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A COMPARATIVE STUDY ON FINANCIAL PERFORMANCE OF CANARA BANK AND AXIS BANK

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ABSTRACT

Banking sector is playing a vital role in economic development of a country. The main objective of this study is to compare the financial performance of Canara Bank and Axis Bank. The ratios such as Liquidity Ratio, Current Ratio, profit and loss account ratio and balance sheet ratio are to be used for the comparative study of the financial performance of Canara Bank and Axis Bank. The study will enlighten the financial position of the selected Banks, it will be very useful further researchers.

Key Words: Liquidity Ratio, Current Ratio, Profit and Loss Account Ratio and Balance Sheet Ratio

INTRODUCTION

Financial statement refers to formal and original statements prepared by a business concern to disclose its information. ACIPA (American institute of certificate public accountants) says "financial statement are prepared for the purpose of presenting a periodical review or report on the progress by the management and deal with the status of investments in the business and the results achieved during the period under review".

A set of financial statement is a structured representation of the financial performance and financial position changed over time. It is the ultimate output of an accounting information system and the following four purposes.

- Income statement
- Balance sheet
- Statement of the cash flow
- Statement of the changes in equity

HISTORY OF BANK

CANARA BANK, Ammembal Subba Rao Pai, a philanthropist, established the Canara Hindu Permanent Fund in Mangalore, India, on 1 July 1906.Canara Bank's first acquisition took place in 1961 when it acquired Bank of Kerala. This had been founded in September 1944 and at the time of itsacquisition on 20 May 1961 had three branches. The second bank that Canara Bank acquired was Seasia Midland Bank (Alleppey), which had been established on 26 July 1930 and had seven branches at the time of its takeover.

AXIS BANK, The bank was founded on 3 December 1993 as UTI bank opening its registered office in Ahmedabad and a corporate office in Mumbai. The bank was promoted jointly by the Administrator of the Unit Trust of India (UTI), Life Insurance Corporation of India (LIC), General Insurance Corporation, National Insurance Company, The New India Assurance Company, The Oriental Insurance Corporation and United India Insurance Company. The first branch was inaugurated on 2 April 1994 in Ahmedabad by Manmohan Singh, then financeminister of India.

REVIEW OF LITERATURE

Ashish Gupta and VS Sundram (2015) in their article titled "Comparative study of public and private sector in India: An Empirical analysis" has set objectives aimed to examine and compare the financial position of selected public sector and private sector banks. They compared and highlighted the overall profitability of banks with selected variables. They have used tools selected ratios for analysis to know the financials positions of selected bank. They have concluded that public sector banks have not been utilizing their resources optimally. It is necessary for public sector banks to pay more attention on improve their productivity efficiency of employee by giving training, incentives and by proper management.

S. Subalashmi, S. Grahalakshmi and M. Manikandan (2018) in their article titled " A study on Financial Ratio Analysis of SBI(2009-2016)" has set aims at analysis the financial ratio analysis of State Banks of India. The main objective for commercial bank is to maximise structure their portfolios in order to maximisetheir return. The most popular tool/techniques for analysing the financial statement of bank is ratio analysis. Ratio analysis enables the management of banks to identify the causes of the changes in their advances, income, deposits, expenditure, profit and profitability over the period of time and thus helps in pinpointing the direction of action required for increasing the deposits, income, advances and reducing the expenditure and for altering the profitability prospects of the banks in future.

Dr. Nidhi Tanwar (2017) in her article titled "Performance Analysis of India Banks Using Camel Approach" has set to examine the impact of mergers and acquisitions on the financial and opening performance of banks they have been merged during post liberalization period by using a camel model. The study is based on secondary data covering he time period from 2001-2002 to 2013-2014. The findings of the paper reveal that to some extent mergers and acquisitions has been successful in Indian banking sector. Further, the government should not promote merger between strong and distressed banks as a way to promote the interest of the depositors of distressed banks, as it will have adverse effort upon the asset quality of the stronger banks.

STATEMENT OF THE PROBLEM

` Axis Bank Finance is one of the most important aspects of business management, without proper financial planning an enterprise is unlikely to be successful in managing money (cash).it is essential to ensure a secure future for both individual and an organization. For the proper Financial planning, analysis of the financial performances is required. That is why an attempt hasbeen made to find the financial performance of Canara Bank and Axis bank.

OBJECTIVES OF THE STUDY

- To Identify the trend and growth of Canara Bank and Axis Bank
- To Analysis the Financial Performance of the Canara Bank and Axis Bank
- To Offer Suggestions based on the Findings of the Study.

DATA COLLECTION

Canara Bank and Axis Bank of India have been selected for this study. This study is mainly based on secondary data. Secondary data were collected from books, journals, annual reports and websites of the banks. This study covers a period of 5 years from 2018 -2019 to 2021-2022.

LIMITATIONS OF THE STUDY

- Due to cost and time constrains, the study is confined to financial performance of the fourbanks only.
- The period of the study is restricted to five years.

