

Analysis of Financial Performance of a Bank: A Case Study of Punjab & Sind bank

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ABSTRACT

Banks are the lifeline of an economy of any country. They are considering as a leader of the development of nation. Banks are like pillars of financial market. The present study is an attempt to measure the financial performance of the public sector bank of India i.e. Punjab & Sind Bank. This study is completely based on secondary data and different ratios have been applied to evaluate the financial performance of the Punjab & Sind bank. This study concluded that the overall performance of the bank in terms of liquidity (ROA, ROE) has been improving since 2013 up to 2016 and declining at 2017. Total Income, Total assets, total deposits are all showing positive trends during the study period except 2016-17. But in recent years the profitability position of the bank decreased continuously.

Keywords: Punjab & Sind Bank, Return on Assets, Return on Equity, Net profit Margin

INTRODUCTION

Banks play important role in the economic development of a country. Banks are the heart of the economy and also active player of the financial market. A bank play a role of intermediary in an economy which accepts deposits and channels them into lending activities. In modern times the development of a country linked with the development of banking sector. So, banks are to be considered as the leaders of development. The operational efficiency is the main area 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 and service quality,. The profitability of a bank denotes the efficiency of a bank that utilise its optimize resources to increase the net profits.

The Bank was incorporated as 'The Punjab and Sind Bank Limited' on June 24, 1908, with its registered office situated at Hall Bazar, Amritsar, Punjab, India. The Bank is one of the six banks which were nationalized on April 15, 1980. The Bank was constituted as a 'corresponding new bank' on April 15, 1980, as defined under Section 2(b) of the Bank Acquisition Act. The central and administrative office of the Bank at the time of constitution under the Bank Acquisition Act was situated at B-45/47, Connaught Place, New Delhi 110 001. For details in relation to the Bank's activities, services, products, market of each segment, its growth, technology, market, managerial competence, standing with reference to prominent competitors, The Bank currently has only one shareholder, i.e. the President of India, acting through the Ministry of Finance. On 24 June 1908, Bhai Vir Singh, Sir Sunder Singh Majitha, and Sardar Tarlochan Singh established Punjab & Sind

Bank. On 15 April 1980 Punjab & Sind Bank was among six banks that the Government of India nationalised in the second wave of nationalisations. (The first wave had been in 1969 when the government nationalised the top 14 banks.) In the 1960s Punjab & Sind Bank established a branch in London. In 1991 Bank of Baroda acquired Punjab & Sind Bank's London branch at the behest of the Reserve Bank of India following Punjab & Sind's involvement in the Sethia fraud in 1987. Since 2004 Punjab & Sind has shown growth of over 40% year on year, and its recent IPO was oversubscribed by more than 50 times. Recently the bank crossed a mark of Rs 1 lac crore in business. Sutlej Gramin Bank is a Regional Rural Bank sponsored by Punjab & Sind Bank.

CORPORATE VISION OF THE BANK

To emerge as a techno savvy vibrant Public Sector Bank with Pan India presence aspiring to meet expectations of all stake holders.

THE MISSION STATEMENT OF THE BANK

- To provide excellent customer service through innovative products and services for different segments of customers using state of the art technology.
- To dedicate ourselves wholeheartedly for “Sarva Jana Hitai Sarva Jana Sukhai” (www.psbbank.gov.in)

REVIEW OF LITERATURE

Sangmi and Nazir (2010) investigated the financial performance of the two major banks operating in northern India i.e. Punjab National Bank, Jammu and Kashmir Bank for the period 2001-2005. For the purpose of the study secondary data was used which had been collected through official records and annual reports of the banks. Under this study CAMEL parameters were used to evaluate the financial performance of Banks. This study concluded the position of the banks was sound and satisfactory.

Adam (2014) this study attempt to evaluate the financial performance of Erbil Bank, Kurdistan Region of Iraq during the period of 2009-2013. Financial ratios analysis was used to measure the financial position of the bank. This study shows the positive financial position of Erbil Bank and the overall financial performance of selected Bank was improving in terms of financial ratios i.e. liquidity ratios, profitability ratios.

