



PROFITABILITY ANALYSIS OF PUNJAB NATIONAL BANK IN INDIA

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▪ ABSTRACT

The main objective of this research paper was to analyse the profitability of Punjab National Bank in India. The analysis of the profitability of bank mainly done through ratio analysis techniques. The ratio analysis included the ratios like return on net worth, return on long term funds, operating margin etc. profitability mainly define the efficiency of any organisation. Also it helps to control the cost factors, so it is necessary to analyse the profitability of organisation. For analysis purpose researcher has selected five yours data base. The data collected through secondary sources like websites of bank.

Key words: Punjab National bank, Profitability, Ratio Analysis.

▪ INTRODUCTION

Punjab National Bank, India's first Swedish Bank, commenced its operations on April 12, 1895 from Lahore, with an authorised capital of Rs 2 lac and working capital of Rs 20,000. Far-sighted visionaries and patriots like Lala Lajpat Rai, Mr. E C Jessawala, Babu Kali Prasono Roy, Lala Harkishan Lal and Sardar Dyal Singh Majithia displayed courage in giving expression to the spirit of nationalism by establishing the first bank purely managed by Indians with Indian Capital. During the long history of the Bank, 7 banks have merged with PNB. Despite facing a challenging business environment in FY'18, the Bank relying on its core strengths, has been able to steer through the tough times. The Bank's brand image and trust reposed by its customers have been reflected in the growing customer base and rising business graph of the Bank. Domestic Business of the Bank crossed the milestone of Rs.10 lakh crore and the Bank continued to maintain its forte in low cost CASA deposits. The Bank has been able to reach out to its customers across the nation with it more than 6900 branches, of which nearly 62% branches are in Rural and Semi Urban Areas (RU-SU).

▪ REVIEWS OF LITERATURE

Reviews of literature is prominent condition for successful investigation on particular research work. Here some past research studies on profitability analysis of banks are available.

- Karam pal narwal and Sweta patenjah (2015), they gave their views on

determinant of profitability and productivity of Indian banking sectors. They used Data Envelope Analysis methods and regression analysis for their respective studies. They concluded through comparing public sectors banks and private sectors banks, it founds that productivity of private sectors banks are more productive than public sectors banks during period 2009 to 2014. But no significance differences in term of profitability of this two sectors.

- Md. Imtiaj Rahman ,Debasish Adhikari, and Salahuddin Yushuf, (2014) in their study, they explained , “ **productivity and profitability analysis of nationalized commercial bank in Bangladesh**”.In this study, it has been tried to find out the performance of NCBs within a very short period (2008 to 2012). There are four nationalized commercialized banks in Bangladesh. For the convenient of this research study three banks have been taken. The study relies on secondary sources of data. The tables in the study highlights movements of banking variables as reflected in the branch expansion, deposit mobilization, deployment of credit, operational efficiency and relative risk measures. The results so far achieved through ratio analysis are not very encouraging. In the light of this finding, it can be realized that the confidence of the general public, who wants to rely on these NCBs, in the soundness of the banking system, remains unimpaired and the financial strength of the banks gets increased.
- K. Sarala Rao, Tata Institutes of Social Science Mumbai, India, (2013) carried her research study on **productivity, cost and profitability performance of scheduled commercial banks in India comparative evaluation**, The study aims to examine the productivity, cost and profitability performance of Traditional banks Vis a Vis Modern banks for the period from 2005-2011. A total number of 12 variables/ratios have been selected with a minimum of three and maximum of five in each category to examine the extent of Gap between the modern and traditional banks. The study reveals that the gap between the modern and traditional banks significantly reduced during the study period.

▪ **RESERCH GAP**

From the above literature reviews studied indicate that there were many studies have been taken place related to profitability of Indian banks simultaneously. But as per researcher view, no single bank profitability analysed through ratio techniques in given periods. So researcher has selected the profitability analysis of Punjab national bank as study.

▪ **OBJECTIVES OF RESERCH STUDY**

- ✓ To analyse the profitability of Punjab national bank in India.
- ✓ To offer necessary finding and suggestion.

▪ **HYPOTHESIS STATEMENTS**

H₀: There is no significance difference in profitability ratio of Punjab National Bank during 2013-2017.

H₁: There is significance difference in profitability ratio of Punjab National Bank during 2013-2017.

▪ **SCOPE OF THE RESEARCH STUDY**

A study only deals with the profitability analysis of Punjab national bank in India. Also profitability analysis indicates the financial soundness of bank. For this study depend on ratio tool and techniques.

▪ **STUDY PERIOD**

Research study period is 2013 to 2017. That is five years.

▪ **RESERCH METHODOLOGY**

Research methodology includes that the necessary data collection for research study is based on secondary data that is from annual report and website of bank. For analysis of data, researcher take ratio analysis for checking of profitability performance.

▪ **LIMITATIONS**

Research study is only limited to Punjab national bank in India. Also study covers only five years data for analysis purpose. Data collection is based on secondary data only. The analysis of study only depend on ratio technique.

