REVIEW OF RESEARCH
IMPACT FACTOR : 5.7631(UIF) UGC APPROVED JOURNAL NO. 48514 ISSN: 2249-894X

VOLUME - 8 | ISSUE - 5 | FEBRUARY - 2019

FINANCIAL PERFORMANCE OF PUNJAB NATIONAL BANK IN INDIA

Anjani Kumari
D/o: - Amarnath Thakur
Moh.-Sahsupan
Po- Lalbagh
Darbhanga.

ABSTRACT :

Bank plays an important role to mobilize savings of general public, remittance of money and other general banking services. The performance of a bank may be evaluated for several reasons depending upon various objectives. Profit is the main motive for the continued existence of every commercial organization and profitability depicts the relationship between the absolute amounts of profit with various other factors. As compared to other business concerns, banks in general have to pay much more attention for balancing profitability and liquidity. Liquidity is required to meet the prompt demands of customers whereas profitability is required to meet the expenses of banks. Hence, the present research is an effort to measure the financial performance of Punjab National Bank which is big giants in public sector respectively. The study focused on the growth, performance and risk analysis of the banks. Quantitative analysis has been undertaken by looking at various financial ratios like management efficiency, liquidity and profitability which are the reliable indicators of a bank performance. It is found that PNB is more financially sound than other Banks. Banking sector occupies an important role in the economic development of a nation. It is one of the fastest growing sectors in India as it is featured by a large network of bank branches, serving many kinds of financial services to its customer.

KEYWORDS : *Banking, Financial Analysis, Performance Measurement, Financial Risk.*

INTRODUCTION :

