

Financial Performance of Punjab National Bank

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Abstract – The current research is to evaluate under this scenario the financial performance of Punjab National Bank, India's second largest government bank. The study revealed that the Bank selected performed correctly with the sources of growth and financial efficiency, however the position of profitability throughout the study period was determined to be bad. The financial sector is one of the sections of the economy which has attracted considerable attention in recent years. In the vast range of the financial industry, scholars and policymakers focused on the banking sector. Concerns about financial stability that are a major political issue for central banks around the globe are increasingly recognized as a critical precondition for speedy and inclusive growth in fostering strong financial institutions, notably banks. Banking is one of the key contributors to a country's economic growth. It serves for all economic activity as the key conduit. The post-independence banking sector in India has experienced significant transformations.

Keywords – Financial Performance, Punjab National Bank, PNB, etc.

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INTRODUCTION

The financial industry is one of the economic sectors which has recently garnered great attention. Within the wide range of the financial industry, academics and policy makers focused on the banking sector. Concerns regarding financial stabilize are widely recognized that supporting strong financial institutions, particularly banks, is essential for fast and inclusive economic development, with central banks globally confronting policy difficulties. Banking is one of the key contributors to a country's economic development. It is the primary conduit for all business operations. After independence, the Indian banking sector underwent significant transformations. It may be said that since colonial times the profit was a major concern for the banking sector, the sea was changing. It then evolved towards the socialist period of 1970 and 1980 when the only aim was to serve the underprivileged in the furthest reaches of India. During this time, nationalised banks worked to provide as many individuals as possible access to organised banking. Bank strategies were exclusively aimed at attaining employment and social welfare societal goals. The desire for profit took a back seat. Banks as a function have become a complete circle in recent years. The main driver for banks is profit nowadays, with strong government signals that they perform or die.

Financial performance refers to the capacity of the company to produce fresh resources over a certain

length of time from day to day. Financial performance assessment is a procedure that identifies the financial health concerned from various perspectives, its strengths and shortcomings and suggests methods to enhance the future of the financial health system. Financial measurements assess the extent to which a business makes profit utilising its resources. The ultimate goal of a company is earning money. Each company aims to get an acceptable return on the money it invests. In order to pay different costs incurred in the enterprise, profit is required. In Keynes' words, "profit is the driving force behind the company." A company's efficiency is evaluated by its profit level. The higher the profit, the more efficient the company. By examining the profitability of the investment, the profit of a company may be measured. All business operations are the means and profit is the goal.

Banking Industry in India

The banks have a lengthy history and they have been influenced for ages by economics and politics. In the first decade of the 18th century, banking began in India and in 1786 established the General Bank of India. The Hindustan Bank was following. The Bank of Hindustan was India's first European bank. These two banks are already dead. The oldest banking system in India is the Indian State Bank, created when the presidential banks, namely the Bombay Bank, the Bengal Bank

and the Madras Bank, were merged. At that time, the major commercial port in Calcutta was the commerce of the British Empire, which gave rise to banking activities and thrived.

The Allahabad Bank, which was founded in 1865, was the first wholly Indian bank. By the 1900s, The market was expanding in 1895 at the Lahore and Bank of India, in Mumbai, in the private sector with banks like Punjab National Bank. The Reserve Bank of India officially took over the Indian banking industry in 1935. The Reserve Bank was nationalized and granted greater power after India's independence in 1947.

The Bank of India Reserve Bank (RBI) "regulated, monitored, and inspected banks in India" was passed in 1949. The Banking Regulation Act further specified that without RBI permits no new bank or branch of the bank may be established, and that there can be no joint managers of two banks. However, with the exception of the State Bank of India, banks were still owned and managed by private individuals in India despite these rules, oversight and regulation.

Punjab national bank profile

The NB is an Indian multinational financial service and banking business. Punjab National Bank (PNB). It is a public company in New Delhi, India. In 1894 the bank was established. The Bank's business is in 764 cities by 31 March 2020 with about 80 million customers, 6937 affiliated companies and 10681 automotive vehicles.

