SECTION -3

This section deals with the third objective of the study “To analyze the liquidity, Solvency and Profitability of Canara Bank” For the study of this objective ratio analysis is used. In which liquidity ratio, profitability ratio and solvency ratio are used. Different types of charts and tables are used for presentation of data so that data can be easily understandable..

RATIO ANALYSIS

Relationship between two figures, expressed in arithmetical terms is called a ‘ratio’. In the words of R.N. Anthony :
“A Ratio is simply one number expressed in terms of another. It is found by dividing one number into the other”.

According to J.Batty “the term accounting ratio is used to describe significant relationships which exists between figures shown in a balance sheet, in a profit &loss account in a budgetary control system or in any other part of the accounting organization”.

Ratio analysis is every powerful analytical tool useful for measuring performance of organization. The ratio analysis concentrates on the interrelationship among the figure appearing in the aforementioned four financial statements. The ratio analysis helps the management to analysis the past performance of the firm &to make future projections.

Ratio analysis is extremely helpful in providing valuable insight into a company financial picture.

Ratio normally pinpoint a business; strengths and weakness in two ways :-

- Ratio provide an easy way to compare present performance with past.
- Ratio depicts the areas in which a particular business is competitively advantage or disadvantage through comparing ratios to those of other business of the same size within the same industry.

Ratio may be expressed in the following four ways :

i. ‘Proportion’ or Pure Ratio or Simple Ratio: It is expressed by the simple division of one number by another.

ii. ‘Rate’ or ‘So Many Times’: In this type, it is calculated how many times a figure is, in comparison to another figure.
iii. **Percentage:** In this type, the relation between two figures is expressed in hundredth.

**Fraction:** While calculating a ratio, it should be understood that it is desirable to divide the “more favorable figure” by the “less favorable figure

**CLASSIFICATION OF RATIOS**

Ratios may be classified into the four categories as follows:

**LIQUIDITY RATIOS:** “Liquidity” refers to the ability of firm to meet the current liabilities. These ratios are also called ‘Short-term Solvency Ratios. These ratios are used to measure the short-term solvency of a company. They show the ability of the company to quickly convert its assets into cash to pay its short-term debts. The higher the ratios, the more liquid the company and the less likely the company experience financial distress in short-term basis.
Liquidity ratios include two ratios:

I. Current Ratio or Working Capital Ratio
II. Quick Ratio or Acid Test Ratio or Liquid Ratio

I. CURRENT RATIO:
An indication of a company’s ability to meet short-term debt obligations; the higher the ratio, the more liquid the company is. Current ratio is equal to current assets divided by current liabilities. If the current assets of a company are more than twice the current liabilities, then that company is generally considered to have good short-term financial strength. If current liabilities exceed current assets, then the company may have problems meeting its short-term obligations.

\[
\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}
\]

Table 3.1: Showing the current ratio of canara bank (2011-2015)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>CURRENT ASSETS (Rs. in cr.)</th>
<th>CURRENT LIABILITIES (Rs. in cr.)</th>
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<td>2011</td>
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<td>2015</td>
<td>17,239.66</td>
<td>525,687.19</td>
<td>0.03</td>
</tr>
</tbody>
</table>

Graph 3.1: Showing current ratio of canara bank (2011-2015)
Interpretation:

- An ideal solvency ratio is 2. The ratio of 2 is considered as a safe margin of solvency due to the fact that if current assets are reduced to half (i.e.) 1 instead of 2, then also the creditors will be able to get their payments in full. In Mar’11, current assets were Rs.7561.66 cr. whereas current liabilities were Rs.318614.42 cr. so the current ratio of Mar’11 was 0.02. Similarly, in Mar’12, current assets were 8723.24 cr. while the current liabilities were Rs.355878.42 cr. so the current ratio of the year Mar’12 was 0.02 respectively. While in the year Mar’13, current assets were Rs.11691.77 cr. while the current liabilities were Rs.393915.69 cr. so the current ratio was 0.03. In the year Mar’14, current assets were Rs.12784.66 cr. while the current liabilities were Rs.470599.77 cr. so the current ratio was 0.03. In the year Mar’15, current assets are Rs.17239.66 cr. while the current liabilities are Rs.525687.19 cr. so the current ratio of the year Mar’15 is 0.03 respectively.

- In the year 2011, current assets of Rs.7561.66 cr. include interest accrued of Rs.2932.14 cr.; tax paid in advance/tax deducted at source (net) of Rs.1763.87 cr.; stationary and stamps of Rs.8.37 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4018.52 cr. Whereas current liabilities of Rs.318614.42 cr. in the year 2011 includes demand deposits of Rs.14658.82 cr.; saving bank deposits of Rs.64792.21 cr.; term deposits of Rs.247442.99 cr.; borrowings in India of Rs.6972.92 cr.; bills payable of Rs.1105.27 cr.; inter-office adjustment of Rs.55.42 cr.; interest accrued of Rs.764.86 cr.; deferred tax liability of Rs.251.08 cr.; others (including provisions) of Rs.1193.31 cr. So the current ratio of year 2014 was 0.02.

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In the year 2013, current assets of Rs.11691.77 cr. include interest accrued of Rs.3370.90 cr.; tax paid in advance/tax deducted at source (net) of Rs.2430.83 cr.; stationary and stamps of Rs.6.93 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.5882.77 cr. Whereas current liabilities of Rs.393915.69 cr. in the year 2013 includes demand deposits of Rs.14721.79 cr.; saving bank deposits of Rs.71168.18 cr.; term deposits of Rs.269794.65 cr.; borrowings in India of Rs.10879.68 cr. and borrowings outside India of Rs.4975.40 cr.; bills payable of Rs.1057.27 cr.; inter-office adjustment of Rs.42.85 cr.; interest accrued of Rs.1153.11 cr.; deferred tax liability of Rs.310.35 cr.; others (including provisions) of Rs.15312.36 cr. So the current ratio of year 2013 was 0.03.

In the year 2014, current assets of Rs.12784.66 cr. include interest accrued of Rs.4206.65 cr.; tax paid in advance/tax deducted at source (net) of Rs.4065.57 cr.; stationary and stamps of Rs.12.01 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4500.08 cr. Whereas current liabilities of Rs.470599.77 cr. in the year 2014 includes demand deposits of Rs.17735.52 cr.; saving bank deposits of Rs.85535.60 cr.; term deposits of Rs.317332.54 cr.; borrowings in India of Rs.14906.81 cr. and borrowings outside India of Rs.12402.90 cr.; bills payable of Rs.1174.18 cr.; inter-office adjustment of Rs.218.47 cr.; interest accrued of Rs.1471.72 cr.; deferred tax liability of Rs.1738.27 cr.; others (including provisions) of Rs.18083.71 cr. So the current ratio of year 2014 was 0.03.

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II. QUICK RATIO:

Quick ratio is also known as ‘Liquid’ or ‘Acid Test ‘Ratio. Quick assets refer to assets which are quickly convertible into cash. Quick ratio indicates whether the firm is in a position to pay its current liabilities within a month or immediately. Current Assets other stock and prepaid expenses are considered as quick assets.

Quick Ratio or Liquid Ratio = \[ \frac{Quick \text{ Assets}}{Current \text{ Liabilities}} \]

(Where Quick Assets = Total Current Assets – Inventory)

An ideal quick ratio is said to be 1:1. If it is more, it is considered to be better. The idea is that for every rupee of current liabilities, there should atleast be one rupee of liquid assets. This ratio is a better test of short-term financial position of the company than the current ratio, as it considers only those assets which can be easily and readily converted into cash. Stock is not included in liquid assets as it may take lot of time before it is converted into cash.

Table 3.2 : Showing quick assets & current liabilities of canara bank (2011-2015)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>QUICK ASSETS (Rs. in cr.)</th>
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Graph 3.2: Showing the quick ratio of canara bank (2011-2015)
Quick ratio of 1:1 is considered favorable because for every rupee of current liability, there is at least one rupee of liquid assets. A higher value of ratio is considered favorable. Here this ratio is less than 1 in 2011, 2012, 2013, 2014 & 2015. This means the bank has not managed its funds properly in this particular period. Therefore, bank should rationally utilize its funds to maintain an ideal liquid ratio. In Mar’11, current assets were Rs.7561.66 cr. whereas current liabilities were Rs.318614.42 cr. so the current ratio of Mar’11 was 0.02. Similarly, in Mar’12, current assets were 8723.24 cr. while the current liabilities were Rs.355878.42 cr. so the current ratio of the year Mar’12 was 0.02 respectively. While in the year Mar’13, current assets were Rs.11691.77 cr. while the current liabilities were Rs.393915.69 cr. so the current ratio was 0.03. In the year Mar’14, current assets were Rs.12784.66 cr. while the current liabilities were Rs.470599.77 cr. so the current ratio was 0.03. In the year Mar’15, current assets are Rs.17239.66 cr. while the current liabilities are Rs.525687.19 cr. so the current ratio of the year Mar’15 is 0.03 respectively.
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In the year 2014, current assets of Rs.12784.66 cr. include interest accrued of Rs.4206.65 cr.; tax paid in advance/tax deducted at source (net) of Rs.4065.57 cr.; stationary and stamps of Rs.12.01 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4500.08 cr. Whereas current liabilities of Rs.470599.77 cr. in the year 2014 includes demand deposits of Rs.17735.52 cr.; saving bank deposits of Rs.85535.60 cr.; term deposits of Rs.317332.54 cr.; borrowings in India of Rs.14906.81 cr. and borrowings outside India of Rs.12402.90 cr.; bills payable of Rs.1174.18 cr.; inter-office adjustment of Rs.218.47 cr.; interest accrued of Rs.1471.72 cr.; deferred tax liability of Rs.1738.27 cr.; others (including provisions) of Rs.18083.71 cr. So the current ratio of year 2014 was 0.03.

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Table 3.3: Showing the summary of liquidity ratio of Canara Bank (2011-2015)
**Interpretation:**

- **In case of Current Ratio**, it is an indication of a company's ability to meet short-term debt obligations; the higher the ratio, the more liquid the company is. Current ratio is equal to current assets divided by current liabilities. If the current assets of a company are more than twice the current liabilities, then that company is generally considered to have good short-term financial strength.

  a) In the year 2011, current assets of Rs.7561.66 cr. include interest accrued of Rs.2932.14 cr.; tax paid in advance/tax deducted at source (net) of Rs.1763.87 cr.; stationary and stamps of Rs.8.37 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4018.52 cr. Whereas current liabilities of Rs.318614.42 cr. in the year 2011 includes demand deposits of Rs.14658.82 cr.; saving bank deposits of Rs.64792.21 cr.; term deposits of Rs.247442.99 cr.; borrowings in India of Rs.8641.50 cr. and borrowings outside India of Rs.6972.92 cr.; bills payable of Rs.1105.27 cr.; inter-office adjustment of Rs.55.42 cr.; interest accrued of Rs.764.86 cr.; deferred tax liability of Rs.251.08 cr.; others (including provisions) of Rs.1193.31 cr. So the current ratio of year 2014 was 0.02.
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d) In the year 2014, current assets of Rs.12784.66 cr. include interest accrued of Rs.4206.65 cr.; tax paid in advance/tax deducted at source (net) of Rs.4065.57 cr.; stationary and stamps of Rs.12.01 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4500.08 cr. Whereas current liabilities of Rs.470599.77 cr. in the year 2014 includes demand deposits of Rs.17735.52 cr.; saving bank deposits of Rs.85535.60 cr.; term deposits of Rs.317332.54 cr.; borrowings in India of Rs.14906.81 cr. and borrowings outside India of Rs.12402.90 cr.; bills payable of Rs.1174.18 cr.; inter-office adjustment of Rs.218.47 cr.; interest accrued of Rs.1471.72 cr.; deferred tax liability of Rs.1738.27 cr.; others (including provisions) of Rs.18083.71 cr. So the current ratio of year 2014 was 0.03.
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liability of Rs.1396.13 cr.; others (including provisions) of Rs.21764.06 cr. So the current ratio of year 2015 was 0.03.

**Solvency Ratios:** These ratios are calculated to assess the ability of the firm to meet its long-term liabilities as and when they become due. These ratios are used to measure the extent of the company's financing with debt relative to equity and its ability to cover interest and other fixed charges. They address the company's long-term ability to meet its financial leverage. The higher the ratios, the more indebtedness the company owes, which signals the possibility the company will be unable to earn enough to satisfy its debt obligations.

Some important solvency ratios are:

I. Debt-Equity Ratio
II. Total Assets to Debt Ratio
III. Proprietary Ratio

I. **Debt-Equity Ratio:**

The Debt-Equity ratio is calculated to find out the long-term financial position of the firm. This ratio indicates the relationship between long-term debts and shareholder’s funds. The soundness of long-term financial policies of a firm can be determined with the help of this ratio.

It helps to assess the soundness of long-term financial policies of a business. It also helps to determine the relative stakes of outsiders and shareholders. Long-term creditors can assess the security of their funds in a business. It indicates to what extent a firm depends upon lenders to meet its long-term financial requirements. A low Debt-Equity ratio is considered better from the point of view of creditors.
Debt Equity Ratio = \frac{Debt}{Equity} \, or \, \frac{Long\ term\ Loans}{Shareholder's\ Funds\ or\ Net\ Worth}

This ratio is calculated to assess the ability of the firm to meet its long term liabilities. Generally, debt-equity ratio of 2:1 is considered safe. If the debt-equity ratio is more than that, it shows a rather risky financial position from the long-term point of view, as it indicates the more and more funds are invested in the business are provided by long term lenders. A high debt-equity ratio is a danger-signal for long term lenders.

