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A STUDY ON FINANCIAL PERFORMANCE OF CENTRAL BANK OF INDIA

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ABSTRACT

The banking industry is important to a country's economic growth. The banking sector is the economy's backbone and a prerequisite for the country's survival. With a large network of branches and a diverse range of financial services, India's banking system is large. The aim of this research is to study the financial performance of Central Bank of India was analyzed using the ratios such as liquidity ratio, solvency ratio, profit and loss account ratio and balance sheet ratio are to be used for the financial performance of Central Bank of India from the financial data from 2018 to 2022.

Key words: *Liquidity Ratio, Solvency Ratio, Profit and Loss Account Ratio and Balance Sheet Ratio.*

INTRODUCTION

Banks play a central role in the transmission of monetary policy, one of the government's most important tools for achieving economic growth without inflation. The 5 most important banking services are checking and savings accounts, loan and mortgage services, wealth management, providing credit and debit cards, overdraft services. Banking helps people save their money and invest it in different financial instruments like Government securities, long term bonds, etc. Financial Performance is a critical factor for the growth and stability in the banks. Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. Financial performance is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregate. In this article an attempt is made to evaluate the Financial Performance of Central Bank of India.

HISTORY OF BANK

Central Bank of India, an administration claimed bank, is one of the most seasoned and biggest business banks in India. It is situated in Mumbai which is the budgetary capital of India and capital city of territory of Maharashtra. Central Bank of India has a joint endeavor with Bank of India, Bank of Baroda, and the Zambian government. The Zambian government holds 40 percent stake and every one of the banks has 20 for each cent. It is one of 20 Public sector banks in India to get recapitalized in 2009. Central Bank of India has moved towards the Reserve Bank of India (RBI) for authorization to open agent workplaces in four additional areas- Singapore, Dubai, Doha and London. A Central Bank is a public institution that manages the currency of a country or group of countries and controls the money supply, the amount of money in circulation. The main objective of many central banks is price stability and to help manage economic fluctuations. A country has only one central bank, and in India we call it the Reserve Bank of India or RBI.

REVIEW OF LITERATURE

Vyas (1992) made an attempt to measure, compare and analyze the profitability of public sector banks, private sector banks and foreign sector banks operating in India. The study evidenced that public sector banks had low profitability as compared to private sector banks and foreign banks. Public sector banks suffered from poor asset management and low exposure on non-fund based activities. The study evaluated that non-interest income was very high in the case of foreign banks as compared to Indian public sector banks and private sector banks, the researcher suggested that public sector banks have to emphasize on the improvement of asset management and exposure to profit yielding services like merchant banking, mutual fund, personal advisory services credit cards, personal banking and international banking.

Kaushik (1995) studied the social objectives and profitability of public and private sector banks during the period 1973 to 1991. He compared the public and private banks with the help of various profitability and productivity indicators through ratios, average, correlation, regression and factor analysis. He found that public sector banks were having lower profitability as compared to private sector banks. Further, he found that the various productivity indicators showed an increasing trend during the period of study for all the banks though the increase was much higher in the case of private sector banks. He concluded that the profitability of public sector banks showed a declining trend due to social objectives not because of cost inefficiency and low productivity. He suggested that productivity could be increased with the help of innovative banking, improved technological and managerial knowledge, well educated and trained manpower and infrastructural facilities.

T. Padamasai (2000) evaluates the profitability, productivity and efficiency of Indian five big public sector banks i.e. SBI, PNB, BOB, BOL, Canara Bank as these are big five banks among the Indian nationalized commercial banks and have places in world's top 40 banks also. Six parameters such as deposits, advances, investments, profits, net NPAs and CAR of five banks have been analyzed separately for all the selected countries and the various parameters of productivity, profitability and efficiency are compared by naming it as B-Efficiency Model. The study concludes that productivity and profitability of five big banks has increased throughout the post-reforms period in terms of selected ratios of each parameter, but on account of efficiency, the performance of the top five bank is very dismissal as in efficiency has increased during the study period. It suggests that if the government sells its share in the profit-making banks, it will be able to hail the we banks.