In February 2018, PNB engaged in the largest ever Indian scam involving an unlawfully \$1.77 million fraudulent corporate loan from two junior officials of the same branch, most of whom had been controlled by Nirav Modi, billionaire jeweller. Based on the available statistics from the Reserve Bank of India, PNB has grown to Rs. 65,62 billion in the last five years in a total of 389 loan fraud cases throughout India.

PNB has a UK bank subsidiary (PNB International Bank) and a branch in Hong-Kong, Kowloon, Dubai and Kabul. The bank's branches are severe branches. It has Almaty, Dubai, Shanghai and the United Arab Emirates authorities Shanghai (China). Sydney and Oslo (Norway) (Australia). It holds 51% of the Druk PNB Bank in Bhutan and it has five subsidiaries. The Everest Bank Limited has 50% branches in Nepal, and the JSC(sb), which has 4 branches, is owned by the PNB, Lastly, in Kazakhstan.

MISSION PARIVARTAN, a Business Excellence transformation project is presently being undertaken to improve long term sustainability, efficiency and profitability and to provide the Bank advantage over its rivals. In order to start, execute and drive change

via improvements in people, products and processes, the independent "THINK TANK" called "Mission Parivartan." This allows Bank to continue to serve its clients with increased vigour and eagerness in order to keep up its title, "the name you can use."

Appraisal of Financial Performance

The management and other decision-makers utilise financial statements. An ordered financial statement is a rational and consistent accounting method for data gathering. The aim is to provide an insight into a company's financial characteristics. It may provide a position on a balance sheet at any time or, as is the case in the case of a statement of revenue, it may disclose a sequence of events in a certain period. (Hampton In Sharma & Gupta, John J. cited 2011). The phrase "financial declaration" refers generally to two fundamental declarations: the Balance Sheet and the Statement of Income. "A summary of the company's accounts, the balance-sheet reflects assets, liabilities and capital as at one date and the revenue statement displaying the operating results during one period is provided by the accounts of the financial statements of John N. Myer (quoted in Sharma & Gupta, 2011)." As financial reports, financial statements are sometimes termed. According to Anthony, "financial statements are provided yearly and represent the split of business life into more or less arbitrary accounting periods-most often a year," as quoted by Sharma & Gupta (2011). The financial statements basically include interim reports.

The performance is assessed on both both financial and non-financial performance. Financial performance is regarded as several financial ratios split into profit and investment performance metrics. Investopedia describes financial performance as "A subjective assessment of the overall financial health of a corporation over a certain period of time and is suitable for comparing similar companies in the same industry or comparing industries or aggregate sectors." Different quantitative metrics are used for assessing how much a firm uses its resources to produce profit in terms of financial performance ("Financial performance," 2009). The communities and societies have no growth and worth. The financial analysis technology is usually dedicated to assessing a company's past, current and planned performance in the future.

OVERVIEW OF THE BANKING INDUSTRY IN INDIA

Banks have a long history and influence on the economy and politics for thousands of years. Banking started with the founding of the General Bank of India in 1786 in India in the first decade of the 18th century. It followed the Bank of Hindustan. India's first European bank was the Bank of Hindustan. Both banks are now defunct. The Indian

State Bank is the oldest remaining bank. It has been established by the fusion of presidential banks such as the Bank of Mumbai, the Bank of Bengal and the Bank of Madras. Some decades later, in 1850, the establishment in Calcutta of foreign banks, such as Credit Lyonnais. Calcutta was formerly the most busy commercial port in the UK, mainly on account of banking activity. The Allahabad Bank, which was established in 1865, was the first entirely Indian bank. (Mohan, 2004) Rakesh (Rakesh, Muhammad, 2004). [Mohan, Rakesh] [Mohan] In 1906, the market grew in Lahore and in the Bank of India with its establishment in Mumbai of banks such as the National Bank of Punjab both private owned. From 1935 Indian banking companies were officially assumed by the Reserve Bank of India. In 1947, the Reserve Bank was nationalized after Indian independence. The Indian Reserve Bank in 1949 was authorized with the Indian Bank Regulatory, Control and Inspection Act (RBI). The Act states that neither a new bank nor an existing branch may establish the bank without RBI, and there can be no joint management for two banks. Nevertheless, in spite of this control, supervision and regulation private people continue to own and operate banks in India other than the State Bank of India, changing as large banks in India were nationalized.

