

A Study on Financial Performance of Punjab National Bank

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Abstract- Examining Punjab National Bank's financial performance over a five-year period, from the 2018 fiscal year to 2023, was the primary goal of this study. The data used in this study came from different journals and the official websites of Punjab National Bank. The collected data is analysed using the ratio analysis method. Several well-selected metrics, such as the interest income/total asset ratio, non-interest income/total asset ratio, operating profit/total asset ratio, operating expense/total asset ratio, interest expenses/total asset ratio have been employed to evaluate Punjab National Bank's profitability and liquidity performance. Nevertheless, the study's data set is too little to analyse financial performance and its strategies in their entirety. This analysis discovered significant annual variations in financial performance methods based on a sample of the study's data. This study's financial performance analysis helps detect growth and facilitates both short- and long-term forecasting.

Keywords- Punjab National Bank, financial performance, ratios.

I. INTRODUCTION

Financial performance serves as a pivotal metric for assessing the financial health and effectiveness of an association. It encompasses a comprehensive analysis of a company's financial conditioning, profitability, liquidity, and overall stability. This preface aims to give a foundational understanding of fiscal performance, emphasizing its significance in assessing the profitable well-being of businesses, abetting investors, judges, and stakeholders in making informed opinions about investment, strategy, and unborn prospects.

This study is about the financial performance of Punjab National Bank (PNB). Punjab National Bank stands as a prominent player in the Indian banking geography, tracing its roots back to 1894. With a rich heritage and a wide network, PNB has played a vital part in the country's profitable development. This preface aims to exfoliate light on PNB's literal elaboration, its core values, and its significant

benefactions to the fiscal sector, offering a regard into the bank's crucial part in fostering profitable growth and fiscal stability in India. The study explores the fiscal performance of Punjab National Bank (PNB), aiming to dissect crucial fiscal pointers and trends over a specified period. Through comprehensive examination and data-driven perceptivity, this exploration seeks to give a deeper understanding of PNB's fiscal health, contributing to informed decision-making for stakeholders, investors, and policymakers in the fiscal sector.

Statement of the problem

A company's financial performance, one of its key attributes, determines its competitiveness, business potential, and management's financial interests. As a result, use financial performance indicators to analyze financial performance and identify strengths and shortcomings has provides input to the board of directors, investors, the general public (bank clients), the government regulator, the financial industry, and the economy at large. Bank performance gives investors and depositors a signal in a competitive financial market on whether to invest in or take money out of the bank. In a similar vein, it gives bank management guidance on how to enhance one or both of its lending and deposit services. For regulatory purposes, regulators are also curious about the banks' financial standing. Financial analysis's justification is to evaluate the data in financial statements in order to make judgments about profitability, debt maturities, future earnings, ability to pay interest, customer service, and dividend policy. The goal of the current study is to assess the financial standing of India's second-biggest public sector bank. Examining Punjab National Bank's operational activities, financial efficiency, and other pertinent financial factors is crucial to ensuring its smooth operation and enhancing service quality to make it more favorable.

OBJECTIVES OF THE STUDY

- To analyze the financial health and risk associated with company borrowing and interest payments.
- To measure and analyze operating efficiency and financial performance.

- To examine the credit performance of Punjab National Bank.

LIMITATIONS OF THE STUDY

- 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 (2018-19 to 2022-23)
- This study is based on secondary data which was collected from annual reports of bank other internet sources. The data obtained are subject to window dressing and may not show the actual position of the bank

