



## ORIGINAL RESEARCH PAPER

## Commerce

### "A COMPARATIVE STUDY OF FINANCIAL PERFORMANCE OF SYNDICATE BANK & CANARA BANK "

**KEY WORDS:** BASEL-II, Financial performance, Ratio analysis, Beta.

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#### ABSTRACT

Analysis of financial statement is necessary because it help in depicting the financial position on the basis of past and current records. Analysis of financial statement helps in making the future decision and strategies. Financial performance analysis has now become an important technique of credit appraisal. The investors, financial experts, management executives and the bankers all analyze these statement. This paper is initiated a comparative study of financial performance of Syndicate bank and Canara bank. The main objective of this study is to know the liquidity, profitability and efficiency of Syndicate bank and Canara bank. Analytical tools used in the study are ratio analysis and cash flow analysis. .

#### INTRODUCTION

A good bank is not only the financial heart of the community, but also one with an obligation of helping in every possible manner to improve the economic conditions of the common people. The banks are the main participants of the financial system in India. The banking sector offers several facilities and opportunities to their customers. All the banks safeguard the money and valuables and provide loans, credit, and payments services, such as checking accounts, money orders, and cashier's cheques. The banks also offer investment and insurance products. The efficient working of banking system leads to survival of any country so it is necessary to measure the financial performance of banks.

#### Syndicate Bank Profile

Syndicate Bank was established in 1925 in Udupi, the abode of Lord Krishna in coastal Karnataka with a capital of Rs.8000/- by three visionaries - Sri Upendra Ananth Pai, a businessman, Sri Vaman Kudva, an engineer and Dr.T M A Pai, a physician. Their objective was primarily to extend financial assistance to the local weavers who were crippled by a crisis in the handloom industry through mobilising small savings from the community. The Bank is well equipped to meet the challenges of the 21st century in the areas of information technology, knowledge and competition. The Bank is pioneer among Public Sector Banks on launching CBS. Our bank has already achieved CBS implementation among all its branches. Thus, the bank is 100% CBS enabled.

#### Canara Bank Profile

Canara Bank was founded by Shri Ammembal Subba Rao Pai, a great visionary and philanthropist, in July 1906, at Mangalore, then a small port town in Karnataka. Over the years, the Bank has been scaling up its market position to emerge as a major 'Financial Conglomerate' with as many as nine subsidiaries/sponsored institutions/joint ventures in India and abroad. As at June 2014, the Bank has further expanded its domestic presence, with 5003 branches spread across all geographical segments.

#### Review of literature

**Alamelu (2017)** in his study entitled, "Profitability in Banks, a matter of survival", pointed out the problem of declining profit margins in the Indian Public Sector Banks as compared to their private sector counterparts. It was observed that in spite of similar social obligations; almost all the private sector banks have been registering both – high profits and high growth rate with respect to deposits, advances and reserves as compared to the public sector banks.

**Razor (2015)**, in his paper Profitability is measured under the deregulated environment with some financial parameters of the major four bank groups i.e. public sector banks, old private sector banks, new private sector banks and foreign banks, profitability has declined in the deregulated environment. He emphasized to make the banking sector competitive in the deregulated environment. They should prefer noninterest income sources.

**Sanjay J. Bhayani (2011)** in his study, "Performance of New India Private Banks: A Comparative Study", The study covered 4 leading private sector banks- ICICI, HDFC, UTI and IDBI for a period of 5

years from 2000-01 to 2004-05. It is revealed that the aggregate performance of IDBI Bank is best among all the banks, followed by UTI.

**P. Dupit (2012)**, in his paper, "Long run performance of public and private sector bank stocks", has made an attempt to compare the three categories of banks-Public, Private and Foreign-using Physical quantities of inputs and outputs, and comparing the revenue maximization efficiency of banks during 1992-2000. The findings show that PSBs performed significantly better than private sector banks but not differently from foreign banks.

#### Research Methodology

Research methodology is a systematic way to solve a problem. It is a science of studying how research is to be carried out. Essentially, the procedures by which researchers go about their work of describing, explaining and predicting phenomena are called research methodology. It is also defined as the study of methods by which knowledge is gained. Its aim is to give the work plan of research.

#### Objectives of the study

1. To identify the liquidity position of banks under study.
2. To know profitability of banks under study.
3. To understand the efficiency of the banks under study.
4. To make comparison between the financial performance of banks under study.
5. To know the strength and weakness of Syndicate bank and Canara bank through Ratio analysis.

#### Sample Size

In the present study, an attempt has been made to evaluate and compare the financial performance of Syndicate bank and Canara Bank.

#### Research design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. It details the procedures necessary for obtaining the information need to structure and/or solve research problems. The research design lays the foundation for conducting the project. The research work is analytical in nature.

#### Sources of Information

This paper is based on secondary data drawn from the annual reports of the respective banks, research journal, periodical, News paper and related websites. Apart from this data of IBA Bulletin, Statistical Tables relating to banks in India published by Reserve Bank of India, various issues of Report on Trends and Progress of Banking in India, Bank Quest, various books, accounting literature, journals related to banking industry, working papers, etc have been used.

