



## A study on financial performance of central bank of India

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### Abstract

The banking industry plays a vital role in the economic development of a country which determines the money circulation among the people. The country's survival depends on the banking industry, which serves as the economy's foundation. Financial Performance is the only key tool which decides the operational efficiency along with sustainability of banking sector. The financial organization of branches and a different scope of monetary administrations, India's financial framework is enormous. The focus of this paper is to examine the financial performance of Central bank of India by using the analyzed ratios, for example, liquidity ratios, Solvency ratios, profit and loss ratios and balance sheet ratio are to be used for the assessment of financial performance of central bank of India with help of income and expenditures and consolidated balance sheet from the period of 2018 to 2022.

**Keywords:** Financial Performance, Ratio Analysis, Financial Statements, Balance Sheet.

### 1. Introduction

Banking industry plays an active role in the transmission of monetary policy in India, which is one the most important tools of the government for achieving balanced economic growth without effecting the inflationary. The banking system works with five major services in fields such as deposits like saving, current accounts of business, loans and mortgages, wealth management, issuing debit cards and credit cards, overdraft services. The banking industry encourages the public to save and invest in various financial instruments such as long-term bonds of government and private and public, government securities etc., to check the growth and stability of the banks Financial Performance is a critical tool to measure [1]. Financial performance refers to in a broader sense the degree to which objectives of finance being achieved and is a vital factor of fiancé risk management. It is a continuous process of measuring the outcomes of an organization's policies and operations monetary. To

measure the overall financial health of a firm over a stipulated period can also be used to compare similar firms across the same industry, financial performance is used. In this present paper the main focus is to attempt to evaluate and examine the Financial Performance of Central Bank of India [2].

### 2. History of central bank

The central bank of India was established on 21<sup>st</sup> December 1911, which was a first Indian Commercial Bank wholly owned and managed by the Indians. Founder of the bank, Sir Sorabji's ultimate realization of the dream is to establish this bank. Among the Public Sector Banks, Central Bank of India can be really depicted as an All-India Bank, because of dispersion of its enormous organization in every one of the 28 States and furthermore in 7 out of 8 Association Domains in India. As of March 2023, the Central Bank of India had a network of 4493 branches, one extension counter, and ten satellite offices spread out across the country,



making it one of the most prominent Public Sector Banks in the world [3].

### 3. Statement of the problem

The Financial Performance of Central Bank of India is a critical aspect of its operations and effecting its ability for generating profits, to maintain its financial stability, risk bearing. It is a very cutthroat competition in Indian Banking Sector. Whereas Central Bank of faces big challenges like day to day increasing competition from private banks, economic instability, the pressure forms regulatory body. Then the need arises to study and examine the Central Bank of India's financial performance for a period of five years from 2018 to 2022 to measure and assess the bank's strengths, weaknesses, opportunities, and challenges (threats) [4]. The present study will be investigated and analysed bank's financial statements and important financial ratios, like Asset Quality, Capital Ratio, Revenue and Profitability Ratios.

#### 3.1 Objectives of the study

- To examine the facilities and strategies available to Central Bank of India
- To review the financial development of Central Bank of India
- To analyze the Financial Performance of Central Bank of India

#### 3.2 Date collection

Central Bank of India has been chosen for this current study. This study is predominantly founded on optional information. Auxiliary information were gathered from books, journals, annual reports and website of the bank. The research spans five years, from 2017-2018 to 2021-2022.

#### 3.3 Limitations of the study

Time and cost are major constraints for this study, so the study is confined to the financial performance of the bank. The study period is restricted to only five years, so we cannot measure the Realtime values.

#### 3.4 Review of literature

Vyas (1992) made an endeavor to quantify, look at and break down the productivity of public area banks, confidential area banks and unfamiliar area banks working in India. According to the findings,

public sector banks were less profitable than private sector banks and foreign banks. Public area banks experienced unfortunate resource the executives and low openness on non-reserve-based exercises. The study found that foreign banks had much higher non-interest income than Indian public sector and private sector banks. The author of the study suggested that public sector banks should focus on improving asset management and increasing their exposure to profit-generating services like merchant banking, mutual funds, personal advisory services, credit cards, and international banking [5][6]. Kaushik (1995) concentrated on the social goals and benefit of public and confidential area banks during the period 1973 to 1991. He contrasted people in general and confidential banks and the assistance of different benefit and efficiency pointers through proportions, normal, connection, relapse, and variable examination. He found that public area banks were having lower productivity when contrasted with private area banks. Further, he found that the different efficiency markers showed a rising pattern during the time of study for every one of the banks, however the increment was a lot higher on account of private area banks. He presumed that the benefit of public area banks showed a declining pattern because of social goals not due to cost failure and low efficiency. He suggested that innovative banking, enhanced technological and managerial expertise, well-trained personnel, and infrastructure facilities could all contribute to increased productivity. T. Padamasai (2000) assesses the benefit, efficiency, and productivity of Indian five major public area banks for example SBI, PNB, Sway, BOL, Canara Bank as these are huge five banks among the Indian nationalized business banks and have places in world's main 40 banks moreover. The B-Efficiency Model is used to compare the various productivity, profitability, and efficiency parameters of five banks for each of the selected countries. These parameters include deposits, advances, investments, profits, net NPAs, and CAR. The review presumes that efficiency and productivity of five major banks has expanded all through the post-changes period



with regards to chosen proportions of every boundary, except because of proficiency, the exhibition of the main five bank is very excusal as in effectiveness has expanded during the review time frame. It suggests that the government will be able to hail us banks if it sells its stake in the profitable banks [7][8].