The lower this ratio, the better it is for long-term lenders because they are more secure in that case. Lower than 2:1 debt equity ratio provides sufficient protection to long-term lenders.

Table 3.4: Showing the total debt –equity ratio of canara bank (2011-2015)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TOTAL DEBT</th>
<th>EQUITY</th>
<th>DEBT - EQUITY RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>307,552.91</td>
<td>18,302.72</td>
<td>16.80367235</td>
</tr>
<tr>
<td>2012</td>
<td>342,508.46</td>
<td>20,978.26</td>
<td>16.32682882</td>
</tr>
<tr>
<td>2013</td>
<td>376,039.73</td>
<td>23,143.19</td>
<td>16.24839661</td>
</tr>
<tr>
<td>2014</td>
<td>447,913.40</td>
<td>24,678.01</td>
<td>18.15030466</td>
</tr>
<tr>
<td>2015</td>
<td>499,487.81</td>
<td>27,085.86</td>
<td>18.44090644</td>
</tr>
</tbody>
</table>
**Interpretation:**

- The ratio shows the extent to which funds have been provided by long-term creditors as compared to the funds provided by the owners. Here the debt-equity ratio for the above period is always high. This shows that the bank is more relying on outside funds as compared to internal sources of capital, in its capital structure. From the long-term lenders point of view this ratio is not satisfactory. In Mar’11, total debt were Rs.307552.91 cr. whereas equity were Rs.18302.72 cr. so the debt equity ratio of Mar’11 was 16.80. Similarly, in Mar’12, total debt were Rs.342508.46 cr. while the equity were Rs.20978.26 cr. so the debt equity ratio of the year Mar’12 was 16.32 respectively. While in the year Mar’13, total debt were...
Rs.376039.73 cr. while the equity were Rs.23143.19 cr. so the debt equity ratio was 16.24. In the year Mar’14, total debt were Rs.447913.40 cr. while the equity were Rs.24678.01 cr. so the debt equity ratio was 18.15. In the year Mar’15, total debt are Rs.499487.81 cr. while the equity are Rs.27085.86 cr. so the debt equity ratio of the year Mar’15 is 18.44 respectively.

- In the year 2015, total debt was Rs.499487.81 cr. which include demand deposits of Rs.19724.41 cr.; saving bank deposits of Rs.93686.33 cr.; term deposits of Rs.360314.24 cr.; borrowings in India of Rs.14906.81 cr. and borrowings outside India of Rs.12402.90 cr. whereas equity of Rs.27085.86 cr. which consists of equity share capital of Rs.475.2 cr.; and reserves of Rs.26610.66 cr. respectively.

- In the year 2014, total debt was Rs.447913.40 cr. which include demand deposits of Rs.17735.52 cr.; saving bank deposits of Rs.85535.60 cr.; term deposits of Rs.317332.54 cr.; borrowings in India of Rs.14906.81 cr. and borrowings outside India of Rs.12402.90 cr.; whereas equity of Rs.24678.01 cr. which consists of equity share capital of Rs.461.26 cr.; and reserves of Rs.24216.75 cr. respectively.

- In the year 2013, total debt was Rs.376039.73 cr. which include demand deposits of Rs.14721.79 cr.; saving bank deposits of Rs.71168.18 cr.; term deposits of Rs.269794.65 cr.; borrowings in India of Rs.10879.68 cr. and borrowings outside India of Rs.9475.40 cr. whereas equity of Rs.23143.19 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.22700.19 cr. respectively.

- In the year 2012, total debt was Rs.342508.46 cr. which include demand deposits of Rs.14658.82 cr.; saving bank deposits of Rs.64792.21 cr.; term deposits of Rs.247442.99 cr.; borrowings in India of Rs.8641.50 cr. and borrowings outside India of Rs.6972.92 cr. whereas equity of Rs.20978.26 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.20535.26 cr. respectively.

- In the year 2011, total debt was Rs.307552.91 cr. which include demand deposits of Rs.24453.02 cr.; saving bank deposits of Rs.58617.10 cr.; term deposits of Rs.210723.78 cr.; borrowings in India of Rs.8932.07 cr. and borrowings outside India of Rs.5362.93 cr. whereas equity of Rs.18302.72 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.17859.72 cr. respectively.
II. **TOTAL ASSETS TO DEBT RATIO:**

This ratio is a variation of the debt-equity ratio and gives the same indication as the debt-equity ratio and gives the same indication as the debt-equity ratio. In this ratio, total assets are expressed in relation to long term debts. It is calculated as under:

\[
\text{Total Assets to Debt Ratio} = \frac{\text{Total Assets}}{\text{Debt}} \quad \text{or} \quad \frac{\text{Total Assets}}{\text{Long term Loan}}
\]

This ratio is usually expressed as a pure ratio, *i.e.*, 1:1 or 2:1. It measures the extent to which long term loans are covered by assets which indicates the margin of safety available to providers of long term loans. A higher total assets to debt ratio implies the use of lower debts in financing the assets which means a larger safety margin for lenders. On the other hand, low ratio represents risky financial position as it implies the use of higher debts in financing the assets of the business.

Table 3.5: Showing the total assets to debt ratio of canara bank (2011-2015)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TOTAL ASSETS</th>
<th>TOTAL DEBT</th>
<th>TOTAL ASSETS TO DEBT RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>337066.30</td>
<td>307,552.91</td>
<td>1.10</td>
</tr>
<tr>
<td>2012</td>
<td>377018.16</td>
<td>342,508.46</td>
<td>1.10</td>
</tr>
<tr>
<td>2013</td>
<td>417291.04</td>
<td>376,039.73</td>
<td>1.11</td>
</tr>
<tr>
<td>2014</td>
<td>495591.34</td>
<td>447,913.40</td>
<td>1.11</td>
</tr>
<tr>
<td>2015</td>
<td>553151.70</td>
<td>499,487.81</td>
<td>1.11</td>
</tr>
</tbody>
</table>

Graph 3.5: Showing total assets to debt ratio of canara bank (2011-2015)
**Interpretation:**

- In Mar’11, total assets were Rs.337066.30 cr. whereas total debt were Rs.307552.91 cr. so the total assets to debt ratio of Mar’11 was 1.10. Similarly, in Mar’12, total assets were Rs.342508.46 cr. while the total debt were Rs.326894.04 cr. so the total assets to debt ratio of the year Mar’12 was 1.10 respectively. While in the year Mar’13, total assets were Rs.417291.04 cr. while the total debt were Rs.376039.73 cr. so the total assets to debt ratio was 1.11. In the year Mar’14, total assets were Rs.495591.34 cr. while the total debt were Rs.447913.40 cr. so the total assets to debt ratio was 1.11. In the year Mar’15, total assets are Rs.553151.70 cr. while the total debt are Rs.499487.81cr. so the total assets to debt ratio of the year Mar’15 is 1.11 respectively.

- The graphical representation shows that total assets to debt ratio was same for the year ended 2011 & 2012 of 1.10 respectively. While in the year ended 2013, ratio was increased to 1.11 and remains same for the next two years (i.e., 2014 & 2015).

- In the year 2011, total assets were Rs.337066.30 cr. which included of cash balance with RBI of Rs.22032.11 cr.; Balance with banks, money at call of
Rs.8739.54 cr.; Advances of Rs.211448.51 cr.; investments of Rs.86499.41 cr.;
Net block of Rs.784.04 cr.; Capital work-in-progress of Rs.1.03 cr.; interest
accrued of Rs.2932.14 cr.; tax paid in advance/tax deducted at source (net) of
Rs.1763.87 cr.; stationary and stamps of Rs.8.37 cr.; non-banking assets acquired
in satisfaction of claims of Rs.0.33 cr.; others of Rs.4018.52 cr. while total debt
was Rs.307552.91 cr. which include demand deposits of Rs.24453.02 cr.; saving
bank deposits of Rs.58617.10 cr.; term deposits of Rs.210723.78 cr. & borrowings
in India of Rs.8932.07 cr. and borrowings outside India of Rs.5362.93 cr.

- In the year 2012, total assets were Rs.377018.16 cr. which included of cash
balance with RBI of Rs.17813.02 cr.; Balance with banks, money at call of
Rs.10433.72 cr.; Advances of Rs.232728.74 cr.; investments of Rs.106496.62 cr.;
Net block of Rs.819.82 cr.; Capital work-in-progress of Rs.3 cr.; interest accrued
of Rs.2932.14 cr.; tax paid in advance/tax deducted at source (net) of Rs.1763.87
cr.; stationary and stamps of Rs.8.37 cr.; non-banking assets acquired
in satisfaction of claims of Rs.0.33 cr.; others of Rs.4018.52 cr. while total debt
was Rs.342508.46 cr. which include demand deposits of Rs.14658.82 cr.; saving
bank deposits of Rs.64792.21 cr.; term deposits of Rs.247442.99 cr. & borrowings
in India of Rs.8641.50 cr. and borrowings outside India of Rs.6972.92 cr.

- In the year 2013, total assets were Rs.417291.04 cr. which included of cash
balance with RBI of Rs.15414.99 cr.; Balance with banks, money at call of
Rs.19364.22 cr.; Advances of Rs.242435.76 cr.; investments of Rs.127533.33 cr.;
Net block of Rs.849.57 cr.; Capital work-in-progress of Rs.1.2 cr.; interest accrued
of Rs.3370.90 cr.; tax paid in advance/tax deducted at source (net) of Rs.2430.83
cr.; stationary and stamps of Rs.6.93 cr.; non-banking assets acquired
in satisfaction of claims of Rs.0.33 cr.; others of Rs.5882.77 cr. while total debt
was Rs.376039.73 cr. which include demand deposits of Rs.14721.79 cr.; saving bank
deposits of Rs.71168.18 cr.; term deposits of Rs.269794.65 cr. & borrowings in
India of Rs.10879.68 cr. and borrowings outside India of Rs.9475.40 cr.

- In the year 2014, total assets were Rs.495591.34 cr. which included of cash
balance with RBI of Rs.22161.03 cr.; Balance with banks, money at call of
Rs.22710.55 cr.; Advances of Rs.301326.02 cr.; investments of Rs.135445.35 cr.;
Net block of Rs.1162.79 cr.; Capital work-in-progress of Rs.0.94 cr.; interest
accrued of Rs.4206.65 cr.; tax paid in advance/tax deducted at source (net) of
Rs.4065.57 cr.; stationary and stamps of Rs.12.01 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4500.08 cr. while total debt was Rs.447913.40 cr. which include demand deposits of Rs.17735.52 cr.; saving bank deposits of Rs.85535.60 cr.; term deposits of Rs.317332.54 cr. & borrowings in India of Rs.14906.81 cr. and borrowings outside India of Rs.12402.90 cr.

- In the year 2015, total assets were Rs.553151.70 cr. which included of cash balance with RBI of Rs.21976.76 cr.; Balance with banks, money at call of Rs.26670.80 cr.; Advances of Rs.330293.87 cr.; investments of Rs.155406.46 cr.; Net block of Rs.1563.10 cr.; Capital work-in-progress of Rs.1.05 cr.; interest accrued of Rs.4503.22 cr.; tax paid in advance/tax deducted at source (net) of Rs.6039.89 cr.; stationary and stamps of Rs.11.96 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.32 cr.; others of Rs.6630.25 cr. while total debt was Rs.499487.81 cr. which include demand deposits of Rs.19724.41 cr.; saving bank deposits of Rs.93686.33 cr.; term deposits of Rs.360314.24 cr. & borrowings in India of Rs.14906.81 cr. and borrowings outside India of Rs.12402.90 cr.

### III. PROPRIETARY RATIO:

It is also called shareholders equity to total equity ratio or net worth to total assets ratio or equity ratio. It compares the shareholder’s funds to total assets. It is calculated by dividing shareholder’s funds by total assets.

\[
\text{Proprietary Ratio} = \frac{\text{Equity}}{\text{Total Assets}} \quad \text{or} \quad \frac{\text{Shareholder's Funds}}{\text{Total Assets}}
\]

It helps in determining the protection available to the creditors. Higher the ratio, lesser is the likelihood of insolvency in future, as the management has to use lesser debts and vice versa. Thus, this ratio is of great importance to the creditors.
Table 3.6: Showing the proprietary ratio of Canara Bank (2011-2015)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>SHAREHOLDER'S FUNDS</th>
<th>TOTAL ASSETS</th>
<th>PROPRIETARY RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>18,302.72</td>
<td>337,066.30</td>
<td>0.05</td>
</tr>
<tr>
<td>2012</td>
<td>20,978.26</td>
<td>377,018.16</td>
<td>0.06</td>
</tr>
<tr>
<td>2013</td>
<td>23,143.19</td>
<td>417,291.04</td>
<td>0.06</td>
</tr>
<tr>
<td>2014</td>
<td>24,678.01</td>
<td>495,591.34</td>
<td>0.05</td>
</tr>
<tr>
<td>2015</td>
<td>27,085.86</td>
<td>553,151.70</td>
<td>0.05</td>
</tr>
</tbody>
</table>

Graph 3.6: Showing the proprietary ratio of Canara Bank (2011-2015)

- Interpretation:
  - In Mar’11, shareholders’ funds were Rs.18,302.72 cr. whereas total assets were Rs.337,066.30 cr. so the proprietary ratio of Mar’11 was 0.05. Similarly, in Mar’12, shareholders’ funds were Rs.20,978.26 cr. while the total assets were Rs.377,018.16 cr. so the proprietary ratio of the year Mar’12 was 0.06.
respectively. While in the year Mar’13, shareholders’ funds were Rs.23143.19 cr. while the total assets were Rs.417291.04 cr. so the proprietary ratio was 0.06. In the year Mar’14, shareholders’ funds were Rs.24678.01 cr. while the total assets were Rs.495591.34 cr. so the proprietary ratio was 0.05. In the year Mar’15, shareholders’ funds are Rs.27085.86 cr. while the total assets are Rs.553151.70 cr. so the proprietary ratio of the year Mar’15 is 0.05 respectively.

