

A Study on the Financial Performance Evaluation of Punjab National Bank

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ABSTRACT: 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 National Bank. This study is entirely based on secondary data and different ratios have been applied to evaluate the financial performance of the bank along with regression analysis with the help of SPSS 20.0. The study concluded that the selected bank has performed well on the sources of growth rate and financial efficiency but profitability position has been found poor during the study period.

Keywords: Public Sector Bank, Punjab National Bank, Return on Assets, Return on Equity, Net profit Margin.

I. INTRODUCTION

A 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 another (Srivastava, 2013). The present study is divided into four parts. The first part provides the introductory background of the topic; a concise survey of available literature has been conducted in the second part of the study. Third section provides the detailed methodology of present research and the fourth section of the study is concerned with data analysis and interpretation. The fifth part covers the concluding remarks and suggestions.

Financial Performance Evaluation: A Brief Review

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.

There are numbers of tools and techniques available for the performance evaluation of a bank like Data Envelopment Analysis, CAMEL model and ratio analysis, etc. Financial analysis of a bank can be done mainly

with the help of ratio analysis. Ratio analysis enables the management of banks to identify the causes of the changes in their advances, income, deposits, expenditure, profits and profitability over the period of time and thus help in pinpointing the direction of action required for increased deposits, income, advances and reducing the expenditure and for altering the profitability prospects of the banks in future. To be really helpful and practically useful for the bankers, the package of ratios should be small in size, simple in calculations, logically consistent and statistically valid. Over the years, various experts propounded a plethora of ratios for analyzing the financial position of a bank. The financial analysis of a bank can be done with the help of four general categories of ratios viz. profitability ratio, liquidity ratio, leverage ratio and activity ratio.

Punjab National Bank: An Introduction

Punjab National Bank commenced its operations on April 12, 1895 from 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. It is a state-owned corporation based in New Delhi, India. Founded in 1894, the bank has over 6,968 branches and over 9,656 ATMs across 764 cities and serves over 80 million customers. Punjab National Bank was registered on 19 May 1894 under the Indian Companies Act, with its office in Anarkali Bazaar, Lahore. The bank started its operations on 12 April 1895 in Lahore. In 1900, PNB established its first branch outside Lahore in India. The next major event occurred in 1940 when PNB absorbed Bhagwan Dass Bank, which had its head office in Dehradun. On 31 March 1947, even before Partition, PNB had decided to leave Lahore and transfer its registered office to India; it received permission from the Lahore High Court on 20 June 1947, when it established its new head office at Under Hill Road, Civil Lines in New Delhi. In 1951, PNB acquired 39 branches of Bharat Bank (est. 1942) and Bharat Bank became Bharat Nidhi Ltd. In 1960, PNB again shifted its head office from Calcutta to Delhi. In 1961, PNB acquired Universal Bank of India, which Ramakrishna Jain had established in 1938 in Dalmianagar, Bihar. PNB also amalgamated Indo Commercial Bank (est. 1932 by S. N. N. Sankaralinga Iyer) in a rescue.

The Government of India nationalized PNB and 13 other major commercial banks, on 19 July 1969. In 1976, PNB opened a branch in London. In the same year, PNB acquired Hindustan Commercial Bank (est. 1943) in a rescue. The acquisition added Hindustan's 142 branches to PNB's network. In 1993, PNB acquired New Bank of India, which the GOI had nationalized in 1980. In 1998 PNB set up a representative office in Almaty, Kazakhstan. In 2003 PNB took over Nedungadi Bank, the oldest private sector bank in Kerala. PNB also opened a representative office in London. In 2004, PNB established a branch in Kabul, Afghanistan, a representative office in Shanghai, and another in Dubai. PNB also established 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 of Everest Bank. Two years later, PNB established PNBIL i.e. Punjab National Bank (International) in the UK, with two offices; one in London, and one in Southall. Since then, it has opened more branches, this time in Leicester, Birmingham, Ilford, Wembley, and Wolverhampton. PNB also opened a branch in Hong Kong. In January 2009, PNB established a representative office in Oslo, Norway. PNB hopes to upgrade this to a branch in due course. In January 2010, PNB established a subsidiary in Bhutan. PNB owns 51 per cent of Druk PNB Bank, which has branches in Thimpu, Phuentsholing, and Wangdue. Local investors own the remaining shares. Then on 1 May, PNB opened its branch in Dubai's financial center. In September 2011, PNB opened a representative office in Sydney, Australia. The December 2012, PNB signed an agreement with US-based Life Insurance company (MetLife) to acquire a 30 per cent stake in MetLife's Indian affiliate MetLife India Limited. The company would be renamed PNB MetLife India Limited and PNB would sell MetLife's products in its branches.