Banks play an important role in the economic development of a country. They are the lifeblood of modern commerce and have control over a large part of money supply. A bank is a financial intermediary that accepts deposits and channels them into lending activities. It plays a vital role in the marketing of new type of deposits and advances schemes. The operational efficiency, service quality and managerial effectiveness are the main areas to observe the performance of a bank. The financial performance of a bank can be measured as the achievement of the bank in terms of profitability position, service quality, customer satisfaction and other relevant aspects. The profitability of a bank denotes the efficiency with which a bank deploys its total resources to optimize its net profits and thus serve as an index to the degree of asset utilization and managerial effectiveness. At present, the Indian banking system faces a number of difficult challenges. In such a scenario, the present study is an attempt to measure the financial performance of the second largest public sector bank of India i.e. Punjab NaA good bank is not only the financial heart of the community but also a helping hand in every possible manner to improve the economic condition of the society. Banks are a fundamental component of the financial system and are also active players in financial markets. The essential role of a bank is to connect those who have capital (investors or depositors), to those who seek capital (individuals or firms). Banks have control over a large part of the supply of money in circulation. Through their influence over the volume of bank money, they can influence nature and character of production in any country. Economic development is a dynamic and continuous process which highly depends upon the extent of mobilization of resources, investment and operational efficiency of various segments i.e. trade, industrial development, and agriculture of the economy. Thus, in a modern economy like India, banks have become a part and parcel of all economic activities. Banks play a significant role in the economic development of all the Nations of the world. In fact, Banking is the lifeblood of Modern Commerce. From its original narrow scope and modest purpose of taking care of other people's money and lending a part of it, banking has developed to such an extent that, in countries like England, France and the U.S.A., there is hardly a Business deal without the assistance of a Bank is sought in one form or anothertional Bank. Financial performance of a business concern being one of the major characteristics, defines competitiveness, potentials of the business and economic interests of the management. Therefore, financial performance analysis and identification of weaknesses and strengths using financial performance indicators has its contribution to the management, shareholders, the public (customers of the bank), the regulator (the government), the financial sector and the economy as a whole. In a competitive financial market, bank performance provides a signal to depositors and investors whether to withdraw funds from or invest in the bank. Similarly, it flashes direction to bank management whether to improve its deposit service or loan service or both. Regulators are also interested to know the financial health of banks for regulation purposes. Furthermore, the rationale of financial analysis is to diagnose the information contained in a financial statement so as to judge the future earning, ability to pay interest, debt maturities, profitability, customer services and dividend policy. The present study is undertaken to evaluate the financial performance of the second largest public sector bank of India. It is essential to examine the financial efficiency, operational activities and other relevant financial aspects of Punjab National Bank for its smooth running and to improve the service quality to make it more favorable. Financial Analysis is a process of synthesis and summarization of financial and operative data to get an insight into the operative activities of a business concern. Financial analysis consists of comparisons for the same company over periods of time or comparisons of different companies either in the same industry or in different industries. It may be done for a variety of purposes, which may range from a simple analysis of the short term liquidity position of the firm to a comprehensive assessment of the strengths and weaknesses in various areas. It is helpful in assessing corporate excellence, operating efficiency, judging credit worthiness, forecasting bond ratings, predicting bankruptcy and assessing market risk. The financial analysis can be performed by analysts who work for the firm or by outsiders like investors, creditors, lenders, suppliers, customers, security analysts, academicians, researchers, environmental protection organizations, special interest lobbying groups, government and other regulatory bodies. Literature survey is generally conducted to review the present status of a particular research topic. It helps the researcher to know the quantum of work already done on the particular topic and the area not yet touched. Relevant literature is accessed through research reports, articles, books, journals, magazines and other relevant materials. Some studies related to the evaluation of financial performance are discussed below: Kumbirai and Webb (2010) investigated the performance of South Africa's commercial banking sector for the period 2005- 2009. Financial ratios were employed to examine the profitability, liquidity and credit quality performance of five South African based commercial banks. The study concluded that overall bank performance increased considerably in the first two years and a significant change in trend was noticed at the onset of the global financial crisis in 2007, reaching its peak during 2008-2009. This resulted in falling profitability, low liquidity and deteriorating credit quality in the South African Banking sector. Kumar, B.S. (2008), evaluated the financial performance of Indian private sector banks. The study revealed that Private sector banks play an important role in the development of Indian economy. The economic reforms totally have changed the banking sector. RBI permitted new banks to be started in the private sector as per the recommendation of Narasimhan committee. The Indian banking industry was dominated by public sector banks, but now the situation has changed. New generation banks with better technology and professional management have gained a reasonable position in the banking industry. Koeva, P. (2003), examined the performance of Indian Banks. The analysis focused on evaluating the behavior and determinants of bank intermediation costs and profitability during the liberalization period. The results of the study suggested that ownership pattern had a significant effect on performance indicators and the observed increase in competition during financial liberalization which has been associated with lower intermediation costs and profitability of the Indian banks. Almazari (2011) in his study analyzed the financial performance of seven Jordanian commercial banks for the period 2005-2009. Simple regression was used to estimate the impact of independent variable i.e. the bank size, asset management, and operational efficiency on dependent variable represented by return on assets and interest income size. The study concluded that banks with higher total deposits, credits, assets, and shareholders' equity did not always have better profitability performance. It was also found that there exists a positive correlation between financial performance and asset size, asset utilization and operational efficiency.

The main function of commercial banks is to accept deposit from general public in form of various deposits and then along with its own funds it advances loans to its customers. The difference in the borrowing and lending interest rate help banks in carrying out their activities. As the banking sector is considered an important segment of a modern economy, its efficiency is of vital importance. In order to ensure healthy financial system, financial risk, an efficient economy and the performance of banks must be carefully evaluated and analyzed. The performance of a commercial bank may be evaluated for several reasons depending on personal objectives. An entity like a bank regulator helps in identifying those banks which are expressing chronic financial problems and fix these problems before the situation get out of control. Shareholders, on the other hand need to assess the banks that are deem suitable to financially invest in. Commercial banks evaluate their performance for determining their efficacy and also long term viability of management decisions or goals for taking appropriate and necessary course of action. Without a constant and routine monitoring of performance, the underlying problems may remain invisible and thus lead to financial failures down in the line.