- In the year 2011, shareholders’ funds were Rs.18302.72 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.17859.72 cr. respectively while total assets were Rs.337066.30 cr. which included of cash balance with RBI of Rs.22032.11 cr.; Balance with banks, money at call of Rs.8739.54 cr.; Advances of Rs.211448.51 cr.; investments of Rs.86499.41 cr.; Net block of Rs.784.04 cr.; Capital work-in-progress of Rs.1.03 cr.; interest accrued of Rs.2932.14 cr.; tax paid in advance/tax deducted at source (net) of Rs.1763.87 cr.; stationary and stamps of Rs.8.37 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4018.52 cr.

- In the year 2012, shareholders’ funds were Rs.20978.26 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.20535.26 cr. respectively while total assets were Rs.377018.16 cr. which included of cash balance with RBI of Rs.17813.02 cr.; Balance with banks, money at call of Rs.10433.72 cr.; Advances of Rs.232728.74 cr.; investments of Rs.106496.62 cr.; Net block of Rs.819.82 cr.; Capital work-in-progress of Rs.3 cr.; interest accrued of Rs.2932.14 cr.; tax paid in advance/tax deducted at source (net) of Rs.1763.87 cr.; stationary and stamps of Rs.8.37 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4018.52 cr.

- In the year 2013, shareholders’ funds were Rs.23143.19 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.22700.19 cr. respectively while total assets were Rs.417291.04 cr. which included of cash balance with RBI of Rs.15414.99 cr.; Balance with banks, money at call of Rs.19364.22 cr.; Advances of Rs.242435.76 cr.; investments of Rs.127533.33 cr.; Net block of Rs.849.57 cr.; Capital work-in-progress of Rs.1.2 cr.; interest accrued of Rs.3370.90 cr.; tax paid in advance/tax deducted at source (net) of Rs.2430.833 cr.; stationary and stamps of Rs.6.93 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.5882.77 cr.
• In the year 2014, shareholders’ funds were Rs.24678.01 cr. which consists of equity share capital of Rs.461.26 cr.; and reserves of Rs.24216.75cr. respectively, while total assets were Rs.495591.34 cr. which included of cash balance with RBI of Rs.22161.03 cr.; Balance with banks, money at call of Rs.22710.55 cr.; Advances of Rs.301326.02 cr.; investments of Rs.135445.35 cr.; Net block of Rs.1162.79 cr.; Capital work-in-progress of Rs.0.94 cr.; interest accrued of Rs.4206.65 cr.; tax paid in advance/tax deducted at source (net) of Rs.4065.57 cr.; stationary and stamps of Rs.12.01 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4500.08 cr.

• In the year 2015, shareholders’ funds were Rs.27085.86 which includes of equity share capital of Rs.475.2 cr.; and reserves of Rs.26610.66 cr. respectively while total assets were Rs.553151.70 cr. which included of cash balance with RBI of Rs.21976.76 cr.; Balance with banks, money at call of Rs.26670.80 cr.; Advances of Rs.330293.87 cr.; investments of Rs.155406.46 cr.; Net block of Rs.1563.10 cr.; Capital work-in-progress of Rs.1.05 cr.; interest accrued of Rs.4503.22 cr.; tax paid in advance/tax deducted at source (net) of Rs.6039.89 cr.; stationary and stamps of Rs.11.96 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.32 cr.; others of Rs.6630.25 cr.

Table 3.7: Showing the summary of solvency ratios of canara bank (2011-2015)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>DEBT-EQUITY RATIOS</th>
<th>TOTAL ASSETS TO DEBT RATIOS</th>
<th>PROPRIETARY RATIOS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>16.80367235</td>
<td>1.10</td>
<td>0.05</td>
</tr>
<tr>
<td>YEAR</td>
<td>DEBT-EQUITY RATIOS</td>
<td>TOTAL ASSETS TO DEBT RATIOS</td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>--------------------</td>
<td>-----------------------------</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>16.80367235</td>
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<tr>
<td>2012</td>
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<tr>
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<td>1.11</td>
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</tr>
<tr>
<td>2014</td>
<td>18.15030466</td>
<td>1.11</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>18.44090644</td>
<td>1.11</td>
<td></td>
</tr>
</tbody>
</table>

**Graph 3.7: Showing the solvency ratio of Canara Bank (2011-2015)**

**Interpretation:**

- **In case of Debt-Equity Ratio**, indicates the relationship between long-term debts and shareholder’s funds. The soundness of long-term financial policies of a firm can be determined with the help of this ratio. It helps to assess the soundness of long-term financial policies of a business. It also helps to determine the relative stakes of outsiders and shareholders.

  a) In the year 2011, total debt was Rs.307552.91 cr. which include demand deposits of Rs.24453.02 cr.; saving bank deposits of Rs.58617.10 cr.; term
deposits of Rs.210723.78 cr. & borrowings in India of Rs.8932.07 cr. and borrowings outside India of Rs.5362.93 cr. whereas equity of Rs.18302.72 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.17859.72 cr. respectively.

**b)** In the year 2012, total debt was Rs.342508.46 cr. which include demand deposits of Rs.14658.82 cr.; saving bank deposits of Rs.64792.21 cr.; term deposits of Rs.247442.99 cr. & borrowings in India of Rs.8641.50 cr. and borrowings outside India of Rs.6972.92 cr. whereas equity of Rs.20978.26 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.20535.26 cr. respectively.

**c)** In the year 2013, total debt was Rs.376039.73 cr. which include demand deposits of Rs.14721.79 cr.; saving bank deposits of Rs.71168.18 cr.; term deposits of Rs.269794.65 cr. & borrowings in India of Rs.10879.68 cr. and borrowings outside India of Rs.9475.40 cr. whereas equity of Rs.23143.19 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.22700.19 cr. respectively.

**d)** In the year 2014, total debt was Rs.447913.40 cr. which include demand deposits of Rs.17735.52 cr.; saving bank deposits of Rs.85535.60 cr.; term deposits of Rs.317332.54 cr. & borrowings in India of Rs.14906.81 cr. and borrowings outside India of Rs.12402.90 cr. whereas equity of Rs.24678.01 cr. which consists of equity share capital of Rs.461.26 cr.; and reserves of Rs.24216.75 cr. respectively.

**e)** In the year 2015, total debt was Rs.499487.81 cr. which include demand deposits of Rs.19724.41 cr.; saving bank deposits of Rs.93686.33 cr.; term deposits of Rs.360314.24 cr. & borrowings in India of Rs.14906.81 cr. and borrowings outside India of Rs.12402.90 cr. whereas equity of Rs.27085.86 cr. which consists of equity share capital of Rs.475.2 cr.; and reserves of Rs.26610.66 cr. respectively.

- **In case of Total Assets to debt Ratio**, it is a variation of the debt-equity ratio and gives the same indication as the debt-equity ratio and gives the same indication as the debt-equity ratio. In this ratio, total assets are expressed in relation to long term debts.

**a)** In the year 2011, total assets were Rs.337066.30 cr. which included of cash balance with RBI of Rs.22032.11 cr.; Balance with banks, money at call of
Rs.8739.54 cr.; Advances of Rs.211448.51 cr.; investments of Rs.86499.41 cr.; Net block of Rs.784.04 cr.; Capital work-in-progress of Rs.1.03 cr.; interest accrued of Rs.2932.14 cr.; tax paid in advance/tax deducted at source (net) of Rs.1763.87 cr.; stationary and stamps of Rs.8.37 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4018.52 cr. while total debt was Rs.307552.91 cr. which include demand deposits of Rs.24453.02 cr.; saving bank deposits of Rs.58617.10 cr.; term deposits of Rs.210723.78 cr. & borrowings in India of Rs.8932.07 cr. and borrowings outside India of Rs.5362.93 cr.

b) In the year 2012, total assets were Rs.377018.16 cr. which included of cash balance with RBI of Rs.17813.02 cr.; Balance with banks, money at call of Rs.10433.72 cr.; Advances of Rs.232728.74 cr.; investments of Rs.106496.62 cr.; Net block of Rs.819.82 cr.; Capital work-in-progress of Rs.3 cr.; interest accrued of Rs.2932.14 cr.; tax paid in advance/tax deducted at source (net) of Rs.1763.87 cr.; stationary and stamps of Rs.8.37 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4018.52 cr. while total debt was Rs.342508.46 cr. which include demand deposits of Rs.14658.82 cr.; saving bank deposits of Rs.64792.21 cr.; term deposits of Rs.247442.99 cr. & borrowings in India of Rs.8641.50 cr. and borrowings outside India of Rs.6972.92 cr.

c) In the year 2013, total assets were Rs.417291.04 cr. which included of cash balance with RBI of Rs.15414.99 cr.; Balance with banks, money at call of Rs.19364.22 cr.; Advances of Rs.242435.76 cr.; investments of Rs.127533.33 cr.; Net block of Rs.849.57 cr.; Capital work-in-progress of Rs.1.2 cr.; interest accrued of Rs.3370.90 cr.; tax paid in advance/tax deducted at source (net) of Rs.247442.99 cr. & borrowings in India of Rs.8641.50 cr. and borrowings outside India of Rs.6972.92 cr.

d) In the year 2014, total assets were Rs.495591.34 cr. which included of cash balance with RBI of Rs.22161.03 cr.; Balance with banks, money at call of Rs.22710.55 cr.; Advances of Rs.301326.02 cr.; investments of Rs.135445.35 cr.; Net block of Rs.1049.62 cr.; Capital work-in-progress of Rs.1.1 cr.; interest accrued of Rs.3700.14 cr.; tax paid in advance/tax deducted at source (net) of Rs.2932.14 cr.; stationary and stamps of Rs.8.37 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4018.52 cr. while total debt was Rs.385786.82 cr. which include demand deposits of Rs.17508.26 cr.; saving bank deposits of Rs.71168.18 cr.; term deposits of Rs.269794.65 cr. & borrowings in India of Rs.10879.68 cr. and borrowings outside India of Rs.9475.40 cr.
cr.; Net block of Rs.1162.79 cr.; Capital work-in-progress of Rs.0.94 cr.; interest accrued of Rs.4206.65 cr.; tax paid in advance/tax deducted at source (net) of Rs.4065.57 cr.; stationary and stamps of Rs.12.01 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4500.08 cr. while total debt was Rs.447913.40 cr. which include demand deposits of Rs.17735.52 cr.; saving bank deposits of Rs.85535.60 cr.; term deposits of Rs.317332.54 cr. & borrowings in India of Rs.14906.81 cr. and borrowings outside India of Rs.12402.90 cr.

e) In the year 2015, total assets were Rs.553151.70 cr. which included of cash balance with RBI of Rs.21976.76 cr.; Balance with banks, money at call of Rs.26670.80 cr.; Advances of Rs.330293.87 cr.; investments of Rs.155406.46 cr.; Net block of Rs.1563.10 cr.; Capital work-in-progress of Rs.1.05 cr.; interest accrued of Rs.4503.22 cr.; tax paid in advance/tax deducted at source (net) of Rs.6039.89 cr.; stationary and stamps of Rs.11.96 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.32 cr.; others of Rs.6630.25 cr. while total debt was Rs.499487.81 cr. which include demand deposits of Rs.19724.41 cr.; saving bank deposits of Rs.93686.33 cr.; term deposits of Rs.360314.24 cr. & borrowings in India of Rs.14906.81 cr. and borrowings outside India of Rs.12402.90 cr.

