public and private sector banks.

## 1. Introduction

Canara Bank is one of the largest public sector banks, owned by the government of India has its headquarters located Bengaluru. Established in Mangalore in 1906 by Ammembal Subba Rao Pai, it is one of the oldest public sector banks in the country. The government nationalized the bank in 1969. On 30 October 2017, the bank had a network of 6639 branches and more than 10600 ATMs spread across India. The bank also has offices abroad in London, Hong Kong, Moscow, Shanghai, Doha, Bahrain, South Africa, Dubai, Tanzania and New York.

Corporation Bank is a public sector banking company headquarters in Mangalore, India. The bank has a pan-Indian presence. Presently, the bank has a network of 2600 fully automated CBS branches, 3040 ATMs and 4724 branchless banking units across the country.

On 14 November Corporation Bank said it raised an amount of Rs 500 crore of the Basel III complaint Tier II bonds ( series 1) and the same has been allocated by the securities allotment

committee of the board of the bank.

On 2 December 2017, Corporation Bank launched its RuPay select and RuPay platinum credit cards, RuPay credit cards are accepted at all RuPay-enabled 1.5 million-plus POS terminals and 80,000-plus e-commerce merchants in India and all ICS partner acceptance points (POS, e-commerce merchants) globally.

## 2. Review of literature

- Richard S. Barr et. al. (2002) evaluated the relative productive efficiency and performance of US commercial banks 1984-1998. It described the CAMELS rating system used by bank examiners and regulators; and finds that banks with high efficiency scores also have strong CAMELS ratings. It found that the other relationship identified and recommends the use of DEA to help analysts and policy makers understand organization in greater depth, regulators and examiners to develop monitoring tools and banks to benchmark their processes.
- Samad (2007) in his paper entitled "Comparative analysis of domestic and foreign bank operations in Bangladesh" examiners the operations of foreign and domestic banks in the process of industrialization and economic development of Bangladesh."
- Prashanta Kumar Banerjee (2003) evaluated the operational and financial performance of Indian factoring companies. Factoring is a global industry with a vast turnover. It offers various advantages like consistent cash flow, lower administration costs, reduced credit risks and more time for core activities. Both the domestic and international factoring is getting popularity at an impressive rate in all parts of the world. The factoring services made an entry in India in the year 1991. Since then, a good number of factoring companies namely SBI Factors and commercial services Ltd., Canara Bank factors Ltd., Wipro Ltd., Integrated Finance company Ltd., and Foremost factors Ltd have been offering factoring services in India? It confirmed that operational and financial performance of the factors in India has been improving through time.
- Shobana (2010) in his paper entitled, "Operational efficiency of public sector banks in India- A Non-Parametric

Model" focuses on the operational efficiency of public sector banks in India using a non-parametric model, which measures the efficiency as a ratio of output index to input index. The study concluded that out of 27 public sectors banks in India, only nine banks has achieved high level efficiency in its operations.

### 3. Objectives of the study

- To study the profile of the Canara Bank and Corporation Bank.
- To analyse the financial performance of Canara Bank and Corporation Bank using Ratios, Comparative balance sheet and Common size statement.

### 4. Sources of data calculation

The study covers the analysis of the financial performance of Canara Bank and Corporation Bank. The study is based on secondary data taken from various government reports, newspapers, websites, research papers and journals.

### 5. Meaning of financial statements

A financial statement is the combination of the three major reports on a business. It will contain the cash flow statement, the income statement and the balance sheet of the business. All three together produce on overall picture of the health of the business.

### 6. Definition of financial statements

- Financial statements present a periodical view or reports on the progress by the management. The present the status of investments in a business as also the results achieved during a period.
- They are combination of recorded facts, accounting conventions and personal judgements.
- Amercian Institute of Public Account.

### 7. Methodology of financial statement

Ratio analysis

- Profitability ratios

- Solvency ratios and
  - Liquidity ratios
- Comparative balance sheet and Common size balance sheet

*Ratio Analysis:*

*Profitability ratios:*

Return on total assets ratios = net profit/total assets x 100

Year	Canara Bank	Corporation Bank
2019	0.05	-2.97
2018	1.56	1.78
2017	0.19	0.22
2016	-0.51	-0.21
2015	0.49	0.25

*Solvency ratios:*

Fixed asset ratio = net block/equity share capital

Year	Canara Bank	Corporation Bank
2019	2.60	0.43
2018	2.44	1.69
2017	3.00	2.73
2016	3.22	2.91
2015	3.24	3.11