Statement of Problem

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.

II. LITERATURE REVIEW

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. Regression analysis also confirmed that financial performance is greatly influenced by these independent factors. Abdulrahman and Al-Sabaawee (2011) in their study tried to assess the performance of Islamic banks through the use of complex financial analysis based on the use of two tools using financial ratios and analysis of change and the general trend on the basis of the base year. The study was conducted to judge the performance of these banks and the efficiency of management in utilizing financial resources optimally and to achieve economic and social objectives. The study sample consisted of Iraqi Islamic Bank and Jordan Islamic Bank for the period 2000-2008. The study found that if Islamic banks want to achieve economic and social objectives in line with their fundamental base, they should have great decision making, financial policies future plans strengthen the position of these banks in the society as well as they should use financial instruments provided by the financial analysis to reach the desired goals. Aspal and Malhotra (2013) measured the financial performance of Indian public sector banks' asset by camel model and applied ANOVA, f-test and arithmetic test on the data collected for the time period 2007-2011. The study revealed that the top two performing banks were Bank of Baroda and Andhra Bank because of high capital adequacy and asset quality and the worst performer was United Bank of India because of management inefficiency, low capital adequacy and poor assets and earning quality.

Research Gap

Although some studies have been conducted on financial performance analysis of banks, performance comparison between government and private banks and other financial institutions but analysis in the case of Punjab National Bank still remains unexplored. The researchers try to fill this lack of evidence by extending the issue to the specific context of the bank. Therefore, the main purpose of this study is to evaluate the financial performance of Punjab National Bank by observing different variables, ratios and measures, the impact of deposits and advances on the profitability of PNB's past five years performance results in order to improve its banking business.

Scope of the Study

This study is undertaken to measure the financial performance of Punjab National Bank. The study will provide details about the growth of deposits and advances, profitability analysis of PNB. It is hoped that the result of this study will propose policy measures for the better performance of this bank in order to achieve the financial goals along with customer satisfaction.

Objectives of Study

The main objectives of the study are as follows:

- To examine the profitability position of PNB.

- To examine the business performance of PNB.
- To measure the impact of deposits and advances on the profitability of the bank.
- To offer findings and suggestions to enhance the financial performance of PNB.

Hypotheses of the Study

The hypotheses of the study are as follows:

H₀₁: there is no significant impact of total deposit on net profit of Punjab National Bank.

H₀₂: there is no significant impact of total advances on net profit of Punjab National Bank.

Significance of the Study

The main purpose of this study is to examine the financial performance of Punjab National Bank for investment and finance and to improve the bank's operations and technology. Since the study revolves around one of the popular issues of current business scenario, the following are the expected significances:

- To provide an insight into the evaluation process of the banking sector.
- To initiate the concerned banking organization to reassess existing practices and put a renewed emphasis on undermined ones.
- To initiate interested researchers to carry out more extensive studies in this particular area.
- To recognize the importance of financial performance in general and the Indian banking sector in particular and,
- To draw attention towards the financial performance and financial ratios and contribution for correct decision making.

Research Methodology

In the present study, an attempt has made to evaluate the financial performance of Punjab National Bank.

Nature of the Study: The present research is a case study in nature based on the second largest public sector bank of India i.e. Punjab National Bank.

Nature of Data: The secondary data has been considered for the purpose of financial performance analysis of Punjab National Bank.

Sources of Data: The data used for the present study has been taken from published annual reports of Punjab National Bank. Other relevant data sources are journals, newspapers, magazines and internet sources.

Tenure of the Study: The present study is conducted for the period of five years ranging from 2011-12 to 2015-16.