### 3.5 Methodology of research

The methodology used for this study is: -

- i. Information Source
  - ii. Research Design
  - iii. Tools used for the analysis
- i. Information sources used:** This research paper is based on secondary data which is collected from various printed and websites. The rating depends on the liquidity to profitability ratio, which may be calculated by
- a. Calculation of current ratio:**

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

**Table-1** Calculation of Current Ratio

Year	2017-18	2018-19	2019-20	2020-21	2021-22
Current Assets	23479.7	23384.1	22442.2	19970.2	19555.8
Current Liabilities	7694.77	64475.8	15456	7268.32	8872.59
<b>Current Ratio</b>	<b>3.05</b>	<b>0.36</b>	<b>1.45</b>	<b>2.75</b>	<b>2.20</b>

Source: Secondary Data

From the Table 1 we can conclude that the Current Ratio of Central Bank of India has been decreasing during the last five years from 3.05 to 2.20. It can be

observed that except in the year 2018-2019 the current ratio 3.61 is highest among all the five years.

**b. Return on total assets ratio:**

$$\text{Return on total Asset Ratio} = \frac{\text{Net Profit}}{\text{Total Assets}}$$



**Table-2 Calculation of Return on Total Asset Ratio**

Year	2017-18	2018-19	2019-20	2020-21	2021-22
Net Profits	-5,104.90	-5641.48	-1121.35	-887.58	1044.83
Total Assets	3,26,225.28	330717.66	356435.99	369214.99	386565.59
<b>Ratio</b>	<b>-1.56</b>	<b>-1.71</b>	<b>-0.31</b>	<b>-0.24</b>	<b>0.27</b>

Source: Secondary Data

It is obvious that from the Table 2, the Return on total assets ratio of Central Bank of India in 2021-2022 had a ratio of 0.27 but in 2017-2020 the Banks

return on total assets ratio was a negative, even though the ratio increasing for the study period.

**c. Debt-equity ratio:**

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

**Table-3 Calculation of Debt-Equity Ratio**

Year	2017-18	2018-19	2019-20	2020-21	2021-22
Debt	5706.12	5239.06	5787.20	5468.64	7474.36
Equity	17985.54	18934.86	18466.87	17912.81	23811.76
<b>Ratio</b>	<b>0.32</b>	<b>0.28</b>	<b>0.31</b>	<b>0.31</b>	<b>0.31</b>

Source: Secondary Data

From the above Table 3, the Debt-Equity Ratio for the Central Bank of India is decreasing during the last five years of the study. Except in the year 2017-

18, the Debt-Equity Ratio 0.32 for the Central Bank of India, this is highest among all the five years of the study period.

**d. Investment to total assets ratio:**

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

**Table-4 Calculation of Investment to Total Assets Ratio**

Year	2017-18	2018-19	2019-20	2020-21	2021-22
Investment	102631.61	125298.07	142517.54	148582.43	140786.95
Total Assets	326225.28	330717.66	356435.86	369214.99	386565.59
<b>Ratio</b>	<b>31.46</b>	<b>37.89</b>	<b>39.98</b>	<b>40.24</b>	<b>36.42</b>

Source: Secondary Data

Table 4 shows the ratio of Investment to Total Assets Ratio of Central Bank of India for the period of five years from 2017-2022. Found that in 2020-

21 the Central Bank of India has a ratio of 40.24 which is highest amongst all the five years of the study. So, we have absorbed that return on



investment is registered at low except one year.

#### 4. Findings of the Study

##### 4.1 Current Ratio (Standard norms 2:1)

The Current Ratio of Central Bank of India has decreased for the study period except in year 2018-19 which is highest amongst all the five years of the study period.

##### 4.2 Return on Total Assets Ratio

It is found that the return on total assets ratio of Central bank of India is increased for the study period but the entire ratio found that negative except in the year 2021-22.

##### 4.3 Debt-Equity Ratio (Standard norms 2:1)

The Central Bank of India's debt equity ratio has been decreasing consecutively during the five years of the study period. But in 2017-18 had a ratio of 0.32 which was highest amongst all the five years of the study period. And the achieved ratio of the central bank of India is satisfied.

##### 4.4 Investment to Total Assets Ratio

It is found that from the study period of five years, the Investment to Total Assets Ratio of Central Bank of India is fluctuating ratios continuously.

#### Conclusion

For any country the Banking sector is the backbone of economic growth. The current research paper exhibited the "A Study on Financial Performance of Central Bank of India" during the last five years of the study period. To analyze the performance of Central Bank of India used various parameters in the research area are Ratio Analysis, Balance Sheets, Comparative balance sheets, Common size balance sheets and revenue statements etc. The overall Financial Performance of Central Bank of India is satisfactory for the study period [11]. But it is obvious that the nationalized commercial Bank has been facing cutthroat challenges from the private sector banks. Making profits is a tough task in the present situation. We can conclude that by offering additional services, updating technology, resolving issues faster, offering advances etc. can make them stand in the market.

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