STATEMENT OF PROBLEM

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 future for both individual and an organization. For the proper financial planning, it analysis the study on financial performances as required. That is why an attempt has been made to find the study on financial performance of Central Bank of India.

OBJECTIVES OF THE STUDY

- To study the profile of the Central Bank of India
- To analyze the Financial Performance of Central Bank of India
- To give the findings and conclusion of the study

DATA COLLECTION

Central Bank of India has been selected for this study. This study is mainly based on secondary data. Secondary data were collected from books, journals, annual reports and website of the bank. The study covers a period of 5 years from 2017-2018 to 2021-2022.

LIMITATIONS OF THE STUDY

1. Due to cost and time constrains, the study is confined to financial performance of the Bank.
2. The period of the study is restricted to 5 years.

DATA ANALYSIS

Ratio analysis was applied to analyze and compare the financial performance of bank. The following ratios have been used in the study to compare the performance of bank.

1. Current Ratio
2. Return on Total Assets Ratio
3. Debt-Equity Ratio
4. Investment to Total Assets Ratio

CURRENT RATIO

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2017-2018	23,479.67	7,694.77	3.05
2018-2019	23,384.06	6,4475.77	3.61
2019-2020	22,442.21	15,456.02	1.45
2020-2021	19,970.18	7,268.32	2.75
2021-2022	19,555.78	8,872.59	2.20

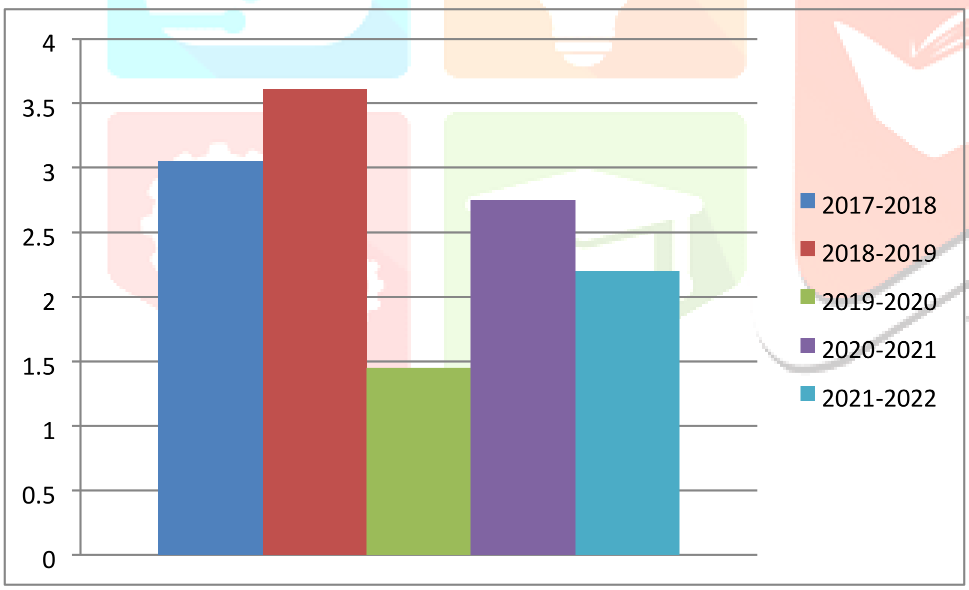
Source: Calculated Data

INTERPRETATION

The Current Ratio of Central Bank of India. The Current Ratio is decreasing during the 5 years period of the study. In 2018-2019 Central Bank of India had a ratio of 3.61 which is highest among all the 5 years.