Variables used for the Study: The variables used for the study are total deposits, total advances, total business, total assets, capital and net profit.

Tools used for the Study: ratios, descriptive statistics and regression analysis have been considered for the analysis purpose.

Tools used for Analysis: different ratios are used to analyze the financial performance of Punjab National bank which are as follows:

Advances to Assets Ratio (AAR) = Advances / Total Assets

Capital to Deposits Ratio (CDR) = Capital / Deposit

Credit Deposit Ratio (CDR) = Advances / Total Deposit

*Return on Total Asset (ROA) = Net Profit / Total Asset * 100*

*Return on Net worth (RONW) = Net Profit / Net Worth * 100*

*Net Profit Margin = Net Profit / Total Deposits * 100*

Limitations of Study

The study suffers from certain limitations and some of these are mentioned below so that finding of the study can be understood in a proper perspective. The limitations of the study are as follows:

- The present study is limited to only one public sector bank of India. Hence, the results are not applied to the entire banking sector.
- This study is limited to only five year time period (2011-12 to 2015-16).
- The study is based only on secondary data which has been collected from published annual reports of banks and various relevant internet sources. The data obtained through reports is subject to window dressing and may not show the actual position of the Bank.

III. DATA ANALYSIS AND INTERPRETATION

The present study is concerned about the evaluation of financial performance of Punjab National Bank from 2011-12 to 2015-16 which has been carried out with the help of different ratios and regression analysis. The main variables and their trends are given below:

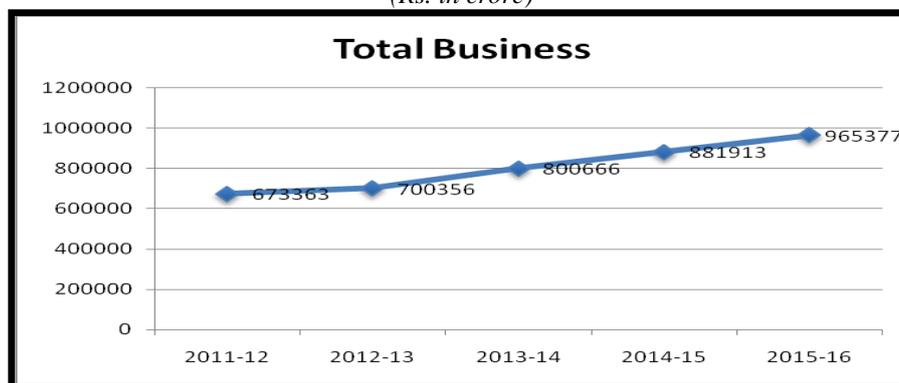
Table -1 Financial Highlights of PNB
(Rs. in crore)

Year	Total Business	Deposits	Advances	Total Assets	Capital	Net Profit
2011-12	673363	379588	293775	458194	27817	5730
2012-13	700356	391560	308796	478948	32676	4884
2013-14	800666	451397	349269	550420	35895	4748
2014-15	881913	501379	380534	603334	39080	3343
2015-16	965377	553051	412326	667390	38310	3062

Source: Annual Reports of PNB from 2011-12 to 2015-16

From the above table, it can be observed that the totals assets of PNB have increased throughout the study period. Deposit and capital of the bank have also increased but net profit has declined throughout from Rs. 5730 crore in 2011-12 to Rs. 3062 crore only in 2015-16. The bank has increased its lending activities and overall there is an improvement in the total business of the bank.

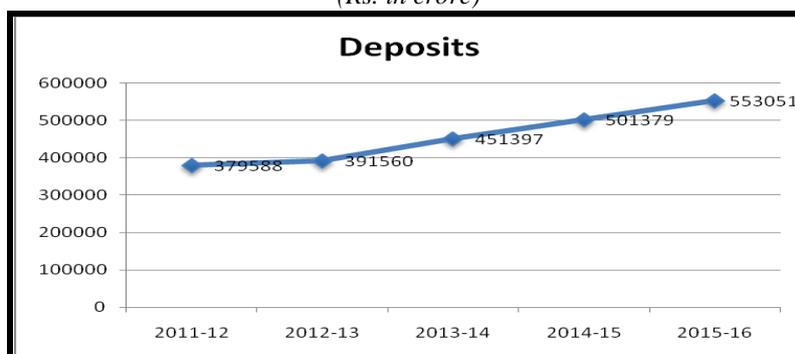
Graph – 1 Total Business of Punjab National Bank
(Rs. in crore)



Source: Drawn from table 1

The above graph presents the trend of total business by Punjab National Bank from 2011-12 to 2015-16. The total business of the bank was Rs. 673363 crore in 2011-12 which has grown over the years and has reached Rs. 965377 crore in 2015-16. From the graph, it may be stated that the business performance of Punjab National Bank has improved during the study period.