PUNJAB NATIONAL BANK

Punjab National Bank was established on April 12, 1895 at Lahore with an authorized capital of Rs. 2 lakh and working capital of Rs 20,000. Punjab National Bank is an Indian multinational banking and financial services company and it is a state-owned corporation based in New Delhi, India. The bank has over 6,968 branches and over 9,656 ATMs across 764 cities and serves over 80 million customers. PNB has also a representative office in London, Kabul, Shanghai and Dubai. PNB also came into an alliance with Everest Bank Limited in Nepal that permits migrants to transfer funds easily between India and Everest Bank's 12 branches in Nepal. Currently, PNB owns 20 per cent shares of Everest Bank. PNB came up with PNBIL i.e. Punjab National Bank (International) in the UK, having two offices; one in London other in Southall. PNB established a representative office in Oslo, Norway and hopes to upgrade this to a branch in due course. In January 2010, PNB established a subsidiary in Bhutan. It owns 51 per cent of Druk PNB Bank, which has branches in Thimpu, Phuentsholing and Wangdue and rest 49 per cent shares are owned by local investors.

Bank works in dynamic environment which is affected by many uncontrollable factors. It is difficult to measure the financial performance of bank in the presence of these factors. There is an attempt made to evaluate and compare the financial performance of the PNB by using different parameters. From the analysis, it can be concluded that the PNB has performed well as compare to another Banks on the sources of growth rate and financial efficiency. PNB plays a vital role in marketing of new type of deposits and advances schemes. However, the bank, by earning at least a nominal profit, have to serve the economy through extension of advances and safeguard the interest of its investors by providing the expected return on their investment in bank. Therefore, the bank has to reorient its strategies in the light of own strengths and the kind of market in which it operates. Punjab National Bank is the second largest public sector bank.

The market expansion of PNB is more in comparison to other Banks. PNB enter into the rural market and making more and more customers. PNB also comes up with the new services to attract new customers. Looking at the present scenario and conditions of public sector banks in India mounting NPA's, amalgamation, diminishing operating efficiency, PNB set an example for other public sector banks. Punjab National Bank is one of the major public sector banks of India which plays an important role in the development of Indian financial system.

The expected contributions of this study to the management in the field of banking is that the study may help decision makers to pay more attention on the major banking activities that will help in increasing the financial performance position and ranking of the public sector banks. The financial information of this study will also help the management in setting up plans and financial strategies. From an academic point of view, this research provides a new perspective in evaluating the financial performance of leading commercial banks as well as the finding of this study can be added to the present literature and it can help researchers in their future studies.

CONCLUSION

From the analysis and interpretation, it may be suggested that both the banks should try to retain the talented workforce and improve customer services which contributes to the profitability goals of the banks to remain competitive in this kind of environment. The management of the banks should further try to control over their expenses and disbursement cost in order to increase the profits. The banks should focus on the risk management while expanding their business internationally. The banks should offer the products to the customers according to their needs and expectations. The banks should create a customer friendly environment to satisfy their customers and to retain them. They should have an ability to repeat and sustain such efforts in future, which are crucial in maintaining their profitability. It can be concluded that the present study will help the decision makers of Indian public Sector Banks and other categories of Banks in Indian Banking Sector to concentrate on banking activities and thereby to increase the bank ranking and profitability performance.

REFERENCES:

1. Bhatia, K., Chauhan, N. & Joshi, N. (2015). Comparative Study of Performance of Public and Private Sector Bank. International Journal of Core Engineering & Management, 306-317.
2. Davoudi S M M, Fartash Kiarash, Venera G Zakirova, Asiya M Belyalova, Rashad A Kurbanov, Anna V Boiarchuk, Zhanna M Sizova (2018). Testing the Mediating Role of Open Innovation on the Relationship between Intellectual Property Rights and Organizational Performance: A Case of Science and Technology Park. Eurasia Journal of Mathematics, Science and Technology Education. 14(4):1359–1369
3. Jha, S., Hui, X. (2012), A comparison of financial performance of commercial Banks: A case study of Nepal. African Journal of Business Management, 6(25), 7601-7611.
4. Siraj, K.K. and Pillai, P.S. (2012). Comparative study on performance of Islamic banks and conventional banks in GCC region. Journal of Applied Finance & Banking, 3(2), 123-161.
5. Taştan SB & Davoudi SMM (2017). The relationship between organisational climate and organisational innovativeness: testing the moderating effect of individual values of power and achievement. International Journal of Business Innovation and Research 12 (4), 465-483.