ROLE OF BANKING INDUSTRY IN ECONOMICS OF INDIA

Bank is a legitimate institution that takes deposits removed on request. It also provides money for people and businesses who need it. The Bank also provides many more important services – such as bill collection, overseas billing payment, jewellery security and other precious things, company creditworthiness certification, and so forth. Banks take deposits both from the public and the corporate community. Anyone accumulating money can deposit funds with a bank for the future. Business people have the cash they have to pay on expenses from the sales. You can store your cash secure in banks to cover your expenses sometimes. Banks offers the depositors two assurances:

- a) Deposit security, and
- b) Deposit withdrawal if necessary.

Banks provide interest on deposits adding to the initial amount of the deposit. The custodian is strongly recommended. It promotes practices of public saving. Based on deposits, banks also provide loans and advances for productivity to farmers, merchants and businesses. Banks thus contribute to the country's economic development and to public welfare. Credit interest may be charged by banks.

POLICY DEVELOPMENTS IN COMMERCIAL BANKS IN INDIA

The financial scope over the last several years has been profoundly influenced by globalisation, financial liberalisation and technology improvements. These advancements increased competitiveness by producing innovation and commercial strategies in financial engineering. Market players today have more opportunity for and effective management of risk for diversity; yet, the financial system now faces new risks and difficulties. Financial companies in various directions and across national borders have made it more hard to develop suitable rules. Therefore, regulatory and supervisory measures are constantly updated to preserve financial stability without decreasing innovative incentives. In particular, the Bank is now focusing in the best practise worldwide on prudential regulation and financial infrastructure. The Bank has launched recent regulatory and supervisory initiatives. But the Reserve Bank also stressed financial inclusion, while concentrating on a global, competitive and healthy banking industry, making it easy for underprivileged sectors of society to get banking services. (RBI 2008.) (2008). On 15 February 2005, the Reserve Bank stated that, with effect from 31 March 2007, banks in India will start adopting Basel-II. Therefore, during the year, several start-ups were taken for a seamless transition into Basel-II. In order to fulfil Basel II capital requirements, the reserve bank has allowed the banks to boost their capital via the help of new instruments.

BANKING SECTOR REFORMS IN INDIA

Although in the post-nationalization period, trade banks' branches and deposits and credit have seen unparalleled expansion, it has been noted that some fundamental flaws in the Indian Commercial Banking system have arisen over a period of time. The banks were found to follow social and economic aims unreasonably. The inadequate income and income generation over a period rendered the banks practically inviolable. In the commercial banks there were many reasons for this financial turmoil which had an impact on overall operations and the financial capability of the banks for a long time. For example, in the past there has been considerable restriction on the operating ability of commercial banks with the high statutory liquidating rate and cash reserve ratio. By law, banks were required in 1991-92 to keep 15% of their total demand and timing bonds with the central bank in Apex with a cash reserves ratio. In 1991-92 they also had to investe 38.5% of net needs and time liabilities as a required liquidity ratio in authorised government securities. In addition, 10 percent of overall demand and cumulative time liabilities for the banking system (1991-92), as improved reserve, were needed by

this bank. (Singh 2005), Singh This means that 63.5% (1991-92) of its total depositary funds have been diverted to satisfy statutory duties by the banking sector. It has significantly damaged the banks' position in terms of resources. These regulatory requirements only allowed the banks to look into the interest of the other competing industries with 36.5 percent of the aggregate deposit resources.

THE BANKING INDUSTRY, FINANCIAL INCLUSION AND TECHNOLOGICAL TRANSFORMATION

Only 35% of all people in India had a bank account with an official financial institution in the 2011 World Bank Survey, compared to 21% for the poorest income quartile. This constitutes an overwhelming openness for future expansion for financial institutions in the country. In addition, the policies of the Reserve Bank promoted financial inclusiveness, which could not reveal themselves. In villages with more than 2000 inhabitants, the Indian authorities have urged banks to build at least one office and to cover the periphery settlements. The banks must also set up the Board's Financial Inclusion Plan (FIP), which will be monitored by the RBI. The Indian Government may help financial integration via the development of mobile and online banking services (Goyal and Joshi 2012).