- **In case of Proprietary Ratio,** It is also called shareholders equity to total equity ratio or net worth to total assets ratio or equity ratio. It compares the shareholder’s funds to total assets. It is calculated by dividing shareholder’s funds by total assets.

  a) In the year 2011, shareholders’ funds were Rs.18302.72 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.17859.72 cr. respectively while total assets were Rs.337066.30 cr. which included of cash balance with RBI of Rs.22032.11 cr.; Balance with banks, money at call of Rs.8739.54 cr.; Advances of Rs.211448.51 cr.; investments of Rs.86499.41 cr.; Net block of Rs.784.04 cr.; Capital work-in-progress of Rs.1.03 cr.; interest accrued of Rs.2932.14 cr.; tax paid in advance/tax deducted at source (net) of Rs.1763.87 cr.; stationary and stamps of Rs.8.37 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4018.52 cr.

  b) In the year 2012, shareholders’ funds were Rs.20978.26 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.20535.26 cr. respectively while total assets were Rs.377018.16 cr. which included of cash balance with
RBI of Rs.17813.02 cr.; Balance with banks, money at call of Rs.10433.72 cr.; Advances of Rs.232728.74 cr.; investments of Rs.106496.62 cr.; Net block of Rs.819.82 cr.; Capital work-in-progress of Rs.3 cr.; interest accrued of Rs.2932.14 cr.; tax paid in advance/tax deducted at source (net) of Rs.1763.87 cr.; stationary and stamps of Rs.8.37 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4018.52 cr.

c) In the year 2013, shareholders’ funds were Rs.23143.19 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.22700.19 cr. respectively while total assets were Rs.417291.04 cr. which included of cash balance with RBI of Rs.15414.99 cr.; Balance with banks, money at call of Rs.19364.22 cr.; Advances of Rs.242435.76 cr.; investments of Rs.127533.33 cr.; Net block of Rs.849.57 cr.; Capital work-in-progress of Rs.1.2 cr.; interest accrued of Rs.3370.90 cr.; tax paid in advance/tax deducted at source (net) of Rs.2430.83 cr.; stationary and stamps of Rs.6.93 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.5882.77 cr.

d) In the year 2014, shareholders’ funds were Rs.24678.01 cr. which consists of equity share capital of Rs.461.26 cr.; and reserves of Rs.24216.75 cr. respectively while total assets were Rs.495591.34 cr. which included of cash balance with RBI of Rs.22161.03 cr.; Balance with banks, money at call of Rs.22710.55 cr.; Advances of Rs.301326.02 cr.; investments of Rs.135445.35 cr.; Net block of Rs.1162.79 cr.; Capital work-in-progress of Rs.0.94 cr.; interest accrued of Rs.4206.65 cr.; tax paid in advance/tax deducted at source (net) of Rs.4065.57 cr.; stationary and stamps of Rs.12.01 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4500.08 cr.

e) In the year 2015, shareholders’ funds were Rs.27085.86 which includes of equity share capital of Rs.475.2 cr.; and reserves of Rs.26610.66 cr. respectively while total assets were Rs.553151.70 cr. which included of cash balance with RBI of Rs.21976.76 cr.; Balance with banks, money at call of Rs.26670.80 cr.; Advances of Rs.330293.87 cr.; investments of Rs.155406.46 cr.; Net block of Rs.1563.10 cr.; Capital work-in-progress of Rs.1.05 cr.; interest accrued of Rs.4503.22 cr.; tax paid in advance/tax deducted at source (net) of Rs.6039.89 cr.; stationary and stamps of Rs.11.96 cr.; non-
banking assets acquired in satisfaction of claims of Rs.0.32 cr.; others of Rs.6630.25 cr.

**ACTIVITY RATIOS**: It is also known as ‘Turnover Ratios’ or Efficiency Ratios’. These ratios demonstrate how efficiently the company uses its assets and how efficiently the company manages its operations. This ratio is also known as Activity Ratios. Activity ratios are used to measure the relative efficiency of a firm based on its use of its assets, leverage or other such balance sheet items. These ratios are important in determining whether a company's management is doing a good enough job of generating revenues, cash, etc. from its resources. These includes total assets turnover ratio.

**I. TOTAL ASSETS TURNOVER RATIO**:

The Total Assets Turnover Ratio is a financial ratio that measures the efficiency of a company's use of its assets in making sales revenue. This ratio considers all assets, current and fixed. Those assets include fixed assets, like plant and equipment, as well as inventory, accounts receivable, as well as any other current assets. The lower the total asset turnover ratio, as compared to historical data for the firm and industry data, the more sluggish the firm's sales. This may indicate a problem with one or more of the asset categories composing total assets - inventory, receivables, or fixed assets.

$$\text{Total Assets Turnover Ratio} = \frac{\text{Turnover}}{\text{Total Assets}}$$

**Table 3.8**: Showing the total turnover ratio of canara bank (2011-2015)
<table>
<thead>
<tr>
<th>YEAR</th>
<th>TURNOVER</th>
<th>TOTAL ASSETS</th>
<th>TOTAL ASSETS TURNOVER RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>25834.15</td>
<td>337066.30</td>
<td>0.077</td>
</tr>
<tr>
<td>2012</td>
<td>33920.15</td>
<td>377018.16</td>
<td>0.090</td>
</tr>
<tr>
<td>2013</td>
<td>37377.52</td>
<td>417291.04</td>
<td>0.090</td>
</tr>
<tr>
<td>2014</td>
<td>43713.85</td>
<td>495591.34</td>
<td>0.088</td>
</tr>
<tr>
<td>2015</td>
<td>48546.82</td>
<td>553151.70</td>
<td>0.088</td>
</tr>
</tbody>
</table>

**Graph 3.8: Showing the total assets turnover ratio of Canara Bank (2011-2015)**

- **Interpretation:**
  - The lower the total assets turnover ratio, as compared to historical data for the Canara bank, the more sluggish the bank’s sales. This may indicate a problem with one or more of the asset categories. In Mar’11, turnover were Rs.25834.15 cr. whereas total assets were Rs.337066.30 cr. so the total assets turnover ratio of Mar’11 was 0.077. Similarly, in Mar’12, turnover were Rs.33920.15 cr. while the
total assets were Rs.377018.16 cr. so the total assets turnover ratio of the year Mar’12 was 0.090 respectively. While in the year Mar’13, turnover were Rs.37377.52 cr. while the total assets were Rs.417291.04 cr. so the total assets turnover ratio was 0.090. In the year Mar’14, turnover were Rs.43713.86 cr. while the total assets were Rs.495591.34 cr. so the total assets turnover ratio was 0.088. In the year Mar’15, turnover were Rs.48546.82 cr. while the total assets were Rs.553151.70 cr. so the total assets turnover ratio of the year Mar’15 is 0.088 respectively.

- In the year ended 2011, total assets were Rs.337066.30 cr. which included of cash balance with RBI of Rs.22032.11 cr.; Balance with banks, money at call of Rs.8739.54 cr.; Advances of Rs.211448.51 cr.; investments of Rs.86499.41 cr.; Net block of Rs.784.04 cr.; Capital work-in-progress of Rs.1.03 cr.; interest accrued of Rs.2932.14 cr.; tax paid in advance/tax deducted at source (net) of Rs.1763.87 cr.; stationary and stamps of Rs.8.37 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4018.52 cr. whereas total turnover of Rs.25834.15 cr. which includes interest earned of Rs.23000.89 cr. and other income of Rs.2833.26 cr.

- In the year ended 2012, total assets were Rs.377018.16 cr. which included of cash balance with RBI of Rs.17813.02 cr.; Balance with banks, money at call of Rs.10433.72 cr.; Advances of Rs.232728.74 cr.; investments of Rs.106496.62 cr.; Net block of Rs.819.82 cr.; Capital work-in-progress of Rs.3 cr.; interest accrued of Rs.2932.14 cr.; tax paid in advance/tax deducted at source (net) of Rs.1763.87 cr.; stationary and stamps of Rs.8.37 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4018.52 cr. whereas total turnover of Rs.33920.15 cr. which includes interest earned of Rs.30815.64 cr. and other income of Rs.3104.51 cr.

- In the year ended 2013, total assets were Rs.417291.04 cr. which included of cash balance with RBI of Rs.15414.99 cr.; Balance with banks, money at call of Rs.19364.22 cr.; Advances of Rs.242435.76 cr.; investments of Rs.127533.33 cr.; Net block of Rs.849.57 cr.; Capital work-in-progress of Rs.1.2 cr.; interest accrued of Rs.3370.90 cr.; tax paid in advance/tax deducted at source (net) of Rs.2430.83 cr.; stationary and stamps of Rs.6.93 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.5882.77 cr. whereas total
turnover of Rs.37377.52 cr. which include interest earned of Rs.34069.87 cr. and other income of Rs.3307.65 cr.

- In the year ended 2014, total assets were Rs.495591.34 cr. which included of cash balance with RBI of Rs.22161.03 cr.; Balance with banks, money at call of Rs.22710.55 cr.; Advances of Rs.301326.02 cr.; investments of Rs.135445.35 cr.; Net block of Rs.1162.79 cr.; Capital work-in-progress of Rs.0.94 cr.; interest accrued of Rs.4206.65 cr.; tax paid in advance/tax deducted at source (net) of Rs.4065.57 cr.; stationary and stamps of Rs.12.01 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4500.08 cr. whereas total turnover of Rs.43713.85 cr. which include interest earned of Rs.39570.17 cr. and other income of Rs.4143.68 cr.

- In the year ended 2015, total assets were Rs.553151.70 cr. which included of cash balance with RBI of Rs.21976.76 cr.; Balance with banks, money at call of Rs.26670.80 cr.; Advances of Rs.330293.87 cr.; investments of Rs.155406.46 cr.; Net block of Rs.1563.10 cr.; Capital work-in-progress of Rs.1.05 cr.; interest accrued of Rs.4503.22 cr.; tax paid in advance/tax deducted at source (net) of Rs.6039.89 cr.; stationary and stamps of Rs.11.96 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.32 cr.; others of Rs.6630.25 cr. whereas total turnover of Rs.48546.82 cr. which include interest earned of Rs.43813.37 cr. and other income of Rs.4733.45 cr.

Profitability Ratios: It is also known as Income Ratios. These ratios measure the overall earnings performance of a company and its efficiency in utilizing assets, liabilities and equity. The main object of every business concern is to earn profits. A business must be able to earn adequate profits in relation to the capital invested in it. The efficiency and success of a business can be measured with the help of profitability ratios.

The purpose of the analysis of profitability ratios are to help assessing the adequacy of profits earned by the company and also to discover whether profitability is increasing or declining. The profitability of the firm is the net result of a large number of policies and decisions. The profitability ratios show the combined effects of liquidity, asset management and debt management on operating results. Profitability ratios are measured with reference to
sales, capital employed, total assets employed, shareholders’ funds etc. The major profitability ratios are as follows:

I. **NET PROFIT RATIO**

This ratio helps in determining the efficiency with which affairs of the business are being managed. An increase in the ratio over the previous period indicates improvement in the operational efficiency of the business. The ratio is thus on effective measure to check the profitability of business. This ratio is designed to focus attention on the net profit margin arising from business operations before interest and tax is deducted. The convention is to express profit after tax and interest as a percentage of sales.

A drawback is that the percentage which results varies depending on the sources employed to finance business activity; interest is charged above the line while dividends are deducted before line. It is for this reason that net profit i.e., earnings before interest and tax (EBIT) is used. This ratio reflects net profit margin on the total sales after deducting all expenses but before deducting the interest and taxation. This ratio measures the efficiency of operation of the company. The net profit is arrived at from gross profit after deducting administration, selling and distribution expenses. The non-operating incomes and expenses are ignored in computation of net profit before tax, depreciation and interest.

This ratio could be compared with that of the previous years and with that of competitors to determine the trend in net profit margins of the company and its performance in the industry. This measure will depict the correct trend of performance where there are erratic fluctuations in the tax provision from year to year. It is to be observed that majority of the costs debited to the profit and loss account are fixed in nature and any increase in sales will cause the cost per unit to decline because of the spread of same fixed cost over the increased number of units sold:

\[
\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}} \times 100
\]
Table 3.9: Showing the net profit ratio of Canara Bank (2011-2015)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NET PROFIT</th>
<th>SALE</th>
<th>NET-PROFIT RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>4,034.19</td>
<td>25834.15</td>
<td>15.62</td>
</tr>
<tr>
<td>2012</td>
<td>3,341.70</td>
<td>33920.15</td>
<td>9.85</td>
</tr>
<tr>
<td>2013</td>
<td>2,969.71</td>
<td>37377.52</td>
<td>7.95</td>
</tr>
<tr>
<td>2014</td>
<td>2,630.17</td>
<td>43713.85</td>
<td>6.02</td>
</tr>
<tr>
<td>2015</td>
<td>2,864.67</td>
<td>48546.82</td>
<td>5.90</td>
</tr>
</tbody>
</table>

Graph 3.9: Showing the net profit ratio of Canara Bank (2011-2015)

Interpretation:
- Although with huge fluctuation in net profit trend but sales have increased during the above period but the Net Profit Ratio of the bank is declining continuously. This is because of the reason that net profits have not increased as of the sales. In Mar’11, net profit were Rs.4034.19 cr. whereas sale were Rs.25834.15 cr. so the
The net profit ratio of Mar’11 was 1.56. Similarly, in Mar’12, net profit were Rs.3341.70 cr. while the sale were Rs.33920.15 cr. so the net profit ratio of the year Mar’12 was 9.85 respectively. While in the year Mar’13, net profit were Rs.2969.71 cr. while the sale were Rs.37377.52 cr. so the net profit ratio was 7.95. In the year Mar’14, net profit were Rs.2630.17 cr. while the sale were Rs.43713.85 cr. so the net profit ratio was 6.02. In the year Mar’15, net profit are Rs.2864.67 cr. while the sale are Rs.48546.82 cr. so the net profit ratio of the year Mar’15 is 5.90 respectively.

- In the year ended 2015, net profit of Rs.2864.67 cr. includes difference between operating income (Rs.48546.82 cr.) and operating expenses (Rs.45688.80 cr.) after that share of earnings in associates of Rs.73.03 cr. were added & deduct minority interest of Rs.66.39 cr. was deducted (i.e. net loss). While net sale of Rs.48546.82 cr. which include interest earned of Rs.43813.37 cr. and other income of Rs.4733.45 cr.

- In the year ended 2014, net profit of Rs.2630.16 cr. includes difference between operating income (Rs.43713.84 cr.) and operating expenses (Rs.41124.31 cr.) after that share of earnings in associates of Rs.82.74 cr. were added & deduct minority interest of Rs.42.09 cr. was deducted (i.e. net loss). While net sale of Rs.43713.85 cr. which include interest earned of Rs.39570.17 cr. and other income of Rs.4143.68 cr.

- In the year ended 2013, net profit of Rs.2969.70 cr. includes difference between operating income (Rs.37377.51 cr.) and operating expenses (Rs.34425.69 cr.) after that share of earnings in associates of Rs.42.93 cr. were added & deduct minority interest of Rs.25.06 cr. was deducted (i.e. net loss). While net sale of Rs.37377.52 cr. which include interest earned of Rs.34069.87 cr. and other income of Rs.3307.65 cr.