Graph – 2 Deposits of Punjab National Bank
(Rs. in crore)

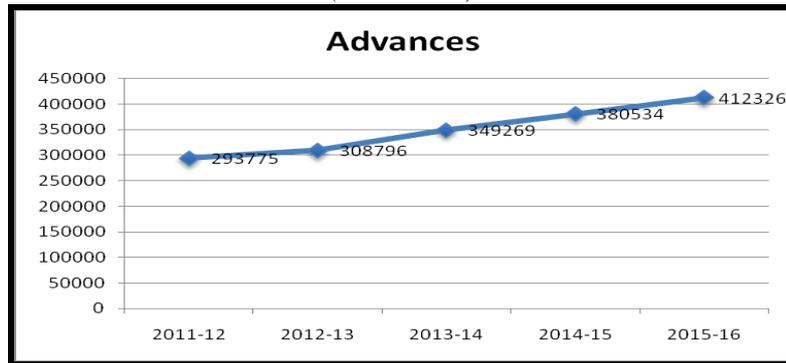


Source: Drawn from table 1

Graph 2 shows the trend of total deposits of Punjab National bank from 2011-12 to 2015-16. Total deposits of the bank were Rs. 379588 crore in 2011-12 which increased during the study period. The bank has

registered growth in terms of deposits which stood at Rs. 553051 crores in 2015-16. From the above graph, it may be concluded that the bank is efficient in attracting deposits from the public.

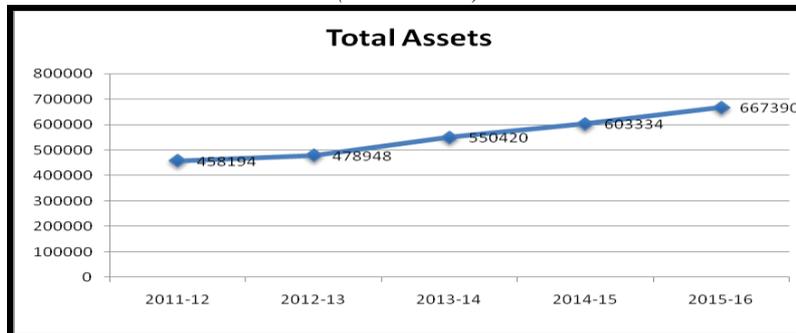
Graph – 3 Total Advances of Punjab National Bank
(Rs. in crore)



Source: Drawn from table 1

Graph 5 shows the trend of total advances of Punjab National Bank from 2011-12 to 2015-16. The bank has given advances of Rs. 293775 crore in 2011-12 which increased over the years and finally stood at Rs. 412326 crores in 2015-16.

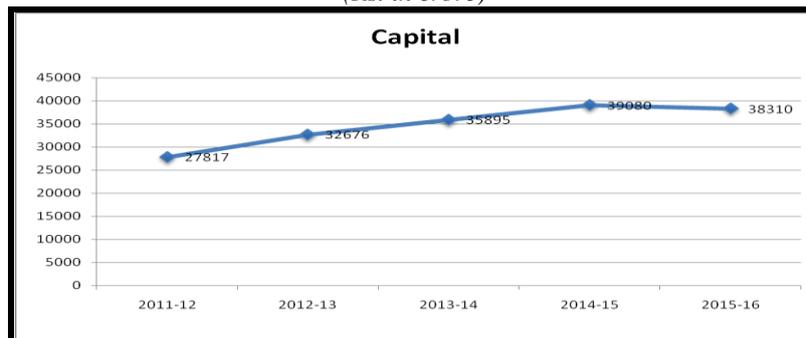
Graph – 4 Total Assets of Punjab National Bank
(Rs. in crore)



Source: Drawn from table 1

The above graph presents the trend of total assets of Punjab National Bank from 2011-12 to 2015-16. The bank has possessed total assets of Rs. 458194 crore in 2011-12 which followed an increasing trend during the study period. The total assets finally stood at Rs. 667390 crores in 2015-16 showing positive performance of Punjab National Bank.