Kumar Anil, Singh Harjinderpal (2014) made an attempt to study the performance of cooperative banking in respect of agricultural credit and rural development with particular reference to cooperative bank Chhattisgarh India. For the purpose of this study both primary as well secondary data was used. Secondary data was used which had been collected from reference books, journals and internet etc with respect to 2009-10 to 2011-2012. Primary data were collected from the members and discussion with all concerns during the year 2011-2012. It

concluded that, cooperative banks are providing rural Chhattisgarh all round assistance and proved to be an institution where Growth and Social Justice exists

Rajni and Kaur (2015) made an attempt to evaluate the financial performance of the state cooperative agricultural and rural development bank in Punjab India. For the purpose of the study secondary data was used which had been collected through official records and annual reports of the banks. To analyse the data profitability ratios, operational ratios productivity ratios and solvency ratios had been used over a period of 2006-07 to 2011-12. An analysis of operational ratio indicates that bank is performing their functions efficiently, but also there is a scope to improve its operations to become it more efficient. Profitability ratios indicate there is need to improve the profitability position of the bank. Productivity ratios of the bank proved that the man power of the bank was highly motivated. At last solvency ratios reveals that bank had a sound financial position.

Mustafa and Taqi (2017) evaluate the financial performance of the second largest public sector bank of India i.e. Punjab National Bank. This study was based on secondary data and different ratios had been applied to evaluate the financial performance of the bank along with regression analysis. This study concluded that the PNB had performed well on the sources of growth rate and financial efficiency but profitability position had been found poor during the study period

RESEARCH GAP

Although some studies have been conducted on financial performance analysis of banks, performance comparison between government and private banks but analysis in the case of Punjab & Sind Bank still remains unexplored. Therefore, the main purpose of this study is to evaluate the financial performance of Punjab & Sind Bank by observing different variables, ratios and measures, the impact of deposits and advances on the profitability of PSB'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 & Sind Bank. The study will provide details about the growth of deposits and advances, profitability analysis of Punjab & Sind Bank . 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

OBJECTIVES OF STUDY

The main objectives of the study are as follows:

- To examine the profitability position of Punjab & Sind Bank
- To examine the business performance of Punjab & Sind Bank.

SIGNIFICANCE OF THE STUDY

The main purpose of this study is to examine the financial performance of Punjab & Sind Bank for investment and finance and to improve the bank's operations

RESEARCH METHODOLOGY

In the present study, an attempt has made to evaluate the financial performance of Punjab & Sind Bank. The secondary data has been considered for the purpose of financial performance analysis of Punjab & Sind Bank. The data used for the present study has been taken from published annual reports of Punjab & Sind Bank. Other relevant data sources are journals, newspapers, magazines and internet sources. The present study is conducted for the period of five years ranging from 2012-13 to 2016-17. Total deposits, total advances, total business, total assets, capital and net profit are the variables used for this study. Ratios, descriptive statistics and regression analysis have been considered for the analysis purpose.

LIMITATIONS OF STUDY

The limitations of the study are as follows:

- The present study is limited to only one public sector bank of India. So, the results are not applied to the entire banking sector.
- This study is limited to only five year time period (2012-2013 to 2016-17).
- The study is based only on secondary data which has been collected from published annual reports of banks and various relevant internet sources..

DATA ANALYSIS AND INTERPRETATION

The present study is concerned about the evaluation of financial performance of Punjab & Sind Bank from 2012-13 to 2016-17 which has been carried out with the help of different ratios.

Ratio analysis of Punjab & Sind bank:

The present study is concerned with the financial analysis of Punjab & sind Bank from 2012-13 to 2016-17 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, return on assets, return on equity, net profit ratio have been calculated..

Advances to total assets ratio (Rs.in crores)

Year	Total advances	Total assets	ATAR
2012-13	51430.79	80477.91	63.90672
2013-14	57239.7	94509.16	60.56524

2014-15	63870.18	97753.41	65.33806
2015-16	63916.07	102581.42	62.30765
2016-17	58334.53	96643.44	60.36057

Source: Annual Reports of PSB from 2012-13 to 2016-17

The above table shows the ratio of advances to assets of Punjab & Sind Bank from 2012-13 to 2016-17. The ratio ranges from 60.56 per cent to 65.33 per cent. There is a decreasing trend is observed in the ratio of advances to assets except in 2014-15 where the ratio increased. It indicates that the bank is careful while lending which ultimately results in better profitability.

Capital to total deposits ratio (Rs.in crores)

Year	Capital	Total deposits	CDR
2012-13	454.02	70641.50	0.64271
2013-14	475.28	84730.16	0.560934
2014-15	400.41	86714.72	0.461756
2015-16	400.41	91249.96	0.438806
2016-17	400.41	85540.16	0.468096

Source: Annual Reports of PSB from 2012-13 to 2016-17

This ratio enables the banks' ability to meet the contingencies of repayment of deposits. The ratio ranges from 0.64 per cent to 0.46 per cent. This ratio enables the banks' ability to meet the contingencies of repayment of deposits.