Transaction fees for channel banking Human Resources Development The sector is to remove the challenges related to human capital, In particular for state-owned banks (mostly the major part of the banking industry in the nation); in the future as an important development engine. Research from McKinsey indicates that banks in India, especially young people, need to attract and retain core and expert staff. Non-private Indian banks will significantly gain in efficiency gains, including re-engineering institutions' knowledge-based process, enhanced use of technology, and creating industry services.

FUTURE PROSPECTS OF BANKING INDUSTRY

In the future, banks are likely to address the major concern regarding heavily stressed assets under the new IBC framework, which stipulates a timely remedy. The recently announced public sectors banks recapitalization plan proposed by the Indian government could assist to improve the balance sheets of the banking industry. In addition to improving domestic conditions, rural sector recovery and infrastructure projects will boost loan growth, elevate investments and boost the development of India in the next few quarters. Despite the obstacles, banks are ideally placed to take advantage of new possibilities for profitable expansion and the development of value for all of their stakeholders.

Infrastructure for audit/conformity is being reinforced and risk processes reengineered.

LITERATURE REVIEW

Sinha P. & Gupta S. (2011) 80 cases of mergers and acquisitions in the Indian banking sector were studied by 10 financial criteria. Three models have been used. The first model is a simple average before and after fusion. Net return before and after fusion is the second model. The third is the measurement of risk change. The study revealed that fusion affects the institution's profitability but reduces liquidity through a fall in the current ratio.

Jha and Sarangi (2011) Performance analysis over the period of one year from 2009 to 10 by seven public and private sector banks. In the operational returns, financial ratios, and efficiency ratios, basically three sets of ratios have been utilised. Axis Bank is the leading player, with ICICI Bank, BOI, PNB, SBI, IDBI, and HDFC bank closely following.

Siraj and Pillai (2012) The study was conducted mainly by utilising specific performance measurements such as ROA, ROE, net profit and operating profit ratio to assess the performance of Islamic and conventional banks during the 2005-2010.

Gupta (2014) tried by utilising the CAME L rating for the five-year period 2009 to 2013 to assess the substantial difference between banks' mean CAMEL ratios and test the hypothesis, to assess the performance of the Indian public sector banks ANOVA was performed in one manner and the findings of the ANOVA showed that the average values of banks by the rating of CAMEL were substantially different from the 5 percent mean and the dramatic changes in India's banking industry rejected the hypothesis.

Lakhtaria, Nilesh J. (2013) Assess the three years of the Bank of Baroda (BOB), the State Bank of India (SBI) and the National Bank of Punjab, which is the largest banks in the public sector in the period 2010-2012 (PNB). The rankings were in theory tried to use the CAMEL model to give the selected banks with the results they performed.

Mishra and Aspal (2013) The performance of SBI Group was assessed using the CAMEL classification model and statistical testing was performed, such as ANOVA, Kolmogorov-Smirnov and Shapiro. The author concluded from the research that although S Bikers and Jaipur's performance on debt equity ratios, asset advances, etc. is much higher than the company's partner banks, its performance on asset quality and liquidity management was at the greatest level. They have a very low position.

Sarker (2013) The CAMEL model proposed the Bangladesh Central Bank for the Regulation and Supervision of Islamic Banks. Sharia benchmark was also endorsed by that research for monitoring Islamic banks and other national financial organisations.

Rozzani and Rahman (2013) The study period was three years from 2008 to 2011 in Malaysia and the data collected in the author's yearly report were evaluated for the nineteen Islamic and seventeen conventional banks based on CAMEL. The research shows the potential link between the banks that both conventional and Islamic banks had a fairly similar performance.

Jha and Hui (2012) In an effort to identify factor influencing the performance of the Nepali commercial banks, the study reckoned that the public sector banks have a higher total asset worth than domestic private and joint venture banks, using the CAMEL framework ratios such as the capital adjustment ratio (CAR), the ROA (Return on Assets), ROE (Return on Equity), etc. (No-Performing Asset Ratio). Overall, however, it concluded, because of their bad management, high expenses and quality assets, that private and joint venture banks have overall performance above the public sector.

Agarwal & Sinha (2010) The financial results of the banks have been evaluated and the sustainable use of the CAMEL model by the MFIs of India was discovered. The financial performance of the MFIs is assessed.