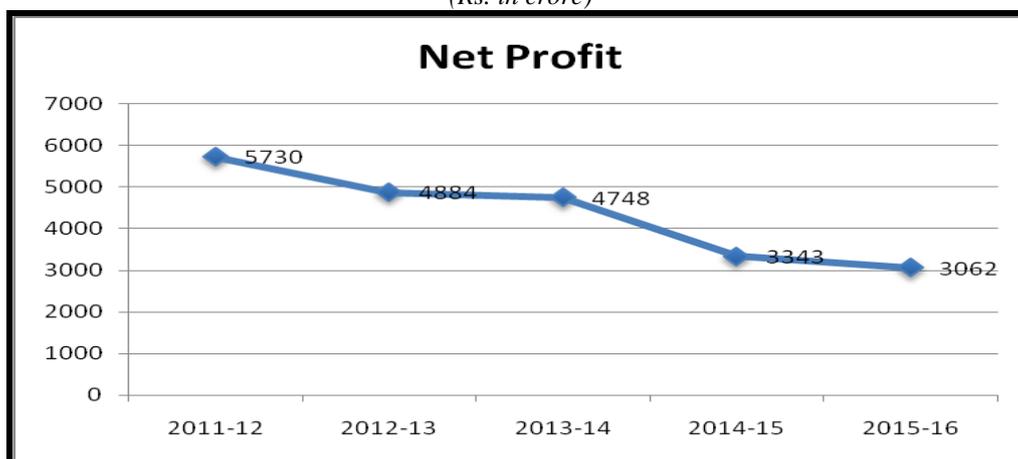
Graph – 5 Capital of Punjab National Bank
(Rs. in crore)



Source: Drawn from table 1

The above graph shows the total capital of Punjab National Bank from 2011-12 to 2015-16. The capital of the bank was Rs. 27817 crore in 2011-12 which increased in next three consecutive years to reach Rs. 39080 crore in 2014-15. Further, it declined to Rs. 38310 crore in 2015-16.

Graph – 6 Net Profit of Punjab National Bank
(Rs. in crore)



Source: Drawn from table 1

Graph 3 provides the trend of net profit of Punjab National Bank from 2011-12 to 2015-16. Net profit of the bank shows a negative trend during the study period. Net profit of the bank was Rs. 5730 crore in 2011-12 which decreased in the following years resulting in a net profit of only Rs. 3062 crore in 2015-16. In brief, it may be stated that the earning position of the bank is very poor throughout the study period.

Ratio Analysis of Punjab National Bank

The present study is concerned with the financial analysis of Punjab National Bank from 2011-12 to 2015-16 which has been done with the help of ratio analysis. In order to make meaning inferences advances to total assets ratio, capital to deposit ratio, credit deposit ratio, return on assets, return on equity and net profit ratio have been calculated..

Table – 2 Advances to Total Assets Ratio of PNB
(Rs. in crore)

Year	Total Advances	Total Assets	ATAR
2011-12	293775	458194	64.1159
2012-13	308796	478948	64.4738
2013-14	349269	550420	63.455
2014-15	380534	603334	63.0719
2015-16	412326	667390	61.7819

Source: Annual Reports of PNB from 2011-12 to 2015-16

The above table shows the ratio of advances to assets of Punjab National Bank from 2010-11 to 2015-16. The ratio ranges from 61.78 per cent to 64.47 per cent. There is a decreasing trend is observed in the ratio of advances to assets except in 2012-13 where the ratio increased slightly. It indicates that the bank is careful while lending which ultimately results in better profitability.