DATA ANALYSIS

The following managerial techniques are used to analyse data:

Ratio analysis

CURRENT RATIO

$$\textbf{Current ratio} = \frac{\textit{Current Assets}}{\textit{Current Liabilities}}$$

TABLE NO.1

Year	Canara Bank	Axis Bank
2017-2018	1.85	1.91
2018-2019	2.12	1.81
2019-2020	2.36	2.02
2020-2021	1.86	1.81
2020-2022	1.70	1.43

Source: Calculated data

In the Canara Bank it is clear that the current ratios was 1.85% for 2017-2018, 2.12 for2018-2019, 2.36 for 2019-2020, 1.86 for 2020-2021, 1.70 for 2021-2022. Likewise the Axis Bank to current ratios was 1.91 for 2017-2018, 1.81 for 2018-2019, 2.02 for 2019-2020, 1.81 for 2020-2021, 1.43 for 2021-2022**.**

LIQUID RATIO

$$\text{Liquidity Ratio} = \frac{\boldsymbol{Quick\ Assets}}{\boldsymbol{Current\ Liabilities}}$$

TABLE NO.2

Year	Canara Bank	Axis Bank
2017-2018	2.81	1.65
2018-2019	3.56	2.03
2019-2920	4.14	2.30
2020-2021	5.25	1.39
2021-2022	6.46	2.08

Source: calculated data

In the Canara Bank it is clear that the Quick ratios was 2.81 for 2017-2018, 3.56 for2018-2019, 4.14 for 2019-2020, 5.25 for 2020-2021, 6.46 for 2021-2022. Likewise the Axis Bank the Quick ratios are 1.65 for 2017-2018, 2.03 for 2018-2019, 2.30 for 2019-2020, 1.39 for 2020-2021, 2.08 for 2021-2022.

CASH POSITION RATIO

$$\text{Cash Position Ratio} = \frac{Cash}{Current\ Liabilities}$$

TABLE NO.3

Year	Canara Bank	Axis Bank
2017-2018	1.24	1.35
2018-2019	1.61	1.06
2019-2020	1.37	2.01
2020-2021	1.27	1.16
2021-2022	1.83	1.76

Source: Calculated Data.

In the Canara Bank it is clear that the Cash Position ratio was 1.24 for 2017-2018, 1.61for 2018-2019, 1.37 for 2019-2020, 1.27 for 2020-2021, 1.83 for 2021-2022. Likewise the Axis Bank cash Position ratios was 1.35 for 2017-2018, 1.06 for 2018-2019, 2.01 for 2019-2020, 1.16 for 2020-2021, 1.76 for 2021-2022.

RETURN ON SHAREHOLDERS FUNDS

$$\text{Return on Shareholders Fund} = \frac{Net\ Profit}{Total\ Asset}$$

TABLE NO.4

Year	Canara Bank	Axis Bank
2017-2018	-0.00	0.00
2018-2019	0.00	0.00
2019-2020	-0.00	0.00
2020-2021	0.00	0.00
2021-2022	0.00	0.01

Source: Calculated Data.

In the Canara Bank it is clear that the Return on Shareholders Fund was -0.65 for 2017-2018, 0.04 for 2018-2019, -0.29 for 2019-2020, 0.21 for 2020-2021, 0.00 for 2021-2022. Likewise the Axis Bank Return on Shareholders Fund was 0.03 for 2017-2018, 0.53 for 2018-2019, 0.16 for 2019-2020, 0.60 for 2020-2021, 1.01 for 2021-2022.

DEBT EQUITY RATIO

$$\textbf{Debt Equity Ratio} = \frac{Debt}{Equity}$$

TABLE NO.5

Year	Canara Bank	Axis Bank
2017-2018	1.36	2.35
2018-2019	1.41	2.30
2019-2020	1.33	1.75
2020-2021	1.02	1.41
2021-2022	0.82	1.61

Source: Calculated Data.

In the Canara Bank it is clear that the Debt Equity ratio was 1.36 for 2017-2018,1.41 for2018-2019, 1.33 for 2019-2020, 1.02 for 2020-2021, 0.82 for2021-2022. Likewise the Axis Bank to Debt Equity Ratio was 2.35 for 2017-2018, 2.30 or 2018-2019, 1.75 for 2019-2020, 1.41 for 2020-2021,1.61 for 2021-2022.

FINDINGS

During the 5 years of study 2021-2022 accounts for 6.46% Liquidity ratio from Canara Bank and 2019-2020 accounted for 2.30% Liquidity ratio from Axis Bank.

During the 5 years of study 2019-2020 accounted for 2.36% current ratio from Canara Bank and 2019-2020 accounted for2.02% Current Ratio Axis Bank.

During the 5 years on study 2021-2022 accounted for 1.83% cash position ratio from Canara Bank and 2019-2020 accounted for 2.01% cash position ratio from Axis Bank.

During the 5 years on study for 2020-2021 accounted for 0.21% Return on Shareholders Fund from Canara Bank and 2021-2022 accounted for 1.01% Return on Shareholders Fund from Axis Bank.

During the 5 years on study 2018-2019 accounted for 1.41% Debt Equity Ratio from Canara Bank and 2017-2018 accounted for 2.35% Debt Equity Ratio from Axis Bank.

CONCLUSION

The comparison analysis and interpretation of the financial statements of Canara Bank Axis bank of using Comparative Balance Sheet, Comparative Income Statement, Common Size Balance Sheet and the analysis of the financial statements of two Banks is a process of calculating the better understanding of the banker financial position and financial performance based on their activities. Therefore the overall financial position of the bank is very well.

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