II. REVIEWS OF LITERATURE

- **Mr. I. Harsha Vardhan (2023),** "The study on the financial performance of Indian bank LTD". This study deals with the financial performance of Indian Bank, one of the important public sector banks in India. Using financial statements for the period from 2017 to 2022, crucial financial rates similar as profitability, solvency and asset quality are anatomized to assess the bank's fiscal health. This study finds that Indian Bank's profitability has bettered over the period, driven by a advanced net interest periphery and lower operating charges. still, solvency rates have declined, indicating implicit areas for enhancement. The study provides perceptivity for investors, controllers, and policymakers on the financial health of Indian Bank and highlights areas that bear attention for sustainable growth. The Indian bank improvement in its financial performance over the years because of the positive trend in the liquidity, profitability, and asset quality ratios.
- **Mr. S. Prithviraj (2021),** "A Study of Financial Performance of Axis Bank ". The disquisition employed six times of Axis Bank supplementary information and abecedarian thing is to discover the financial donation of the business that can be useful in discovering the development angles. This examination was caried under the time of six times 2015- 2020 of financial record and benefit and mischance account. Hence, it's important to assess the financial donation to know whether the associations remain on the lookout and how they can work on their unborn turn of events and financial responsibility of the association. The study offers suitable suggestions for perfecting performance of the bank. Then secondary data are used as source of data to calculate the rate analysis. The composition made suggestions for the development of the company like the company must take necessary measures to ameliorate their current means and reduce their advances and current arrears also axis bank must ameliorate their value of reserves.
- **Ms. Sindhu (2021),** "A Study of Financial Performance of Karur Vysya Bank". The idea is to study and anatomize the financial performance of KVB Ltd. using different rates and to offer suggestions. The complete study is used with the secondary data from the periodic reports of Karur Vysya Bank's functionary website. The return on means rate, rate of interest income to total means, rate of operating charges and net profit fringe were dropped. The Financial Performance of Karur Vysya Bank Ltd are drawn from the company's website in the period of 2015-2016 to 2019-2020. The Return on means rate is getting lower every time. So, I suggest the bank to concentrate on the Income of the Bank.
- **Anshuja Tiwari and Rakhi Tiwari (2019),** "Financial Performance Analysis- A Comparative Study of Bank of Baroda and Axis Bank". In order to provide important insights regarding the financial competence of banks in terms of asset quality, management efficiency, and earnings ratios, the goal of the current study was to use ratio analysis to evaluate the financial performance of Axis Bank and Bank of Baroda. The selected banks' balance sheets and profit and loss accounts are critically examined during a five-year period, from 2013 to 2018, to calculate the ratios. The study indicated that while BOB has a superior position in terms of asset quality and earnings ratio, Axis Bank, a private sector bank, has significantly more efficient management than BOB.
- **Divya Sri. G1, Sathya. K (2019),** "A Study on Financial Analysis of Punjab National Bank". With the aid of financial statements, the study's goal was to determine whether the bank's financial situation is sufficient. The bank must take the required actions in order to lower its non-performing assets and raise its net profit. Financial statements such as the balance sheet and profit and loss account served as the study basis for the analysis of the outcome. The bank's liquidity position appears to be adequate based on the balance sheet. This suggests that the bank enjoys a positive reputation. This research also examined banking services, contributing to the advancement of knowledge within the banking industry.

RESEARCH METHODOLOGY

The research involved is both extensive and intensive studies of Punjab National Bank. In this project the report is

based on the analysis of financial performance of the company.

DATA COLLECTION

The data used in this study is secondary data. The data has been collected from the annual report & balance sheet and statement of profit & loss account of Punjab National Bank.

TOOLS FOR ANALYSIS

The financial and statistical tool are used in the study on ratio analysis due to the time. The ratios are,

- Interest Income/Total Assets
- Non-Interest Income/Total Assets
- Operating Profit/Total Asset Ratio
- Operating Expenses/Total Asset Ratio
- Interest Expense/Total Asset Ratio.

III. ANALYSIS AND INTERPRETATION

1. Interest Income/Total Assets

The "Interest income to total assets ratio" reflect banks' reliance on interest from bank lending as a source of funding. A high ratio is a good indicator (but a too high ratio is not necessarily a good indicator), while a low ratio might indicate that banks rely on non-interest source of funds.

$$\text{Interest Income/Total Assets} = \text{Interest income} / \text{Total assets}$$

TABLE:1
Interest Income/Total Assets

YEAR	INTEREST INCOME	TOTAL ASSETS	RATIO
2018-19	52,147.13	789,265.79	6.59
2019-20	54,918.47	851,457.25	6.44
2020-21	81,866.40	1,279,725.06	6.39
2021-22	76,241.83	1,339,301.13	5.69
2022-23	86,845.29	1,493,648.94	5.81

INTERPRETATION

From the above, it is understood that the ratio was higher in the year 2018-19 with 6.59 and the lowest was in the year 2021-22 with 5.69.

2. NON-INTEREST INCOME/TOTAL ASSETS

Non-interest income is bank and creditor income derived primarily from fees including deposit and transaction fees, insufficient funds (NSF) fees, annual fees, monthly account service charges, inactivity fees, check and deposit slip fees, and so on. Like the previous ratio, a higher ratio is a good indicator.

$$\text{Non-Interest Income/Total Assets} = \text{Non-Interest Income} / \text{Total Assets}$$

TABLE:2
NON-INTEREST INCOME/TOTAL ASSETS

YEAR	NON-INTEREST INCOME	TOTAL ASSETS	RATIO
2018-19	7,367.40	789,265.79	0.93
2019-20	9,387.66	851,457.25	1.10
2020-21	13,124.45	1,279,725.06	1.02
2021-22	12,097.66	1,339,301.13	0.90
2022-23	12,239.59	1,493,648.94	0.81

INTERPRETATION

From the above calculation, it is interpreted that the ratio was high in the year 2019-20 with 1.10 and it is in its lowest in 2022-23 with 0.81 as non-interest income/total assets ratio.