▪ **PROFITABILITY ANALYSIS OF PUNJAB NATIONAL BANK.**

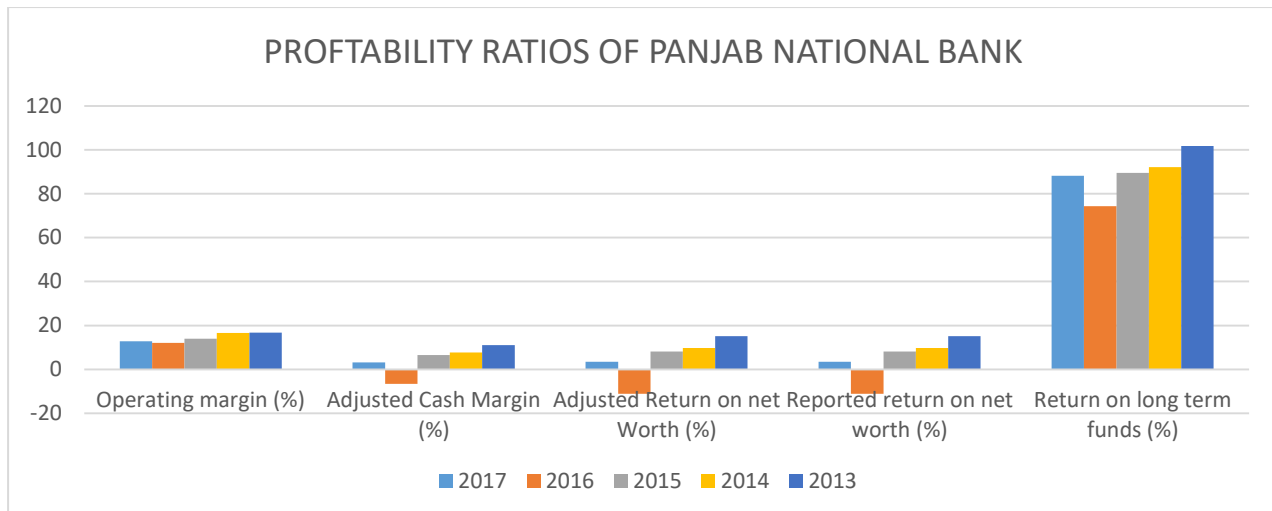
Profitability:

Profit is main object for each organization. For maintain profit of an organization, it is necessary to analyse the profitability of organization on time to time bases. Without profitability, bank or any organisation cannot survive. Also profitability analysis gives us idea about corrective steps for any weakness of an organization. So here profitability analysis of Punjab national bank has been carried out on bases of ratio tool. For that purpose following ratios used.

- Operating Margin
- Adjusted Cash margin
- Adjusted Return on net worth
- Reported return on net worth
- Return on long term funds

RATIO	2017	2016	2015	2014	2013
Operating margin (%)	12.77	12.09	13.89	16.56	16.73
Adjusted Cash Margin (%)	3.11	-6.59	6.57	7.73	10.98
Adjusted Return on net Worth (%)	3.47	-11.20	8.12	9.69	15.19
Reported return on net worth (%)	3.47	-11.20	8.12	9.69	15.19
Return on long term funds (%)	88.21	74.36	89.45	92.11	101.71

Source from <https://www.goodreturns.in/company/punjab-national-bank/ratios.html>



• **ANALYSIS:**

▪ **Operating margin ratio**

Operating margin ratio = (net interest income-operating expense)/ total interest income

The operating margin of Punjab national bank is in decreasing trend from 16.73% to 12.77 % during periods of 2013 to 2017. Which indicates banks profit falls during selected period. That means cost or bank expense increment during five year periods. Main causes concluded that operational inefficiency.

▪ **Adjusted Cash margin ratio**

Adjusted cash margin ratio= (cash flow from operation)/Net sale

The adjusted cash margin ratio or margin ratio indicates that how well bank can transform its services into cash. From table it can be observed that adjusted cash margin ratio of Punjab national bank during five selected years is decreasing from 2013 to 2017 very vastly that is 10.98% to 3.11%. That is approximate 7.87% decreasing compare to year 2013.

▪ **Adjusted return on net worth ratio**

Adjusted return on net worth= (net profit after tax) / equity share holders fund

This ratio indicates how efficiently bank is working. That means the bank is smooth with their efficiency or not. Investor get idea about their money is safe or not in banks. Which is negatively define in Punjab national bank during last five years. That shows that higher risk of return uncertainty in bank for investors. Ratio vary from 15.19% to 3.47%.

▪ **Reported return on net worth**

Reported return on net worth= reported return / net worth

This ratio has same situation as adjusted return on net worth ratio of Punjab national bank. Which indicates negative impact on profitability of bank during selected study periods.

▪ **Return on long term funds**

Return on long term funds= Return / long term funds

The return that bank received from long term fund is falling in year 2017 compare to year 2013, that is from 101.71% to 88.21%. So it reflects negatively impact on profitability of Punjab national bank. But at same time compare to previous year that 2016, it raised slightly. So improvement in profitability of Punjab national bank.

• **FINDING AND CONCLUSION**

In summary of this research paper, it can be found that profitability of Punjab national banks went down from year 2013 to 2017 that is five years data analysis. All the respective ratios of profitability analysis fall down during study period. Also the profitability ratio varies from 2013 to 2017, so the basic assumption related to significant different of profitability ratio during selected period will be accepted. The main reason behind this includes the bad loan outrage of Punjab national bank during year 2016, at the same time weakness in management system. The main impact of down profitability during year 2016 is Rs. 11,000 corer bad loan with respect to Nirav Modi and Mehul Chokshi group. This issue has major negative impact on bank profitability. Also its impact on Indian economy as whole.

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