- In the year ended 2012, net profit of Rs.3341.69 cr. includes difference between operating income (Rs.33920.14 cr.) and operating expenses (Rs.30672.88 cr.) after that share of earnings in associates of Rs.58.85 cr. were added & deduct minority interest of Rs.-35.57 cr. was deducted (i.e. net loss). While net sale of Rs.33920.15 cr. which includes interest earned of Rs.30815.64 cr. and other income of Rs.3104.51 cr.
• In the year ended 2011, net profit of Rs.4034.18 cr. includes difference between operating income (Rs.25792.59 cr.) and operating expenses (Rs.21915.11 cr.) after that share of earnings in associates of Rs.71.77 cr. were added & deduct minority interest of Rs.-84.92 cr. was deducted (i.e. net loss). While net sale of Rs.25834.15 cr. which includes interest earned of Rs.23000.89 cr. and other income of Rs.2833.26 cr.

II. RETURN ON NET WORTH:

It is also known as ‘Return on Shareholders’ Funds’. This ratio expresses the net profit in terms of the equity shareholders’ funds. This ratio is an important yardstick of performance for the equity shareholders since it indicates the return on the funds employed by them. However, this measure is based on the historical net worth and will be high for old plants and low for the new plants. It measures the profitability of the business in view of the shareholders. It judges the earning capacity of the company and the adequacy of return on proprietor’s funds. Shareholders and potential investors are interested in this ratio. It is calculated as below:

\[
\text{Return on Net Worth} = \frac{\text{Net Profit After Interest And Taxes}}{\text{Net Worth}} \times 10
\]

Net worth = Equity Capital + Reserves and Surplus

This ratio indicates:

• measure of profitability
• the efficiency in use of assets in achieving sales
• measure of leverage.
Table 3.10: Showing the return to net worth ratio of Canara Bank (2011-2015)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NET PROFIT AFTER INTEREST &amp; TAX</th>
<th>NET WORTH</th>
<th>RETURN ON NET WORTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>4034.19</td>
<td>18303</td>
<td>22.04148</td>
</tr>
<tr>
<td>2012</td>
<td>3341.7</td>
<td>20978</td>
<td>15.92935</td>
</tr>
<tr>
<td>2013</td>
<td>2969.71</td>
<td>23143</td>
<td>12.8319</td>
</tr>
<tr>
<td>2014</td>
<td>2630.17</td>
<td>24678</td>
<td>10.65795</td>
</tr>
<tr>
<td>2015</td>
<td>2864.67</td>
<td>27086</td>
<td>10.57626</td>
</tr>
</tbody>
</table>

Graph 3.10: Showing the return on net worth of Canara Bank (2011-2015)

**Interpretation:**
- The net profit after interest and taxes have fluctuated till the year 2014 followed by a downfall due to high interest payments, operating expenses and taxation liability. Consequently, the networth ratio has declined considerably and has reduced to more than half in the year 2015 than it was in 2011. In Mar’11, net
profit after interest and taxes were Rs.4034.19 cr. whereas net worth were Rs.18303 cr. so the return on net worth of Mar’11 was 22.04. Similarly, in Mar’12, net profit after interest and taxes were Rs.3341.7 cr. while the net worth were Rs.20978 cr. so the return on net worth of the year Mar’12 was 15.929 respectively. While in the year Mar’13, net profit after interest and taxes were Rs.2969.71 cr. while the net worth were Rs.23143 cr. so the return on net worth was 12.831. In the year Mar’14, net profit after interest and taxes were Rs.2630.17 cr. while the net worth were Rs.24678 cr. so the return on net worth was 10.657. In the year Mar’15, net profit after interest and taxes are Rs.2864.67 cr. while the net worth are Rs.27086 cr. so the return on net worth of the year Mar’15 is 10.576 respectively.

- In the year ended 2011, net profit after interest and taxes of Rs.4034.18 cr. includes difference between operating income (Rs.25792.59 cr.) and operating expenses (Rs.21915.11 cr.) after that share of earnings in associates of Rs.71.77 cr. were added & deduct minority interest of Rs.-84.92 cr. was deducted (i.e. net loss). While net worth of Rs.18302.72 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.17859.72 cr. respectively.

- In the year ended 2012, net profit after interest and taxes of Rs.3341.69 cr. includes difference between operating income (Rs.33920.14 cr.) and operating expenses (Rs.30672.88 cr.) after that share of earnings in associates of Rs.58.85 cr. were added & deduct minority interest of Rs.-35.57 cr. was deducted (i.e. net loss). While net worth of Rs.20978.26 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.20535.26 cr. respectively.

- In the year ended 2013, net profit after interest and taxes of Rs.2969.70 cr. includes difference between operating income (Rs.37377.51 cr.) and operating expenses (Rs.34425.69 cr.) after that share of earnings in associates of Rs.42.93 cr. were added & deduct minority interest of Rs.25.06 cr. was deducted (i.e. net loss). While net worth of Rs.23143.19 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.22700.19 cr. respectively.

- In the year ended 2014, net profit after interest and taxes of Rs.2630.16 cr. includes difference between operating income (Rs.43713.84 cr.) and operating expenses (Rs.41124.31 cr.) after that share of earnings in associates of Rs.82.74 cr. were added & deduct minority interest of Rs.42.09 cr. was deducted (i.e. net
loss). While net worth of Rs.24678.01 cr. which consists of equity share capital of Rs.461.26 cr.; and reserves of Rs.24216.75 cr. respectively.

- In the year ended 2015, net profit after interest and taxes of Rs.2864.67 cr. includes difference between operating income (Rs.48546.82 cr.) and operating expenses (Rs.45688.80 cr.) after that share of earnings in associates of Rs.73.03 cr. were added & deduct minority interest of Rs.66.39 cr. was deducted (i.e. net loss). While net worth of Rs.27085.86 which includes of equity share capital of Rs.475.2 cr. and reserves of Rs.26610.66 cr. respectively.

III. RETURN ON EQUITY (ROE):

The amount of net income returned as percentage of shareholders equity. Return on equity measures a corporation’s profitability by revealing how much profit a company generates with the money shareholders’ have invested. There are several variation on the formula that investors may use:

1. Investors wishing to see the return on common equity may modify the formula by subtracting preferred dividends from net income and subtracting preferred equity from shareholders’ equity, giving the following: return on common equity (ROCE) = net income – preferred dividends / common equity.

2. Return on equity may also be calculated by dividing net income by average shareholders’ equity. Average shareholders’ equity is calculated by adding the shareholders’ equity at the beginning of a period to the shareholders’ equity at period’s end and dividing the result by two.

3. Investors may also calculate the change in ROE for a period by first using the shareholders’ equity figure from the beginning of a period as denominator to determine the beginning ROE. Then, the end-of-period shareholders’ equity can be used as the denominator to determine the ending ROE. Calculating both beginning and ending ROEs allows an investor to determine the change in profitability over the period.

Return on equity (ROE) is expressed as a percentage and calculated as:
The factor which motivates shareholders’ to invest in a company is the expectation of an adequate rate of return on their funds and periodically, they want to assess the rate of return earned in order to decide whether to continue with their investment. This ratio is useful in measuring the rate of return as a percentage of the book value of shareholders equity.

\[
\text{Return on Equity (ROE)} = \frac{\text{Profit after Tax}}{\text{Net Sales}} \times \frac{\text{Net Sales}}{\text{Total Assets}} \times \frac{\text{Total Assets}}{\text{Net Worth}}
\]

\(i.e.,\ \text{ROE} = \text{Net Profit Margin} \times \text{Total Assets Turnover ratio} \times \text{Total Assets to Net Worth}\)

### Table 3.11: Showing the return on equity of canara bank (2011-2015)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NET PROFIT AFTER INTEREST &amp; TAX</th>
<th>EQUITY</th>
<th>RETURN ON NET EQUITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>4034.19</td>
<td>443</td>
<td>9.10652</td>
</tr>
<tr>
<td>2012</td>
<td>3341.7</td>
<td>443</td>
<td>7.54334</td>
</tr>
<tr>
<td>2013</td>
<td>2969.71</td>
<td>443</td>
<td>6.70363</td>
</tr>
<tr>
<td>2014</td>
<td>2630.17</td>
<td>461.26</td>
<td>5.70214</td>
</tr>
<tr>
<td>2015</td>
<td>2864.67</td>
<td>475.2</td>
<td>6.02835</td>
</tr>
</tbody>
</table>

### Graph 3.11: Showing the return on equity of canara bank (2011-2015)
Interpretation:

- In Mar’11, net profit after interest and taxes were Rs.4034.19 cr. whereas equity were Rs.443 cr. so the return on net equity of Mar’11 was 9.106. Similarly, in Mar’12, net profit after interests and taxes were Rs.3341.7 cr. while the equity were Rs.443 cr. so the return on net equity of the year Mar’12 was 7.543 respectively. While in the year Mar’13, net profit after interest and taxes were Rs.2969.71 cr. while the equity were Rs.443 cr. so the return on net equity was 6.703. In the year Mar’14, net profit after interest and taxes were Rs.2630.17 cr. while the equity were Rs.461.26 cr. so the return on net equity was 5.702. In the year Mar’15, net profit after interest and taxes are Rs.2864.67 cr. while the equity are Rs.475.2 cr. so the return on net equity of the year Mar’15 is 6.028 respectively.

- In the year ended 2011, net profit after interest and taxes of Rs.4034.18 cr. includes difference between operating income (Rs.25792.59 cr.) and operating expenses (Rs.21915.11 cr.) after that share of earnings in associates of Rs.71.77 cr. were added & deduct minority interest of
Rs.-84.92 cr. was deducted (i.e. net loss). While equity of Rs.443 cr. includes issued, subscribed and paid up share capital of

i. 30 crore equity shares @ Rs.10/- each held by central government

ii. 14.30 crore equity shares @ Rs.10/- each held by others.

- In the year ended 2012, net profit after interest and taxes of Rs.3341.69 cr. includes difference between operating income (Rs.33920.14 cr.) and operating expenses (Rs.30672.88 cr.) after that share of earnings in associates of Rs.58.85 cr. were added & deduct minority interest of Rs.-35.57 cr. was deducted (i.e. net loss). While equity of Rs.443 cr. includes issued, subscribed and paid up share capital of

   i. 30 crore equity shares @ Rs.10/- each held by central government

   ii. 14.30 crore equity shares @ Rs.10/- each held by others.

- In the year ended 2013, net profit after interest and taxes of Rs.2969.70 cr. includes difference between operating income (Rs.37377.51 cr.) and operating expenses (Rs.34425.69 cr.) after that share of earnings in associates of Rs.42.93 cr. were added & deduct minority interest of Rs.25.06 cr. was deducted (i.e. net loss). While equity of Rs.443 cr. includes issued, subscribed and paid up share capital of

   i. 30 crore equity shares @ Rs.10/- each held by central government

   ii. 14.30 crore equity shares @ Rs.10/- each held by others.

- In the year ended 2014, net profit after interest and taxes of Rs.2630.16 cr. includes difference between operating income (Rs.43713.84 cr.) and operating expenses (Rs.41124.31 cr.) after that share of earnings in associates of Rs.82.74 cr. were added & deduct minority interest of Rs.42.09 cr. was deducted (i.e. net loss). While equity of Rs.461.25 cr. includes issued, subscribed and paid up share capital of

   i. 31,82,58,837 equity shares @ Rs.10/- each held by central government

   ii. 14,30,00,000 equity shares @ Rs.10/- each held by others.

- In the year ended 2015, net profit after interest and taxes of Rs.2630.16 cr. includes difference between operating income (Rs.43713.84 cr.)
and operating expenses (Rs.41124.31 cr.) after that share of earnings in associates of Rs.82.74 cr. were added & deduct minority interest of Rs.42.09 cr. was deducted (i.e. net loss). While equity of Rs.475.19 cr. includes issued, subscribed and paid up share capital of

I. 33,21,96,971 equity shares @ Rs.10/- each held by central government

II. 14,30,00,000 equity shares @ Rs.10/- each held by others.

IV. RETURN ON TOTAL ASSETS:

A ratio that measures a company’s earnings before interest and taxes (EBIT) against its total net assets. The ratio is considered an indicator of how effectively a company is using its assets to generate earnings before contractual obligations must be paid.

The greater a company’s earnings in proportion to its assets (and the greater the coefficient from the calculation), the more effectively that the company is said to be using its assets.