#### Data Analysis

Ratio Analysis and cash flow analysis were applied to analyze and compare the financial performance of Syndicate bank and Canara bank.

### Analysis & Interpretation

**P/E Ratio (Price earnings ratio)** of Syndicate bank is 21.92 which is more than the P/E ratio of its peer set Canara bank 9.15 which means that it is overvalued and strongly sound in nature.

**P/B Ration (Price to book ratio)** : The ratio of Syndicate bank is 2.7 and that of its peer set is 1.8 which means the bank is highly overvalued in nature.

**EV/EBIDTA (Enterprise value / Earnings before interest, taxes, depreciation, and amortization)**: The ratio of Syndicate bank is 17.07 and that of its peerset is 16.64 which means that the bank is closely related to its peerset. Both are fundamentally sound in nature.

**Table No.1**

Particulars	Syndicate Bank	Canara Bank
1. Beta valuation	0.8	0.9
2. Sustainable earnings (standard deviation)	504	1044
Average sustainable earnings	8857	3136
3. Cash flow statement analysis:	14467.01	35094.1
4. Basel-II CRAR%	11.98	14.52
5. Profit & Loss statement analysis	(19%)	38.69%

**Cash Flow Statement Analysis of Canara Bank (Table No 2)**

Particulars	2013	2014	2015	2016	2017
Net Profit Before Tax	1654.26	2207.16	3342.94	4238.06	5650.32
Net Cash From Operating Activities	5153.94	2241.82	1125.47	11252.45	11778.81
Net Cash Used In From Investing Activities	-307.65	-235.13	-238.93	-335.01	-489.76
Net Cash Used In From Financing Activities	-20.56	2012.23	901.29	462.51	3177.96
Net (Decrease)/Increase In Cash And Cash Equivalent	4825.73	4018.92	1787.83	11379.94	14467.01
Opening Cash	13454.64	18280.37	22299.29	24087.12	35467.06
Closing Cash	18280.37	22299.29	24087.12	35467.06	49934.07

**Source : Data extracted from Annual report of Canara Bank**

**Cash Flow Statement Analysis of Syndicate Bank (Table No 3)**

Particulars	2013	2014	2015	2016	2017
Net Profit Before Tax	7625.08	10438.9	14180.64	13926.1	14954.23
Net Cash From Operating Activities	-1776.07	-856.87	29479.73	-1804.99	34282.52
Net Cash (used in)/from Investing activities	-284.56	-2798.01	-1651.93	-1761.52	-1245.53
Net Cash (used in)/from Financing Activities	9494.11	19371.12	5097.38	-3359.67	2057.11
Net (decrease)/increase In Cash and Cash Equivalents	7433.49	15716.24	32925.18	-6926.18	35094.1
Opening Cash & Cash Equivalents	44535.2	51968.69	71478.62	103110	87780.05
Closing Cash & Cash Equivalents	51968.69	67466.34	104403.8	96183.84	122874.2

**Source : Data extracted from Annual report of Syndicate Bank**

### CONCLUSION

1. Syndicate bank has overall better efficiency and has performed better in the banking institution as compared to Canara bank.
2. EPS and DPS of Syndicate bank is increasing due to increase in the use of debt rather than the use of improved operations.
3. The P/E Ratio of Syndicate bank is high as compared to its industry and Canara bank which means that Syndicate Bank is using its funds in a better manner and it is fundamentally sound in nature.
4. Beta of Syndicate bank And Canara bank is less than the market beta which means that both banks are giving less returns but they are less risky and investors can invest in these shares.
5. The Average Sustainable Earnings of Syndicate bank is high and the standard deviation is low so the bank has its earnings sustain and more robust in nature as compared to Canara bank.
6. The Credit Deposit of Syndicate bank And Canara bank is close but the ratio is high which means that Syndicate bank has overall good efficiency and better performance, i.e., the bank has high credit deposit ratio.

6. Balance sheet statement analysis	16	28%
7. Ratio analysis:		
a. P/E ratio	21.92	9.15
b. P/BV	2.7	1.8
c. EV/EBIDTA	17.07	16.64

**Source: Secondary data**

**Credit-Deposit Ratio:** This ratio assess the credit performance of the bank. Syndicate bank and Canara bank both are performing well as both banks has overall good efficiency in nature. Syndicate bank has overall good efficiency and performance of banking institutions.

**Cash Deposit Ratio:** This ratio assesses the cash performance of the bank. Since the average sustainable earnings is high and standard deviation of Syndicate bank is low which means that the bank is fundamentally sound and it is performing good as compared to Canara bank. Since the industry P/E ratio is 6.43 ,Syndicate bank's is 21.92,canara bank's is 9.15.It means that Syndicate bank's P/E ratio is more than the industry/peer set company which means it is overvalued and it is fundamentally sound in nature as compared to its industry/ peer set Canara bank. It is indicated that EPS and DPS are increasing of Syndicate bank as compared to Canara bank. The reason may be that there is more use of debt than due to improved operations.

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