Return on assets

(Rs.in crores)

Year	Net profit	Total assets	ROA
2012-13	339.22	80477.91	0.421507
2013-14	300.63	94509.16	0.318096
2014-15	121.35	97753.41	0.124139
2015-16	335.97	102581.42	0.327517
2016-17	201.08	96643.44	0.208064

Source: Annual Reports of PSB from 2012-13 to 2016-17

The above table indicates the ratio of net profit to total assets. The ratio shows a decreasing trend. 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.

Return on equity**(Rs.in crores)**

Year	Net profit	Net worth	ROE
2012-13	339.22	4604.10	7.367781
2013-14	300.63	5011.28	5.999066
2014-15	121.35	5596.17	2.168447
2015-16	335.97	5970.22	5.627431
2016-17	201.08	6142.47	3.273602

Source: Annual Reports of PSB from 2012-13 to 2016-17

From the above table shows the ratio of return on equity of the PSB from 2012-13 to 2016-17, It was 7.38 percent in 2012-13 which declined steeply during the study period except in 2015-16 in this year ROE is increased. It may be concluded that higher the ratio ensures increased return to the equity shareholders and vice versa.

Net profit margin**(Rs.in crores)**

Year	Net profit	Total deposits	NPM
2012-13	339.22	70641.50	0.480199
2013-14	300.63	84730.16	0.354809
2014-15	121.35	86714.72	0.139942
2015-16	335.97	91249.96	0.368186
2016-17	201.08	85540.16	0.235071

Source: Annual Reports of PSB from 2012-13 to 2016-17

This table demonstrates the net profit of PSB from 2012-13 to 2016-17. It was only 0.48 per cent in 2012-13 which declined over the years and finally stood at 0.23 per cent in 2016-17 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.

Financial highlights of PSB**(Rs.in crores)**

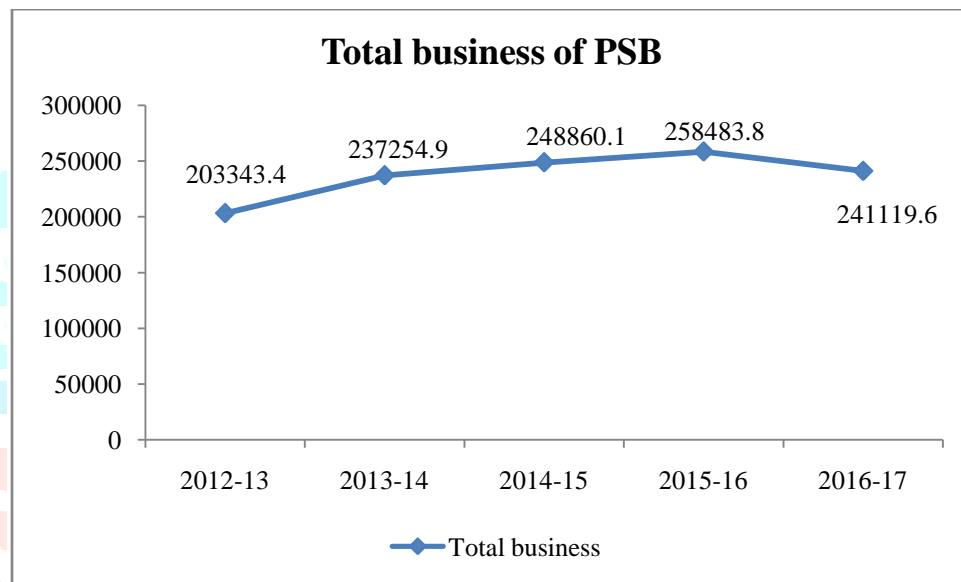
Year	Totalbusiness	Deposits	Advances	Total assets	Capital	Net profit
2012-13	203343.4	70641.50	51430.79	80477.91	454.02	339.22
2013-14	237254.9	84730.16	57239.7	94509.16	475.28	300.63
2014-15	248860.1	86714.72	63870.18	97753.41	400.41	121.35

2015-16	258483.8	91249.96	63916.07	102581.42	400.41	335.97
2016-17	241119.6	85540.16	58334.53	96643.44	400.41	201.08

Source: Annual Reports of PSB from 2012-13 to 2016-17

From the above table, it can be observed that the totals assets of PSB have increased throughout the study period except 2016-17. Deposit and capital of the bank have also increased except 2016-17 but net profit has declined except 2015-16 from Rs. 339.22 crore in 2012-13 to Rs. 201.08 crore only in 2016-17. The bank has increased its lending activities and overall there is an improvement in the total business of the bank