To calculate Return on Total Assets (ROTA), you must obtain the net income figure from a company’s income statement, and then add back interest and/or taxes that were paid during the year. The resulting number will reveal the company’s EBIT. The EBIT number should be divided by total assets of company (total assets less depreciation and any allowances for bad debts) to reveal the earnings the company has generated for each rupee of assets on its books.

\[
\text{Return on Total Assets} = \frac{\text{Net Profit after Interest} \& \text{Taxe}}{\text{TOTAL ASSETS}}
\]

Table 3.12: Showing the Return on total assets of canara bank (2011-2015)
<table>
<thead>
<tr>
<th>YEAR</th>
<th>NET PROFIT AFTER INTEREST &amp; TAX</th>
<th>TOTAL ASSETS</th>
<th>RETURN ON TOTAL ASSETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>4034.19</td>
<td>337066.30</td>
<td>1.197</td>
</tr>
<tr>
<td>2012</td>
<td>3341.7</td>
<td>377018.16</td>
<td>0.886</td>
</tr>
<tr>
<td>2013</td>
<td>2969.71</td>
<td>417291.04</td>
<td>0.712</td>
</tr>
<tr>
<td>2014</td>
<td>2630.17</td>
<td>495591.34</td>
<td>0.531</td>
</tr>
<tr>
<td>2015</td>
<td>2864.67</td>
<td>553151.70</td>
<td>0.518</td>
</tr>
</tbody>
</table>

Graph 3.12: Showing the Return on total assets of canara bank (2011-2015)

- **Interpretation:**
  - It had been concluded that return on total assets had been decreasing. In the year 2011 return on total assets was 1.197; after that in the year 2012, ROTA was 0.886; in 2013 ROTA was 0.712; in the 2014 ROTA was 0.531; and in the year 2015 ROTA was 0.518. It showed that return on total assets was decreasing from year 2011 to year 2015. The above graph disclosed that how well bank uses its assets to generate revenue. In Mar’11, net profit after interest and taxes were Rs.4034.19 cr. whereas total assets were Rs.337066.30 cr. so the return on total...
assets of Mar’11 was 1.197. Similarly, in Mar’12, net profit after interest and taxes were Rs.3341.7 cr. while the total assets were Rs.377018.16 cr. so the return on total assets of the year Mar’12 was 0.886 respectively. While in the year Mar’13, net profit after interest and taxes were Rs.2969.71 cr. while the total assets were Rs.417291.04 cr. so the return on total assets was 0.712. In the year Mar’14, net profit after interest and taxes were Rs.2630.17 cr. while the total assets were Rs.495591.34 cr. so the return on total assets was 0.531. In the year Mar’15, net profit after interest and taxes are Rs.2864.67 cr. while the total assets are Rs.553151.70 cr. so the return on total assets of the year Mar’15 is 0.518 respectively.

• In the year ended 2011, net profit after interest and taxes of Rs.4034.18 cr. includes difference between operating income (Rs.25792.59 cr.) and operating expenses (Rs.21915.11 cr.) after that share of earnings in associates of Rs.71.77 cr. were added & deduct minority interest of Rs.-84.92 cr. was deducted (i.e. net loss). While total assets were Rs.337066.30 cr. which included of cash balance with RBI of Rs.22032.11 cr.; Balance with banks, money at call of Rs.8739.54 cr.; Advances of Rs.211448.51 cr.; investments of Rs.86499.41 cr.; Net block of Rs.784.04 cr.; Capital work-in-progress of Rs.1.03 cr.; interest accrued of Rs.2932.14 cr.; tax paid in advance/tax deducted at source (net) of Rs.1763.87 cr.; stationary and stamps of Rs.8.37 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4018.52 cr. respectively.

• In the year ended 2012, net profit after interest and taxes of Rs.3341.69 cr. includes difference between operating income (Rs.33920.14 cr.) and operating expenses (Rs.30672.88 cr.) after that share of earnings in associates of Rs.58.85 cr. were added & deduct minority interest of Rs.-35.57 cr. was deducted (i.e. net loss).respectively. While total assets were Rs.377018.16 cr. which included of cash balance with RBI of Rs.17813.02 cr.; Balance with banks, money at call of Rs.10433.72 cr.; Advances of Rs.232728.74 cr.; investments of Rs.106496.62 cr.; Net block of Rs.819.82 cr.; Capital work-in-progress of Rs.3 cr. interest accrued of Rs.2932.14 cr.; tax paid in advance/tax deducted at source (net) of Rs.1763.87 cr.; stationary and stamps of Rs.8.37 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4018.52 cr.

• In the year ended 2013, net profit after interest and taxes of Rs.2969.70 cr. includes difference between operating income (Rs.37377.51 cr.) and operating
expenses (Rs.34425.69 cr.) after that share of earnings in associates of Rs.42.93 cr. were added & deduct minority interest of Rs.25.06 cr. was deducted (i.e. net loss). While total assets were Rs.417291.04 cr. which included of cash balance with RBI of Rs.15414.99 cr.; Balance with banks, money at call of Rs.19364.22 cr.; Advances of Rs.242435.76 cr.; investments of Rs.127533.33 cr.; Net block of Rs.849.57 cr.; Capital work-in-progress of Rs.1.2 cr.; interest accrued of Rs.3370.90 cr.; tax paid in advance/tax deducted at source (net) of Rs.2430.833 cr.; stationary and stamps of Rs.6.93 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.5882.77 cr.

• In the year ended 2014, net profit after interest and taxes of Rs.2630.16 cr. includes difference between operating income (Rs.43713.84 cr.) and operating expenses (Rs.41124.31 cr.) after that share of earnings in associates of Rs.82.74 cr. were added & deduct minority interest of Rs.42.09 cr. was deducted (i.e. net loss). While total assets were Rs.495591.34 cr. which included of cash balance with RBI of Rs.22161.03 cr.; Balance with banks, money at call of Rs.22710.55 cr.; Advances of Rs.301326.02 cr.; investments of Rs.135445.35 cr.; Net block of Rs.1162.79 cr.; Capital work-in-progress of Rs.0.94 cr.; interest accrued of Rs.4206.65 cr.; tax paid in advance/tax deducted at source (net) of Rs.4065.57 cr.; stationary and stamps of Rs.12.01 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4500.08 cr.

• In the year ended 2015, net profit after interest and taxes of Rs.2864.67 cr. includes difference between operating income (Rs.48546.82 cr.) and operating expenses (Rs.45688.80 cr.) after that share of earnings in associates of Rs.73.03 cr. were added & deduct minority interest of Rs.66.39 cr. was deducted (i.e. net loss). While total assets were Rs.553151.70 cr. which included of cash balance with RBI of Rs.21976.76 cr.; Balance with banks, money at call of Rs.26670.80 cr.; Advances of Rs.330293.87 cr.; investments of Rs.155406.46 cr.; Net block of Rs.1563.10 cr.; Capital work-in-progress of Rs.1.05 cr.; interest accrued of Rs.4503.22 cr.; tax paid in advance/tax deducted at source (net) of Rs.6039.89 cr.; stationary and stamps of Rs.11.96 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.32 cr.; others of Rs.6630.25 cr.

V. RETURN ON CAPITAL EMPLOYED :
This ratio reflects the overall profitability of the business. It is calculated by comparing the profit earned and the capital employed to earn it. This ratio is usually in percentage and is also known as ‘Rate of Return’ or ‘Return on Investment (ROI)’ or ‘Yield on Capital’. The rate of return on investment is determined by dividing net profit or income by the capital employed or investment made to achieve that profit.

The term ‘Investment’ here refers to long-term funds deployed in the enterprise. As defined earlier long-term funds are also known as capital employed which means total of shareholders’ funds and long term loans.

ROI consists of two components viz. (a) Profit Margin, and (b) Investment Turnover, as shown below:

\[
\text{Return on Capital Employed} = \frac{\text{Net Profit Before Interest & Taxes}}{\text{Capital Employed}}, \text{ or} \\
= \frac{\text{Net Profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Capital Employed}}
\]

It will be seen from the above formula that ROI can be improved by increasing one or both of its components viz. the profit margin and the investment turnover in any of the following ways:

- Increasing the profit margin,
- Increasing the investment turnover, or
- Increasing both profit margin and investment turnover.

The obvious generalizations’ that can be made about the ROI formula are that any action is beneficial provided that it:

- Boosts sales
- Reduces invested capital
- Reduces costs (while holding the other two factors constant).
Since capital employed includes shareholders’ funds and long-term loans, interest paid on long-term loans will not be deducted from profits while calculating this ratio.

Capital employed can be computed by any of the following two methods:

**First Method (Liabilities Side Approach):**

\[
\text{Capital Employed} = \text{Equity Share capital} + \text{Preference Share Capital} + \text{All reserves} + \text{P & L Balance} + \text{Long-term Loans} - \text{Fictitious Assets (Such as Preliminary Expenses etc.)} - \text{Non-operating Assets like Investments made outside the business.}
\]

**Second Method (Assets Side Approach):**

\[
\text{Capital Employed} = \text{Fixed Assets} + \text{Working Capital}
\]

\[
\text{OR} \quad \text{Fixed Assets} + \text{Current Assets} - \text{Current Liabilities}
\]

**Table 3.13: Showing the return on capital employed of Canara Bank (2011-2015)**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NET PROFIT BEFORE INTEREST &amp; TAX</th>
<th>CAPITAL EMPLOYED</th>
<th>RETURN ON CAPITAL EMPLOYED</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>3877.49</td>
<td>18451.88</td>
<td>21.014</td>
</tr>
<tr>
<td>2012</td>
<td>3247.27</td>
<td>21139.74</td>
<td>15.361</td>
</tr>
<tr>
<td>2013</td>
<td>2951.83</td>
<td>23375.35</td>
<td>12.628</td>
</tr>
<tr>
<td>2014</td>
<td>2589.52</td>
<td>24991.57</td>
<td>10.362</td>
</tr>
<tr>
<td>2015</td>
<td>2858.02</td>
<td>27464.51</td>
<td>10.406</td>
</tr>
</tbody>
</table>

**Graph 3.13: Showing the return on capital employed of Canara Bank (2011-2015)**
**Interpretation:**

- As per above graph, Return On capital employed (i.e. ROI) was decreasing from the year 2011. In the year 2011, ROI was 21.014; in 2012 ROI were 15.361; in 2013 ROI were 12.628; in 2014 ROI were 10.362. It falls consistently which shows the graph of profitability also goes down. In Mar’11, net profit before interest and taxes were Rs.3877.49 cr. whereas capital employed were Rs.18451.88 cr. so the return on capital employed of Mar’11 was 21.014. Similarly, in Mar’12, net profit before interest and taxes were Rs.3247.27 cr. while the capital employed were Rs.21139.73 cr. so the return on capital employed of the year Mar’12 was 15.361 respectively. While in the year Mar’13, net profit before interest and taxes were Rs.2951.83 cr. while the capital employed were Rs.23375.35 cr. so the return on capital employed was 12.628. In the year Mar’14, net profit before interest and taxes were Rs.2589.52 cr. while the capital employed were Rs.24991.57 cr. so the return on capital employed was 10.362. In the year Mar’15, net profit before interest and taxes are Rs.2858.02 cr. while the capital employed are Rs.27464.51 cr. so the return on capital employed of the year Mar’15 is 10.406 respectively.
In the year ended 2011, net profits before interests and taxes were Rs.3877.49 cr. which includes difference between operating income (Rs.33920.14 cr.) and operating expenses (Rs.30672.88 cr.) while capital employed of Rs.18541.88 which include net worth of Rs.18302.72 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.17859.72 cr. & minority interest of Rs.149.16 cr. respectively.

In the year ended 2012, net profits before interests and taxes were Rs.3247.27 cr. includes difference between operating income (Rs.33920.14 cr.) and operating expenses (Rs.30672.88 cr.) while capital employed of Rs.21139.74 which include net worth of Rs.20978.26 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.20535.26 cr. & minority interest of Rs.161.48 cr. respectively.

In the year ended 2013, net profits before interests and taxes were Rs.2951.83 cr. includes difference between operating income (Rs.37377.51 cr.) and operating expenses (Rs.34425.69 cr.) while capital employed of Rs.23375.35 cr. which include net worth of Rs.23143.19 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.22700.19 cr. & minority interest of Rs.232.16 cr. respectively.

In the year ended 2014, net profits before interests and taxes were Rs.2589.52 cr. which includes difference between operating income (Rs.48546.82 cr.) and operating expenses (Rs.45688.80 cr.) while capital employed of Rs.24991.57 cr. which include net worth of Rs.24678.01 cr. which consists of equity share capital of Rs.461.26 cr.; and reserves of Rs.24216.75 cr. & minority interest of Rs.313.56 cr. respectively.

In the year ended 2015, net profits before interests and taxes were Rs.2858.02 cr. which includes difference between operating income (Rs.48546.82 cr.) and operating expenses (Rs.45688.80 cr.) while capital employed of Rs.27464.51 cr. which include net worth of Rs.27085.86 which includes of equity share capital of Rs.475.2 cr. and reserves of Rs.26610.66 cr. & minority interest of Rs.378,65 cr. respectively.

Table 3.14: Showing the summary of profitability ratios of canara bank (2011-2015)
<table>
<thead>
<tr>
<th></th>
<th>NET-PROFIT RATIO</th>
<th>RETURN ON NET WORTH</th>
<th>RETURN ON NET EQUITY</th>
<th>RETURN ON TOTAL ASSETS</th>
<th>RETURN ON CAPITAL EMPLOYED</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>15.62</td>
<td>22.04148</td>
<td>9.10652</td>
<td>1.197</td>
<td>21.014</td>
</tr>
<tr>
<td>2012</td>
<td>9.85</td>
<td>15.92935</td>
<td>7.54334</td>
<td>0.886</td>
<td>15.361</td>
</tr>
<tr>
<td>2013</td>
<td>7.95</td>
<td>12.8319</td>
<td>6.70363</td>
<td>0.712</td>
<td>12.628</td>
</tr>
<tr>
<td>2014</td>
<td>6.02</td>
<td>10.65795</td>
<td>5.70214</td>
<td>0.531</td>
<td>10.362</td>
</tr>
<tr>
<td>2015</td>
<td>5.90</td>
<td>10.57626</td>
<td>6.02835</td>
<td>0.518</td>
<td>10.406</td>
</tr>
</tbody>
</table>

Graph 3.14: Showing the summary of profitability ratios of Canara Bank (2011-2015)

- **Interpretation:**
  
  a) **In case of Net Profit Ratio**, which helps in determining the efficiency with which affairs of the business are being managed. An increase in the ratio over
the previous period indicates improvement in the operational efficiency of the business. The ratio is thus an effective measure to check the profitability of business.