3. OPERATING PROFIT/TOTAL ASSET RATIO

Operating profit/total asset ratio serves as a crucial benchmark for comparing the financial performance of different companies within the same industry. It enables stakeholders to evaluate how effectively a company is utilizing its assets to generate profits, providing insights into the company's overall financial health.

$$\text{Operating Profit/Total Assets} = \text{Operating profit} / \text{Total assets.}$$

TABLE:3
OPERATING PROFIT/TOTAL ASSET RATIO

YEAR	OPERATING PROFIT	TOTAL ASSET	RATIO
2018-19	-18739.89	789,265.79	-2.20
2019-	-16419.56	851,457.25	-1.10

20			
2020-21	-5790.93	1,279,725.06	-0.85
2021-22	-8177.77	1,339,301.13	-0.62
2022-23	-9167.02	1,493,648.94	-0.61

INTERPRETATION

From the above calculation it is known that the operating profit-total asset come in negative because there is no profit in those years. So the ratio is high in 2022-23 with -0.61 and the lowest is -2.20 in 2018-19. The company was in loss for all those years.

4. OPERATING EXPENSE/TOTAL ASSET RATIO

Operating cost to asset ratio is an important **efficiency ratio** for the fact that we are able to track the changes in operating cost with respect to changes in asset and also an indicator of the bank's business mix. It can be compared in time basis and with other companies to understand the efficiency of the banks.

Operating expense/Total Assets = Operating expense / Total assets.

TABLE:4
OPERATING EXPENSE/TOTAL ASSET RATIO

YEAR	OPERATING EXPENSE	TOTAL ASSET	RATIO
2018-19	11609.26	789,265.79	1.48
2019-20	12150.49	851,457.25	1.44
2020-21	20515.77	1,279,725.06	1.61
2021-22	20490.77	1,339,301.13	1.54
2022-23	24335.8	1,493,648.94	1.64

INTERPRETATION

From the calculation, it is understood that the current ratios were 1.48; 1.44; 1.61; 1.54; 1.64 in the years 2019; 2020; 2021; 2022; 2023 respectively. The ratio is highest in the year 2022-23 with 1.64 and the lowest is in the year 2019-20 with 1.44.

5. INTEREST EXPENSES/TOTAL ASSET RATIO.

If a debt was used to buy an asset, this ratio could look favorable, while the bank may actually be having trouble

making its interest expense payments. The ratio inputs can be adjusted to reflect the assets' functional values while accounting for the interest rate currently being paid to a financial institution

Interest expense/Total Assets = Interest expense / Total assets.

TABLE:5
INTEREST EXPENSES/TOTAL ASSET RATIO.

YEAR	INTEREST EXPENSES	TOTAL LIABILITY	RATIO
2018-19	34655.66	789,265.79	4.40
2019-20	3699747	851,457.25	4.37
2020-21	50804.58	1,279,725.06	3.98
2021-22	46823.08	1,339,301.13	3.51
2022-23	51816.99	1,493,648.94	3.46

INTERPRETATION

From the calculation, it is interpreted that the quick ratios were 4.40; 4.37; 3.98; 3.51; 3.46 in the years 2019; 2020; 2021; 2022; 2023 respectively. The ratio is highest in the year 2018-19 with 4.40 and the lowest is in the year 2022-23 with 3.46.

IV. FINDINGS OF THE STUDY

- Interest income/total asset ratio is positive for the five years and it is maximum in decreasing state. This shows that the bank had good efficient cost structure.
- Non-Interest income/total asset ratio is positive for all 5 years. This shows that the bank generates increased profit out of its non-interest income.
- Operating profit/total asset ratio is negative for all years. This shows that the bank is in loss.
- Operating expense/total asset ratio is positive for all years and it is increasing. more than one in all five years. This shows that the bank is efficiently manages its cost with respect to change in asset.
- Interest expenses/total asset ratio is positive and decreasing. This shows that the bank can use its debt to buy asset efficiently.

V. SUGGESTIONS

- The operating profit/total asset ratio shows that the company is not able to efficiently control its cost and / or provide goods /services at a price significantly higher than cost. Therefore, the company should make good decision

to sustain their profits and to maintain & increase their ratio as long as they can.

- Non-interest income/total asset is very low even though it is on positive side, so the company is required to make necessary managerial decisions to stabilize the ratios so that the company can increase their profit.

VI. CONCLUSION

- Ratio analysis is used to evaluate Punjab National Bank Ltd.'s financial performance.
- Selected ratios based on the company's financial statements are used for ratio analysis.
- According to an analysis of Punjab National Bank Ltd.'s financial performance, the bank has not used its resources and assets effectively or efficiently, as evidenced by the fact that it is losing money. In order to be more liquid and weather any uncertainties, the corporation should concentrate on increasing its current assets. This demonstrates the company's poor financial situation.
- Therefore, the business should develop plans and raise output in order to increase profit.
- Investors and stakeholders will only increase their investment in the company if they analyze its performance.

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