Table – 3 Capital to Deposit Ratio of PNB
(Rs. in crore)

Year	Capital	Total Deposit	CDR
2011-12	27817	379588	7.32821
2012-13	32676	391560	8.34508
2013-14	35895	451397	7.95198
2014-15	39080	501379	7.7945
2015-16	38310	553051	6.92703

Source: Annual Reports of PNB from 2011-12 to 2015-16

This ratio enables the banks' ability to meet the contingencies of repayment of deposits. The ratio ranges from 6.92 per cent to 8.34 per cent. It is concluded that there is a fluctuating trend in the capital of the bank. This ratio enables the banks' ability to meet the contingencies of repayment of deposits.

Table – 4 Credit Deposit Ratio of PNB

(Rs. in crore)

Year	Credit	Total Deposit	CDR
2011-12	293775	379588	77.393
2012-13	308796	391560	78.863
2013-14	349269	451397	77.375
2014-15	380534	501379	75.897
2015-16	412326	553051	74.555

Source: Annual Reports of PNB from 2011-12 to 2015-16

The above table shows the ratio of credit deposit of PNB. The credit deposit ratio plays an important role in deciding the profitability of a bank. The ratio ranges from 74.5 per cent to 78.8 per cent. It is concluded that PNB maintains high credit-deposit ratio, therefore the profitability of the bank is good.

Table – 5 Return on Assets of PNB

(Rs. in crore)

Year	Net Profit	Total Asset	ROA
2011-12	4884	458194	1.06592
2012-13	4748	478948	0.99134
2013-14	3343	550420	0.60735
2014-15	3062	603334	0.50751
2015-16	-3974	667390	-0.5955

Source: Annual Reports of PNB from 2011-12 to 2015-16

The above table indicates the ratio of net profit to total assets. The ratio shows a decreasing trend and negative ROA is reported in 2015-16. It is concluded that the declining in ratio has shown adverse effect to the bank. So the bank has to take care of liquid assets to maintain steady position.

Table – 6 Return on Equity of PNB

(Rs. in crore)

Year	Net Profit	Net Worth	ROE
2011-12	4884	27817	17.5576
2012-13	4748	32676	14.5305
2013-14	3343	35895	9.31327
2014-15	3062	39080	7.83521
2015-16	-3974	38310	-10.373

Source: Annual Reports of PNB from 2011-12 to 2015-16

From the above table shows the ratio of return on equity of the PNB from 2010-11 to 2015-16, It was 17.55 percent in 2011-12 which declined steeply during the study period and even in negative in the last year of the study period i.e. -10.37 per cent. It may be concluded that higher the ratio ensures increased return to the equity shareholders and vice versa.

Table – 7 Net Profit Margin of PNB

(Rs. in crore)

Year	Net Profit	Total Deposit	NPM
2011-12	4884	379588	1.28666
2012-13	4748	391560	1.21259
2013-14	3343	451397	0.74059
2014-15	3062	501379	0.61072
2015-16	-3974	553051	-0.7186

Source: Annual Reports of PNB from 2011-12 to 2015-16

Table 7 demonstrates the net profit of PNB from 2011-12 to 2015-16. It was only 1.29 per cent in 2011-12 which declined over the years and finally stood at -0.72 per cent in 2015-16 indicating poor performance of the bank during the study period. Profitability is the major area for any business concern which reveals the earning capacity, business performance and customer satisfaction.

Hypotheses Testing

The present study is primarily concerned with the issue of financial performance and its evaluation of Punjab National Bank. The secondary data considered for the study consists of selected variables collected for the five year period from 2011-12 to 2015-16. The analysis and interpretation are based on the following hypotheses:

H₀₁: there is no significant impact of deposits on the net profit of Punjab National Bank.

To find the impact of utilized funds on net profit among Maharatna companies, Ordinary least-squares (OLS) regression is used.