• In the year ended 2015, net profit of Rs.2864.67 cr. includes difference between operating income (Rs.48546.82 cr.) and operating expenses (Rs.45688.80 cr.) after that share of earnings in associates of Rs.73.03 cr. were added & deduct minority interest of Rs.66.39 cr. was deducted (i.e. net loss). While net sale of Rs.48546.82 cr. which include interest earned of Rs.43813.37 cr. and other income of Rs.4733.45 cr.

• In the year ended 2014, net profit of Rs.2630.16 cr. includes difference between operating income (Rs.43713.84 cr.) and operating expenses (Rs.41124.31 cr.) after that share of earnings in associates of Rs.82.74 cr. were added & deduct minority interest of Rs.42.09 cr. was deducted (i.e. net loss). While net sale of Rs.43713.85 cr. which include interest earned of Rs.39570.17 cr. and other income of Rs.4143.68 cr.

• In the year ended 2013, net profit of Rs.2969.70 cr. includes difference between operating income (Rs.37377.51 cr.) and operating expenses (Rs.34425.69 cr.) after that share of earnings in associates of Rs.42.93 cr. were added & deduct minority interest of Rs.25.06 cr. was deducted (i.e. net loss). While net sale of Rs.37377.52 cr. which include interest earned of Rs.34069.87 cr. and other income of Rs.3307.65 cr.

• In the year ended 2012, net profit of Rs.3341.69 cr. includes difference between operating income (Rs.33920.14 cr.) and operating expenses (Rs.30672.88 cr.) after that share of earnings in associates of Rs.58.85 cr. were added & deduct minority interest of Rs.-35.57 cr. was deducted (i.e. net loss). While net sale of Rs.33920.15 cr. which includes interest earned of Rs.30815.64 cr. and other income of Rs.3104.51 cr.

• In the year ended 2011, net profit of Rs.4034.18 cr. includes difference between operating income (Rs.25792.59 cr.) and operating expenses (Rs.21915.11 cr.) after that share of earnings in associates of Rs.71.77 cr. were added & deduct minority interest of Rs.-84.92 cr. was deducted (i.e. net loss). While net sale of Rs.25834.15 cr. which includes interest earned of Rs.23000.89 cr. and other income of Rs.2833.26 cr.
b) In case of Return on Net worth, it expresses the net profit in terms of the equity shareholders’ funds. This ratio is an important yardstick of performance for the equity shareholders since it indicates the return on the funds employed by them. And it is also known as ‘Return on Shareholders’ Funds’.

- In the year ended 2011, net profit after interest and taxes of Rs.4034.18 cr. includes difference between operating income (Rs.25792.59 cr.) and operating expenses (Rs.21915.11 cr.) after that share of earnings in associates of Rs.71.77 cr. were added & deduct minority interest of Rs.-84.92 cr. was deducted (i.e. net loss). While net worth of Rs.18302.72 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.17859.72 cr. respectively.

- In the year ended 2012, net profit after interest and taxes of Rs.3341.69 cr. includes difference between operating income (Rs.33920.14 cr.) and operating expenses (Rs.30672.88 cr.) after that share of earnings in associates of Rs.58.85 cr. were added & deduct minority interest of Rs.-35.57 cr. was deducted (i.e. net loss). While net worth of Rs.20978.26 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.20535.26 cr. respectively.

- In the year ended 2013, net profit after interest and taxes of Rs.2969.70 cr. includes difference between operating income (Rs.37377.51 cr.) and operating expenses (Rs.34425.69 cr.) after that share of earnings in associates of Rs.42.93 cr. were added & deduct minority interest of Rs.25.06 cr. was deducted (i.e. net loss). While net worth of Rs.23143.19 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.22700.19 cr. respectively.

- In the year ended 2014, net profit after interest and taxes of Rs.2630.16 cr. includes difference between operating income (Rs.43713.84 cr.) and operating expenses (Rs.41124.31 cr.) after that share of earnings in associates of Rs.82.74 cr. were added & deduct minority interest of Rs.42.09 cr. was deducted (i.e. net loss). While net worth of Rs.24678.01 cr. which consists of equity share capital of Rs.461.26 cr.; and reserves of Rs.24216.75 cr. respectively.

- In the year ended 2015, net profit after interest and taxes of Rs.2864.67 cr. includes difference between operating income (Rs.48546.82 cr.) and
operating expenses (Rs.45688.80 cr.) after that share of earnings in associates of Rs.73.03 cr. were added & deduct minority interest of Rs.66.39 cr. was deducted (i.e. net loss). While net worth of Rs.27085.86 which includes of equity share capital of Rs.475.2 cr. and reserves of Rs.26610.66 cr. respectively.

c) **In case of Return on Net Equity**, the amount of net income returned as percentage of shareholders equity. Return on equity measures a corporation’s profitability by revealing how much profit a company generates with the money shareholders’ have invested.

- In the year ended 2011, net profit after interest and taxes of Rs.4034.18 cr. includes difference between operating income (Rs.25792.59 cr.) and operating expenses (Rs.21915.11 cr.) after that share of earnings in associates of Rs.71.77 cr. were added & deduct minority interest of Rs.-84.92 cr. was deducted (i.e. net loss). While equity of Rs.443 cr. includes issued, subscribed and paid up share capital of
  
  - **a)** 30 crore equity shares @ Rs.10/- each held by central government
  
  - **b)** 14.30 crore equity shares @ Rs.10/- each held by others.

- In the year ended 2012, net profit after interest and taxes of Rs.3341.69 cr. includes difference between operating income (Rs.33920.14 cr.) and operating expenses (Rs.30672.88 cr.) after that share of earnings in associates of Rs.58.85 cr. were added & deduct minority interest of Rs.-35.57 cr. was deducted (i.e. net loss). While equity of Rs.443 cr. includes issued, subscribed and paid up share capital of
  
  - **a)** 30 crore equity shares @ Rs.10/- each held by central government
  
  - **b)** 14.30 crore equity shares @ Rs.10/- each held by others.

- In the year ended 2013, net profit after interest and taxes of Rs.2969.70 cr. includes difference between operating income (Rs.37377.51 cr.) and operating expenses (Rs.34425.69 cr.) after that share of earnings in associates of Rs.42.93 cr. were added & deduct minority interest of Rs.25.06 cr. was deducted (i.e. net loss). While equity of Rs.443 cr. includes issued, subscribed and paid up share capital of
  
  - **a)** 30 crore equity shares @ Rs.10/- each held by central government
  
  - **b)** 14.30 crore equity shares @ Rs.10/- each held by others.
• In the year ended 2014, net profit after interest and taxes of Rs.2630.16 cr. includes difference between operating income (Rs.43713.84 cr.) and operating expenses (Rs.41124.31 cr.) after that share of earnings in associates of Rs.82.74 cr. were added & deduct minority interest of Rs.42.09 cr. was deducted (i.e. net loss). While equity of Rs.461.25 cr. includes issued, subscribed and paid up share capital of
  a) 31,82,58,837 equity shares @ Rs.10/- each held by central government
  b) 14,30,00,000 equity shares @ Rs.10/- each held by others.

• In the year ended 2015, net profit after interest and taxes of Rs.2630.16 cr. includes difference between operating income (Rs.43713.84 cr.) and operating expenses (Rs.41124.31 cr.) after that share of earnings in associates of Rs.82.74 cr. were added & deduct minority interest of Rs.42.09 cr. was deducted (i.e. net loss). While equity of Rs.475.19 cr. includes issued, subscribed and paid up share capital of
  a) 33,21,96,971 equity shares @ Rs.10/- each held by central government
  b) 14,30,00,000 equity shares @ Rs.10/- each held by others.

d) In case of Return on Total Assets, it measures a company’s earnings before interest and taxes (EBIT) against its total net assets. The ratio is considered an indicator of how effectively a company is using its assets to generate earnings before contractual obligations must be paid.

• In the year ended 2011, net profit after interest and taxes of Rs.4034.18 cr. includes difference between operating income (Rs.25792.59 cr.) and operating expenses (Rs.21915.11 cr.) after that share of earnings in associates of Rs.71.77 cr. were added & deduct minority interest of Rs.-84.92 cr. was deducted (i.e. net loss). While total assets were Rs.337066.30 cr. which included of cash balance with RBI of Rs.22032.11 cr.; Balance with banks, money at call of Rs.8739.54 cr.; Advances of Rs.211448.51 cr.; investments of Rs.86499.41 cr.; Net block of Rs.784.04 cr.; Capital work-in-progress of Rs.1.03 cr.; interest accrued of Rs.2932.14 cr.; tax paid in advance/tax deducted at source (net) of Rs.1763.87 cr.; stationary and stamps of Rs.8.37 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4018.52 cr. respectively.

• In the yearended 2012, net profit after interest and taxes of Rs.3341.69 cr. includes difference between operating income (Rs.33920.14 cr.) and
operating expenses (Rs.30672.88 cr.) after that share of earnings in associates of Rs.58.85 cr. were added & deduct minority interest of Rs.-35.57 cr. was deducted (i.e. net loss).respectively. While total assets were Rs.377018.16 cr. which included of cash balance with RBI of Rs.17813.02 cr.; Balance with banks, money at call of Rs.10433.72 cr.; Advances of Rs.232728.74 cr.; investments of Rs.106496.62 cr.; Net block of Rs.819.82 cr.; Capital work-in-progress of Rs.3 cr.; interest accrued of Rs.2932.14 cr.; tax paid in advance/tax deducted at source (net) of Rs.1763.87 cr.; stationary and stamps of Rs.8.37 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4018.52 cr.

- In the year ended 2013, net profit after interest and taxes of Rs.2969.70 cr. includes difference between operating income (Rs.37377.51 cr.) and operating expenses (Rs.34425.69 cr.) after that share of earnings in associates of Rs.42.93 cr. were added & deduct minority interest of Rs.25.06 cr. was deducted (i.e. net loss). While total assets were Rs.417291.04 cr. which included of cash balance with RBI of Rs.15414.99 cr.; Balance with banks, money at call of Rs.19364.22 cr.; Advances of Rs.242435.76 cr.; investments of Rs.127533.33 cr.; Net block of Rs.849.57 cr.; Capital work-in-progress of Rs.1.2 cr.; interest accrued of Rs.3370.90 cr.; tax paid in advance/tax deducted at source (net) of Rs.2430.83 cr.; stationary and stamps of Rs.6.93 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.5882.77 cr.

- In the year ended 2014, net profit after interest and taxes of Rs.2630.16 cr. includes difference between operating income (Rs.43713.84 cr.) and operating expenses (Rs.41124.31 cr.) after that share of earnings in associates of Rs.82.74 cr. were added & deduct minority interest of Rs.42.09 cr. was deducted (i.e. net loss). While total assets were Rs.495591.34 cr. which included of cash balance with RBI of Rs.22161.03 cr.; Balance with banks, money at call of Rs.22710.55 cr.; Advances of Rs.301326.02 cr.; investments of Rs.135445.35 cr.; Net block of Rs.1162.79 cr.; Capital work-in-progress of Rs.0.94 cr.; interest accrued of Rs.4206.65 cr.; tax paid in advance/tax deducted at source (net) of Rs.4065.57 cr.; stationary and stamps of Rs.12.01 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.33 cr.; others of Rs.4500.08 cr.
• In the year ended 2015, net profit after interest and taxes of Rs.2864.67 cr. includes difference between operating income (Rs.48546.82 cr.) and operating expenses (Rs.45688.80 cr.) after that share of earnings in associates of Rs.73.03 cr. were added & deduct minority interest of Rs.66.39 cr. was deducted (i.e. net loss). While total assets were Rs.553151.70 cr. which included of cash balance with RBI of Rs.21976.76 cr.; Balance with banks, money at call of Rs.26670.80 cr.; Advances of Rs.330293.87 cr.; investments of Rs.155406.46 cr.; Net block of Rs.1563.10 cr.; Capital work-in-progress of Rs.1.05 cr.; interest accrued of Rs.4503.22 cr.; tax paid in advance/tax deducted at source (net) of Rs.6039.89 cr.; stationary and stamps of Rs.11.96 cr.; non-banking assets acquired in satisfaction of claims of Rs.0.32 cr.; others of Rs.6630.25 cr.

e) **In case of Return on Capital Employed**, it reflects the overall profitability of the business. It is calculated by comparing the profit earned and the capital employed to earn it. This ratio is usually in percentage and is also known as ‘Rate of Return’ or ‘Return on Investment (ROI)’ or ‘Yield on Capital’. The strategic aim of a business enterprise is to earn a return on capital. If in any particular case, the return in the long-run is not satisfactory, then the deficiency should be corrected or the activity be abandoned for a favourable one. Measuring the historical performance of an investment centre calls for a comparison of the profit that has been earned with capital employed. The rate of return on investment is determined by dividing net profit or income by the capital employed or investment made to achieve that profit.

• In the year ended 2011, net profits before interests and taxes were Rs.3877.49 cr. which includes difference between operating income (Rs.33920.14 cr.) and operating expenses (Rs.30672.88 cr.) while capital employed of Rs.18541.88 which include net worth of Rs.18302.72 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.17859.72 cr. & minority interest of Rs.149.16 cr. respectively.