Kaur (2010) Assessed Indian banks' performance using the CAMEL model. The researcher classified the chosen banks as public, private and foreign banks in this study. To supply banks with ratings, the CAMEL rating method was employed. A ratio was used to evaluate every CAMEL characteristic and a final composite level was produced. The survey found Andhra Bank and Patiala State Bank to be the top banks in their rankings and Jammu and Cashmir Bank, in the case of private sector banks, were followed by HDFC Bank, while Antwerp was in first place, followed by JP Morgan Chase Bank, among foreign sector banks.

OBJECTIVES OF THE STUDY

The current study is primarily aimed at evaluating the Punjab National Bank's financial performance. The primary purpose of the research was supported by the following particular goals:

1. To evaluate the Punjab National Bank's financial performance in the study period from 2000 to the present on the basis of specified criteria
2. To evaluate the effect on the financial performance of PNB of chosen factors.

3. To study, using the CAMEL-VS model, the financial strength of PNB.
4. Comparison with selected public and private banks of Punjab National Bank's financial performance.
5. Suggest actions on the basis of the research results to enhance PNB's financial performance.

RESEARCH METHODOLOGY

The current study is mostly based on secondary information derived from Punjab National Bank reporting, i.e. profit and loss accounts and schedules as well as appendix balance sheets. The conference, government publications, Websites, and other relevant PNB materials also read data for the goals of research journals. In order to synthesise, synthesis, tabulate and evaluate the information and data gathered. Different financial and statistical instruments have been used to arrive at the findings. The computed data are also shown graphically to offer a better comprehension of the research to the reader.

Sample selection

PNB was chosen for a case study in this research. In addition, the PNB's financial performance has been compared with two State Bank of India and Canara Bank public sector banks and two private sectors called the HDFC Bank and ICICI Bank.

Period of Study

The 12 years between April 2000 and today are regarded to derive significant conclusions. 12-year data is enough to provide you an insight of PNB's economic success.

Nature and Sources of Data

The analytical and interpretive data utilised are essentially secondary. The secondary information utilised in the research was obtained from the annual PNB reports released between 2005 and 2017. This data is gathered from PNB, SBI, Canara Bank, HDFC and ICICI annual financial reports, RBI monthly newsletters, journals, textbooks and online sites. CMIE provides the PROWESSDATABASE and is the most complete source of information.

Variables Selected For The Study

This research covers financial model ratios in many areas such as equity sufficiency, asset quality, management of quality, income and liquidity. Factors that are essential to evaluate the bank's financial performance include e.g. PNB and may be

compared with other banks selected. In chapter 5 of the thesis, the idea and its different methods have been extensively studied.

Tools & Techniques For Analysis

The data analysis and assumptions were based on statistic methodologies such as central trend measurement, scatter measurement measurement, Pearson correlation analysis, simple multiple regression analysis, t-tests etc. The impact of liquidity, solvency and profitability management efficiency was assessed utilising the fundamental and multimedia technologies in this study.. In previous empirical research this method was extensively utilised to examine the impact on profitability of financial measures. Multiple linear regression studies have analysed the impacts of liquidity, solvency, and economic value added control efficiency (EVA). In order to evaluate the effect of traditionally defined performance as the result of division of the total value of different things by the total number of items, a multilinear regression analysis will be performed. Furthermore, reasonable deductions and conclusions were made using these follow-ups.

CONCLUSION

The financial sector has to be improved to boost the economy of the country. To achieve sustainability in the financial industry, the Banking sector must thus be given priority. The seamless and effective functioning of the banking sector contributes to reducing the danger of economic collapse. Therefore, scholars have always been interested in the performance of the banking sector in assessing a country's economic situation. Bank regulators assess the performance of banks on the basis of a CAMEL model in order to guarantee an effective financial system. The grading of "CAMELS" is a frequent phenomena in all the worldwide banking systems. It is used mostly to measure a bank's ranking position according to some criteria. Both at the local and international level, the performance or solvency or insolvency of the bank has received considerable attention. Overall financial stability and the quality of a Management Bank are frequently measured by financial ratios. Traditional methods have been used to assess the performance of the bank using financial ratios, whereby practitioners use a CAMELS-rate to assess the performance of their banks.

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