CHART

CURRENT RATIO



RETURN ON TOTAL ASSETS RATIO

Return on Total Assets = $\frac{\text{Net Profit}}{\text{Total Assets}} \times 100$

YEAR	NET PROFITS	TOTAL ASSETS	RATIO
2017-2018	-5,104.90	326,225.28	-1.56
2018-2019	-5,641.48	330,717.66	-1.71
2019-2020	-1,121.35	356,435.86	-0.31
2020-2021	-887.58	369,214.99	-0.24
2021-2022	1,044.83	386,565.59	0.27

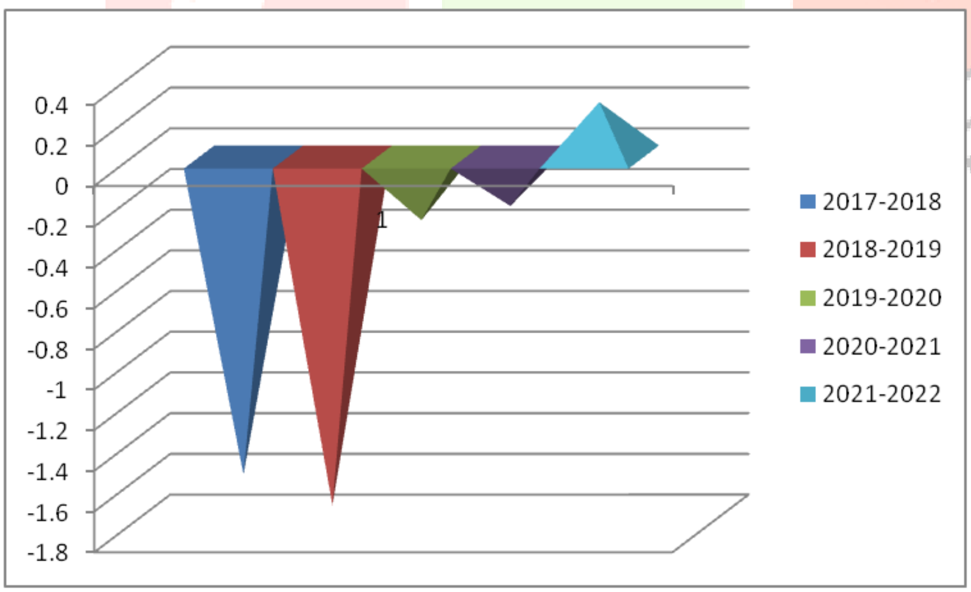
Source: Calculated Data

INTERPRETATION

The Return on Total Assets Ratio of Central Bank of India. In 2021-2022 Central Bank of India had a ratio of 0.27 but in 2017-2020 the Banks return on total assets ratio was negative.

CHART

RETURN ON TOTAL ASSETS RATIO



DEBT-EQUITY RATIO

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

YEAR	DEBT	EQUITY	RATIO
2017-2018	5,706.12	17,985.54	0.32
2018-2019	5,239.06	18,934.86	0.28
2019-2020	5,787.20	18,466.87	0.31
2020-2021	5,468.64	17,912.81	0.31
2021-2022	7,474.36	23,811.76	0.31