✓ In the year ended 2012, net profits before interests and taxes were Rs.3247.27 cr. includes difference between operating income (Rs.33920.14 cr.) and operating expenses (Rs.30672.88 cr.) while capital employed of Rs.21139.74 which include net worth of Rs.20978.26 cr. which consists of
equity share capital of Rs.443 cr.; and reserves of Rs.20535.26 cr.& minority interest of Rs.161.48 cr. respectively.

✓ In the year ended 2013, net profits before interests and taxes were Rs.2951.83 cr.includes difference between operating income (Rs.37377.51 cr.) and operating expenses (Rs.34425.69 cr.) while capital employed of Rs.23375.35 cr. which include net worth of Rs.23143.19 cr. which consists of equity share capital of Rs.443 cr.; and reserves of Rs.22700.19 cr. & minority interest of Rs.232.16 cr. respectively.

✓ In the year ended 2014, net profits before interests and taxes were Rs.2589.52 cr.which includes difference between operating income (Rs.48546.82 cr.) and operating expenses (Rs.45688.80 cr.) while capital employed of Rs.24991.57 cr. which include net worth of Rs.24678.01 cr. which consists of equity share capital of Rs.461.26 cr.; and reserves of Rs.24216.75 cr. & minority interest of Rs.313.56 cr. respectively.

✓ In the year ended 2015, net profits before interests and taxes were Rs.2858.02 cr. which includes difference between operating income (Rs.48546.82 cr.) and operating expenses (Rs.45688.80 cr.) while capital employed of Rs.27464.51 cr. which include net worth of Rs.27085.86 which includes of equity share capital of Rs.475.2 cr. and reserves of Rs.26610.66 cr. & minority interest of Rs.378,65 cr. respectively.

M ARKET-BASED RATIOS - The market based ratios relates the firm’s stock price to its earning and book values per share. These ratios give management an indication of what investors think of the company’s past performance & future prospect. If firm’s profitability, solvency & turnover ratios are good, then the market based ratios will be high & its share price is also expected to be high. The Market based ratios as follow:-

I. EARNING PER SHARE (EPS) :

The earnings per share of the company help in determining the market price of the equity shares of the company. A comparison of earning per share of the company with another will also help in deciding whether the equity share capital is being effectively used or not. It also helps in estimating the company’s capacity to pay dividend to its equity shareholders.)
The EPS is one of the important measures of economic performance of a corporate entity. The flow of capital to the companies under the present imperfect capital market conditions would be made on the evaluation of EPS. Investors lacking inside and detailed information would look upon the EPS as the best base to take their investment decisions. A higher EPS means better capital productivity.

\[
\text{Earning Per Equity Share} = \frac{\text{NetProfitAfterTax} - \text{PreferenceDividend}}{\text{NumberOfEquityShares}}
\]

Table 3.15: Showing the earning per share of canara bank (2011-2015)

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit After Tax</th>
<th>Number Of Equity Shares</th>
<th>Earnings Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar'15</td>
<td>2,858.02</td>
<td>47.52</td>
<td>60.14352</td>
</tr>
<tr>
<td>Mar'14</td>
<td>2,589.52</td>
<td>46.126</td>
<td>56.14014</td>
</tr>
<tr>
<td>Mar'13</td>
<td>2,951.83</td>
<td>44.3</td>
<td>66.63273</td>
</tr>
<tr>
<td>Mar'12</td>
<td>3,247.27</td>
<td>44.3</td>
<td>73.30181</td>
</tr>
<tr>
<td>Mar'11</td>
<td>3,877.49</td>
<td>44.3</td>
<td>87.52799</td>
</tr>
</tbody>
</table>

Graph 3.15: Showing the earning per share of canara bank (2011-2015)
Interpretation:

- Earnings per Share is the most commonly used data which reflects the performance and prospects of the company. It affects the market price of shares. Here the Earning per Share is shows a persistent decrease till the year 2014 after that in the year Mar’15 Earning Per Share is followed by a upwards due to rising in profits. A higher EPS means that better capital productivity.
  
- In Mar’11, profit after tax were Rs.3877.49 cr. whereas number of equity shares were 44.3 cr. so the earning per share (EPS) of Mar’11 was Rs.87.527.

- Similarly, in Mar’12, profit after tax was Rs.3247.27 cr. while the numbers of equity shares were 44.3 cr. so the earning per share (EPS) of the year Mar’12 was Rs.73.301 respectively.

- In the year Mar’13, profit after tax were Rs.2951.83 cr. while the number of equity shares were 44.3 cr. so the earning per share (EPS) was Rs.66.632.
• In the year Mar’14, profit after tax was Rs.2589.52 cr. while the numbers of equity shares were 46.126 cr. so the earning per share (EPS) was Rs.56.140.

• In the year Mar’15, profit after tax are Rs.2858.02 cr. while the number of equity shares are 47.52 cr. so the earning per share (EPS) of the year Mar’15 is Rs.60.143 respectively.

II. **MARKET PRICE OR BOOK-VALUE RATIO (P/BV ratio):**

This ratio measures the relationship between accounting value of the firm’s assets and this market price of its stock. This ratio indicates the net worth per equity share. The ratio is calculated by dividing the stock price per share by the book value of share:

\[
\text{Book-Value per Share} = \frac{\text{Equity Share Capital} + \text{Reserve – Profit & Loss Account (Dr.)}}{\text{Number Of Equity Shares}}
\]

Generally, the higher the rate of return a firm is earning on its common equity the higher will be the P/BV ratio. In case of growth firms with high growth of sales and earnings will have this ratio higher than 1, for the reason that the potential future growth in earning is reflected in the current stock price. Whereas the book value of equity share is based on the historical costs and it does not consider the potential growth.

**Table 3.16: Showing the book value per share of canara bank (2011-2015)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Book-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar'15</td>
<td>556.68</td>
</tr>
<tr>
<td>Mar'14</td>
<td>522.96</td>
</tr>
<tr>
<td>Mar'13</td>
<td>515.68</td>
</tr>
<tr>
<td>Mar'12</td>
<td>465.57</td>
</tr>
<tr>
<td>Mar'11</td>
<td>405.00</td>
</tr>
</tbody>
</table>
Interpretation:

- In Mar’11, the book-value per share was Rs.405.00. In Mar’12, the book-value per share was Rs.465.57 respectively. While in the year Mar’13, the book-value per share was Rs.515.68. In the year Mar’14, the book-value per share was Rs.522.96. In the year Mar’15, the book-value per share is Rs.556.68 respectively. It shows that book-value per share increases from year to year consistently.
Table 3.17: Showing the Earning per share & Book Value per sheet of Canara Bank from (2011-2015)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>EARNINGS PER SHARE</th>
<th>BOOK-VALUE RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>87.52799</td>
<td>405.00</td>
</tr>
<tr>
<td>2012</td>
<td>73.30181</td>
<td>465.57</td>
</tr>
<tr>
<td>2013</td>
<td>66.63273</td>
<td>515.68</td>
</tr>
<tr>
<td>2014</td>
<td>56.14014</td>
<td>522.96</td>
</tr>
<tr>
<td>2015</td>
<td>60.14352</td>
<td>556.68</td>
</tr>
</tbody>
</table>

Graph 3.17: Showing the Earning Per Share & Book Value per sheet of Canara Bank from (2011-2015)

- Interpretation:

- **SUMMARY OF MARKET BASED RATIOS**

- **EARNINGS PER SHARE**
- **BOOK-VALUE RATIO**
• **In case of Earnings per Share (EPS),** it helps in determining the market price of the equity shares of the company. A comparison of earning per share of the company with another will also help in deciding whether the equity share capital is being effectively used or not. It also helps in estimating the company’s capacity to pay dividend to its equity shareholders. The objective of financial management is wealth or value maximization of a corporate entity. The value is maximized when market price of equity shares is maximized.

  a) In Mar’11, profit after tax were Rs.3877.49 cr. whereas number of equity shares were 44.3 cr. so the earning per share (EPS) of Mar’11 was Rs.87.527.

  b) Similarly, in Mar’12, profit after tax was Rs.3247.27 cr. while the numbers of equity shares were 44.3 cr. so the earning per share (EPS) of the year Mar’12 was Rs.73.301 respectively.

  c) In the year Mar’13, profit after tax were Rs.2951.83 cr. while the number of equity shares were 44.3 cr. so the earning per share (EPS) was Rs.66.632.

  d) In the year Mar’14, profit after tax was Rs.2589.52 cr. while the numbers of equity shares were 46.126 cr. so the earning per share (EPS) was Rs.56.140.

  e) In the year Mar’15, profit after tax are Rs.2858.02 cr. while the number of equity shares are 47.52 cr. so the earning per share (EPS) of the year Mar’15 is Rs.60.143 respectively.

• **In case of Book-Value per share,** measures the relationship between accounting value of the firm’s assets and this market price of its stock. This ratio indicates the net worth per equity share. The ratio is calculated by dividing the stock price per share by the book value of share.

  a) In Mar’11, the book-value per share was Rs.405.00.

  b) In Mar’12, the book-value per share was Rs.465.57 respectively.

  c) While in the year Mar’13, the book-value per share was Rs.515.68.

  d) In the year Mar’14, the book-value per share was Rs.522.96.

  e) In the year Mar’15, the book-value per share is Rs.556.68 respectively.
Ratios for Banking Sector

I. CREDIT-DEPOSIT RATIO:

This ratio is very important to assess the credit performance of the bank. The ratio shows the relationship between the amount of deposit generated by the bank has well as their deployment towards disbursement of loan and advances. Higher credit deposit ratio shows overall good efficiency and performance of any banking institution.

Credit means disbursement of advances

Deposit mean sum of fixed deposit,

Saving deposit and current deposit.

Table 3.18 : Showing the Credit Deposit Ratio of Canara Bank from (2011-2015)

<table>
<thead>
<tr>
<th>Year</th>
<th>Advances</th>
<th>Deposits</th>
<th>Credit-Deposit Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar'15</td>
<td>330,293.87</td>
<td>473,724.99</td>
<td>69.7227</td>
</tr>
<tr>
<td>Mar'14</td>
<td>301,326.02</td>
<td>420,603.68</td>
<td>71.64132</td>
</tr>
<tr>
<td>Mar'13</td>
<td>242,435.76</td>
<td>355,684.64</td>
<td>68.16031</td>
</tr>
<tr>
<td>Mar'12</td>
<td>232,728.74</td>
<td>326,894.04</td>
<td>71.19394</td>
</tr>
<tr>
<td>Mar'11</td>
<td>212,647.38</td>
<td>293,257.91</td>
<td>72.51217</td>
</tr>
</tbody>
</table>

Graph 3.18 : Showing the Credit Deposit Ratio of Canara Bank from (2011-2015)
• Above graph exhibits credit deposit ratio of the bank during last 5 years. In Mar’11, advances were Rs.211448.51 cr. whereas deposits were Rs.293257.91 cr. so the credit-deposit ratio of Mar’11 was 72.51217%. Similarly, in Mar’12, advances were Rs.232728.74 cr. while the deposits were Rs.326894.04 cr. so the credit-deposit ratio of the year Mar’12 was 71.19394% respectively. While in the year Mar’13, advances were Rs.242435.76 cr. while the deposits were Rs.355684.64 cr. so the credit-deposit ratio was 68.1603%. In the year Mar’14, advances were Rs.301326.02 cr. while the deposits were Rs.420603.68 cr. so the credit-deposit ratio was 71.6413%. In the year Mar’15, advances are Rs.330293.87 cr. while the deposits are Rs.473724.99 cr. so the credit-deposit ratio of the year Mar’15 is 69.722% respectively. It leads to conclusion that credit performance of the bank is neither so much good nor too much bad.

a) In the year 2011, total deposits were Rs.29373.91 cr. which include demand deposits of Rs.24453.02 cr.; saving bank deposits of Rs.58617.10 cr.; term deposits of Rs.210723.78 cr. & total advances
were Rs.212647.38 cr. which include bills purchased & discounted of Rs.8084.28 cr.; cash credits of Rs.102556.75 cr.; & term loans of Rs.102006.34 cr. respectively.

b) In the year 2012, total deposits were Rs.326894.04 cr. which includes demand deposits of Rs.14658.82 cr.; saving bank deposits of Rs.64792.21 cr.; term deposits of Rs.247442.99 cr. & total advances were Rs.232728.74 cr. which include bills purchased & discounted of Rs.7992.51 cr.; cash credits of Rs.107100.07 cr.; & term loans of Rs.117636.15 cr. respectively.

c) In the year 2013, total deposits were Rs.355684.63 cr. which includes demand deposits of Rs.14721.79 cr.; saving bank deposits of Rs.71168.18 cr.; term deposits of Rs.269794.65 cr. & total advances were Rs.242435.75 cr. which include bills purchased & discounted of Rs.7706.80 cr.; cash credits of Rs.105055.02 cr.; & term loans of Rs.129672.93 cr. respectively.

d) In the year 2014, total deposits were Rs.420603.67 cr. which includes demand deposits of Rs.17735.52 cr.; saving bank deposits of Rs.85535.60 cr.; term deposits of Rs.317332.54 cr. & total advances were Rs.301326.01 cr. which include bills purchased & discounted of Rs.10870.88 cr.; cash credits of Rs.116629.26 cr.; & term loans of Rs.173825.86 cr. respectively.

e) In the year 2015, total deposits were Rs.420603.67 cr. which includes demand deposits of Rs.19724.40 cr.; saving bank deposits of Rs.93686.33 cr.; term deposits of Rs.360314.24 cr. & total advances were Rs.330293.86 cr. which include bills purchased & discounted of Rs.11504.77 cr.; cash credits of Rs.130334.75 cr.; & term loans of Rs.188444.34 cr. respectively.