*Liquidity ratios:*

Cash position ratio = cash and bank balances with RBI/Other liabilities

Year	Canara Bank	Corporation Bank
2019	1.611	2.38
2018	1.24	2.00
2017	1.32	2.14
2016	1.40	1.93
2015	1.32	1.76

Comparative balance sheet of Canara bank 2018-2019

Particulars	2018	2019	Amount, Increase/decrease	Percentage, Increase/decrease
<b>ASSETS</b>				
Cash and balance with RBI	22100.04	29912.02	-7811.98	-35.34
Balance with banks money at call	27812.29	36233.37	-8421.38	-30.27
Investments	144053.67	152985.30	-8931.63	-6.20
Advances	38170.99	427727.27	-46024.28	-12.05
Other assets	32898.47	39491.20	-6592.73	-20.03
<b>Total assets</b>	<b>608567.46</b>	<b>686349.46</b>	<b>-77482</b>	<b>-103.89</b>
<b>LIABILITIES</b>				
Equity share capital	733.24	753.24	-20	-2.65
Reserves	28346.86	28975.81	-628.95	-2.21
Deposits	524771.86	599033.27	-74261.41	-14.15
Borrowing	38808.51	40992.29	-2183.78	-5.62
Other liabilities	17700.90	18563.89	-862.99	-4.87
<b>Total liabilities</b>	<b>610361.37</b>	<b>688318.5</b>	<b>-77957.13</b>	<b>-29.5</b>

Comparative balance sheet of corporation bank 2018-2019

Particulars	2018	2019	Amount, Increase/decrease	Percentage, Increase/decrease
<b>ASSETS</b>				
Cash and balance with RBI	11140.15	9661.07	1479.08	15.30
Balance with banks money at call	177.48	2907.97	-2730.49	-1538.47
Investments	70349.76	59979.20	10370.56	17.29
Advances	119868.84	121251.21	-1382.37	-1.15
Other assets	19125.82	18356.56	769.26	4.19
Total assets	221227.98	212156.01	8506.04	-1502.84
<b>LIABILITIES</b>				
Equity share capital	333.11	1198.84	-865.73	-259.89
Reserves	9849.46	14463.84	-4614.38	-46.84
Deposits	183315.95	184567.84	-1251.89	-0.68
Borrowing	22171.08	8394.26	13776.82	164.12
Other liabilities	558.37	4050.89	-3492.52	-625.48
Total liabilities	216227.97	212675.67	3552.3	-768.77

Common size balance sheet of Canara bank 2018-2019

Particulars	2018	%	2019	%
<b>ASSETS</b>				
Cash and balance with RBI	22100.04	3.63	29919.02	4.359
Balance with banks money at call	27812.29	4.57	36233.67	5.27
Advances	381702.99	62.72	427727.27	62.31
Investments	144053.67	23.67	152985.30	22.28
Other assets	32898.47	5.40	39491.20	5.75
Total assets	608567.46	100%	686356.46	100%
<b>LIABILITIES</b>				
Equity share capital	733.24	0.120	753.24	0.10
Reserves	28346.86	4.66	28975.81	4.20
Deposits	524771.86	86.35	599033.27	87.02
Borrowing	38808.51	6.38	40992.29	5.95
Other liabilities	15055.10	2.47	18563.89	2.69
Total liabilities	607715.57	100%	688318.5	100%

Common size balance of Corporation bank 2018-2019

Particulars	2018	%	2019	%
<b>ASSETS</b>				
Cash and balance with RBI	11140.15	5.04	9661.07	4.45
Balance with banks money at call	177.48	0.08	2907.97	1.37
Advances	119868.84	54.32	121251.21	57.15
Investments	70349.76	31.88	59979.20	28.27
Other assets	19125.82	8.66	18356.56	8.65
Total assets	220662.05	100%	212156.01	100%
<b>LIABILITIES</b>				
Equity share capital	333.11	0.15	1198.84	0.56
Reserves	9849.46	4.45	14463.84	6.80
Deposits	183315.95	82.86	184567.84	86.78
Borrowing	22171.08	10.02	8394.26	3.94
Other liabilities	5558.37	2.51	4050.89	1.90
Total liabilities	221227.97	100%	212675.67	100%

### 8. Conclusion

The ratio analysis, comparative statement and common size statement shows that Canara Bank and Corporation Bank financial position satisfactory. Profitability ratio of Canara Bank is high likewise the solvency position of Canara Bank is also high. Liquidity ratio of Corporation Bank is high when compared with Canara Bank. Steps may be taken by the banks

to provide more advances and earn more profit in future.

### References

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