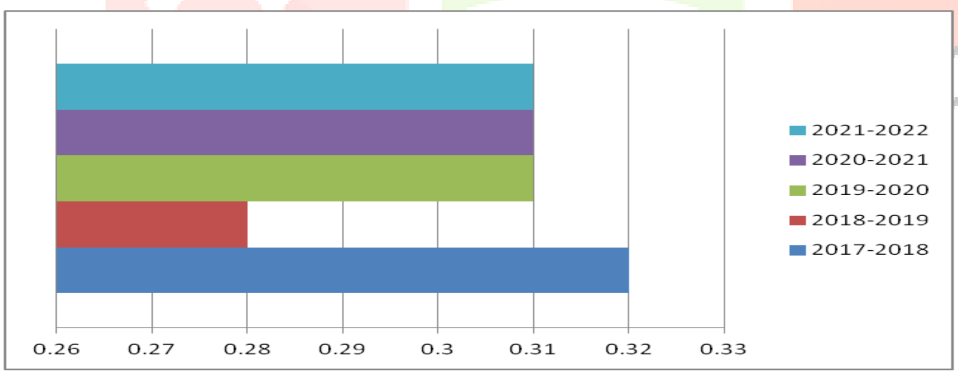
Source: Calculated Data

INTERPRETATION

Debt-Equity Ratio of Central Bank of India. Debt-Equity Ratio is decreasing during the 5 years period of the study. In 2017-2018 Central Bank of India had a ratio of 0.32 which is highest among all the 5 years.

CHART

DEBT-EQUITY RATIO



INVESTMENT TO TOTAL ASSETS RATIO

Investment to Total Assets Ratio = $\frac{\text{Investment}}{\text{Total Assets}} \times 100$

YEAR	INVESTMENT	TOTAL ASSETS	RATIO
2017-2018	102,631.61	326,225.28	31.46
2018-2019	125,298.07	330,717.66	37.89
2019-2020	142,517.54	356,435.86	39.98
2020-2021	148,582.43	369,214.99	40.24
2021-2022	140,786.95	386,565.59	36.42

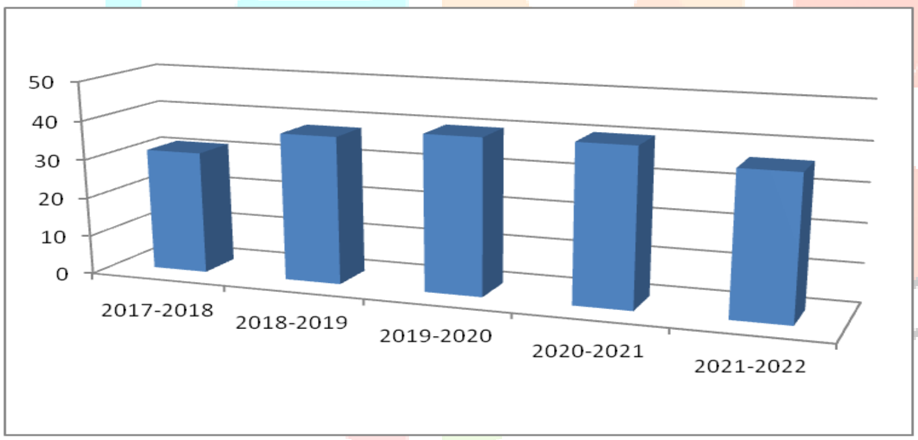
Source: Calculated Data

INTERPRETATION

Investment to Total Assets Ratio. In 2020-2021 Central Bank of India had a ratio of 40.24 which is highest among all the 5 years.

CHART

INVESTMENT TO TOTAL ASSETS RATIO



FINDINGS

- Current Ratio is decreasing during the 5 years of study. In 2018-2019 Central Bank of India had a ratio of 3.61 which is highest among all the 5 years. Standard norm is 2:1.

- The Return on total assets ratio is increasing during the 5 years study period.

- The Debt Equity ratio is decreasing during the 5 years period of study. In 2017-2018 Central Bank of India had a ratio of 0.32 which is highest among all the 5 years. The debt-equity ratio standard norm is 2:1 so the bank ratio is satisfactory.

- Investment to Total Assets ratio is fluctuating during the 5 years period of the study.

CONCLUSION

Banking sector is the backbone of an economy. The project exhibited the "A Study on Financial Statement of Central Bank of India" during the study period. The different parameters used in the research area are ratio analysis, comparative balance sheet and common size balance sheet. Over all the Performance of bank is satisfactory during the study period. But in the present days nationalized bank are having very tough competition than the private banks, they struggle for profits, by offering advances, and better customer service to the public they can avoid such problems.

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