TABLE – 9 Regression Analysis of Deposit and NP of PNB

Variable	Coefficient	Std. Error	t-statistics	p-value
C	10973.41	1255.86	8.741759	0.0032
Total Deposits	-0.014537	0.002728	-5.328069	0.0129
R-squared	0.904423			
Adjusted R-squared	0.872564			
F-statistic	28.38832			
Prob(F-statistic)	0.012920			

Source: Table 1 with the help of E-views

Dependent Variable: Net profit

Method: Ordinary Least Square Method

The above table provides the description of the impact of deposit on net profit of PNB from 2011-12 to 2015-16. From the analysis, it is cleared that the deposit has a negative impact on profit of PNB during the study period as the coefficient value of deposit having a negative sign i.e. -0.014 which shows that profit and deposit have a negative relationship and the significant p-value (0.01) of t-statistics strengthen this. The adjusted R square value i.e. 0.87 shows that this model covers 87 per cent variation in the dependent variable because of independent variable. Further, the value of F statistics is 28.38 with p-value which is less than 0.05 which points forward to the negative impact of deposits of net profit of PNB during the study period and it leads to the rejection of null hypothesis.

Table – 10 Regression Analysis of Total Advances and Net Profit of PNB

Variables	Variables	Std. Error	t-statistic	p-value
C	11962.70	1341.398	8.918084	0.0030
Total Advances	-0.021807	0.003814	-5.717542	0.0106
R-squared	0.915944			
Adjusted R-squared	0.887925			
F-statistic	32.69028			
Prob(F-statistic)	0.010616			

Source: Table 1 with the help of E-views

Dependent Variable: Net profit

Method: Ordinary Least Square Method

Table 9 shows the results of regression analysis of impact of advances on net profit of PNB. From the analysis, it is cleared that the advances have a negative impact on profit of PNB during the study period as the coefficient value of advances having a negative sign i.e. -0.021 which shows that profit and advances have also a negative relationship and the significant p-value (0.01) of t-statistics. The adjusted R square value i.e. 0.88 points forward to this model covers 88 per cent variation in the dependent variable because of independent variable. Further, the value of F statistics is 32.69 with p-value which is less than 0.05 which points forward to the negative impact of advances on net profit of PNB during the study period and it leads to the rejection of null hypothesis.

IV. CONCLUDING REMARKS

The present study aimed to measure the financial performance of Punjab National Bank from 2011-12 to 2015-16. Punjab National Bank is a major public sector bank of India which plays an important role in the development of Indian financial system. The financial viability of the banking system is certainly essential; not only to instill public confidence but also to make banks capable of discharging their social responsibilities.

The financial performance of the bank is analyzed using different parameters. The Punjab National Bank of India is in a position to follow the rules of the Government for the social and economic development of the country. The bank has performed well on the sources of growth rate and financial efficiency during the study period. It 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 re-orient its strategies in the light of own strengths and the kind of market in which it is likely to operate on. Since the banking sector reforms have been set in motion, the profitability became the buzzword and the prime mover of the financial strength and performance of bank.

The present study examines the impact on the financial performance of Punjab National Bank which was taken as a sample for the purpose of analysis of financial performance. Net profit was taken as dependent variables while total deposits and total advances were taken as independent variables. Results showed that the profitability of the bank was strongly and negatively influenced by the deposits and advances. On the practical dimension, this study is helpful for bankers and managers in their decision making to improve the financial performance and formulate policies that will promote effective financial system. The study also recommends measures that could be adopted by bank to ensure soundness in its operations.

The expected contributions of this study to the management in the field of banking can be said to be that: this study may help decision makers to pay more attention on the major banking activities that may help in increasing the financial performance position and ranking of the bank as compared to other 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.

Suggestions

Based on the analysis and interpretation, there are some of the general suggestions may be offered for the better performance of Punjab National Bank itself.

- PNB should introduce modern marketing strategies.
- The bank must improve its credit deposit proportion.
- The bank should focus on generating non interest income.
- Introducing innovative branch administration.
- Monitoring the controlling mechanism on important ratios.
- Bank should obey the RBI norms and provide facilities as per the norms.
- It should increase the rate of interest on saving bank account.
- It should provide loan at the lower interest rate and education loans should be given with ease without much documentation. The bank must provide loans against shares.
- Fair dealing with the customers and more contribution from the employee of the bank should be cooperative.
- 24 hours banking should be induced so as to facilitate the customers who may not have a free time in the daytime. It will help in facing the competition more effectively.
- Customers generally complain that full knowledge is not granted to them. Thus the bank should properly disclose the features of the product and services to the customers.
- The branch should promote cooperation and coordination among employees which help them in efficient working.

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