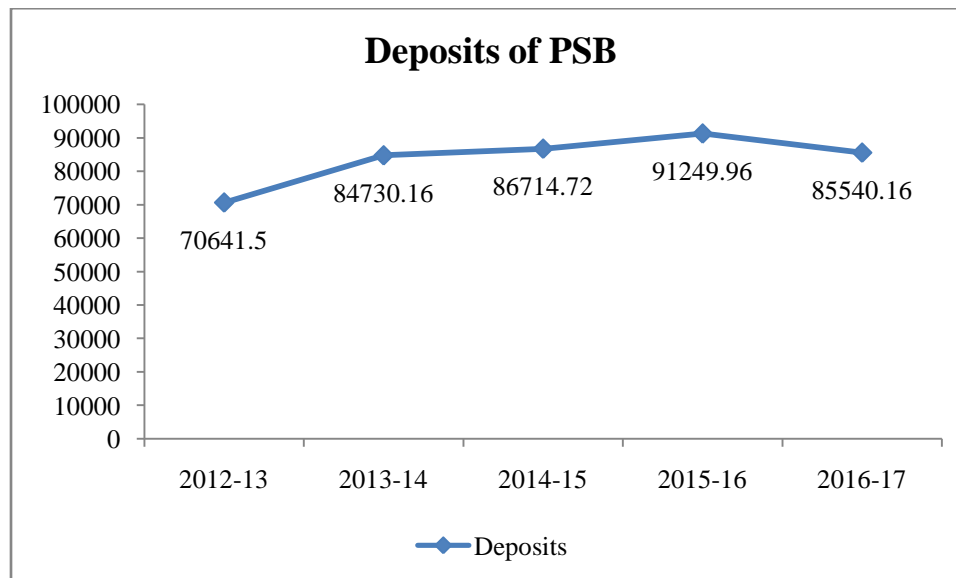
Graph No. 1



Source: Annual Reports of PSB from 2012-13 to 2016-17

The above graph presents the trend of total business by Punjab & Sind Bank from 2012-13 to 2016-17. The total business of the bank was Rs. 203343.4 crore in 2012-13 which has grown up to the year 2015-16 and declined in 2016-17 and has reached Rs. 241119.6 crore in 2016-17. From the graph, it may be stated that the business performance of Punjab & Sind Bank has need to be improved.

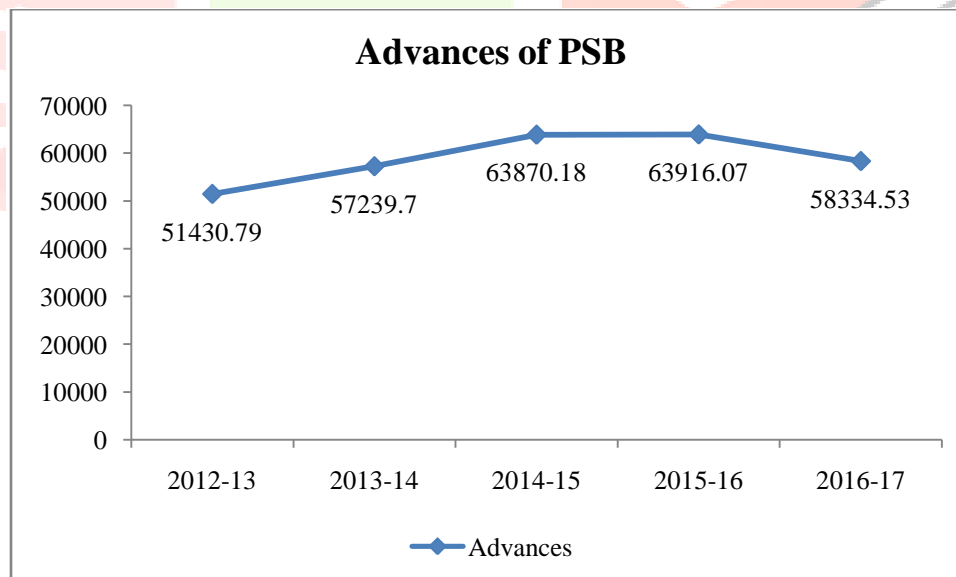
Graph No. 2



Source: Annual Reports of PSB from 2012-13 to 2016-17

Graph 2 shows the trend of total deposits of Punjab Sind bank from 2012-13 to 2016-17. Total deposits of the bank were Rs.70641 crore in 2012-13 which increased up to 2015-16 and declined in 2016-17 and reached to RS.85540.16 crore . From the above graph, it may be concluded that the bank has need to improve efficiency to attracting deposits from the public.

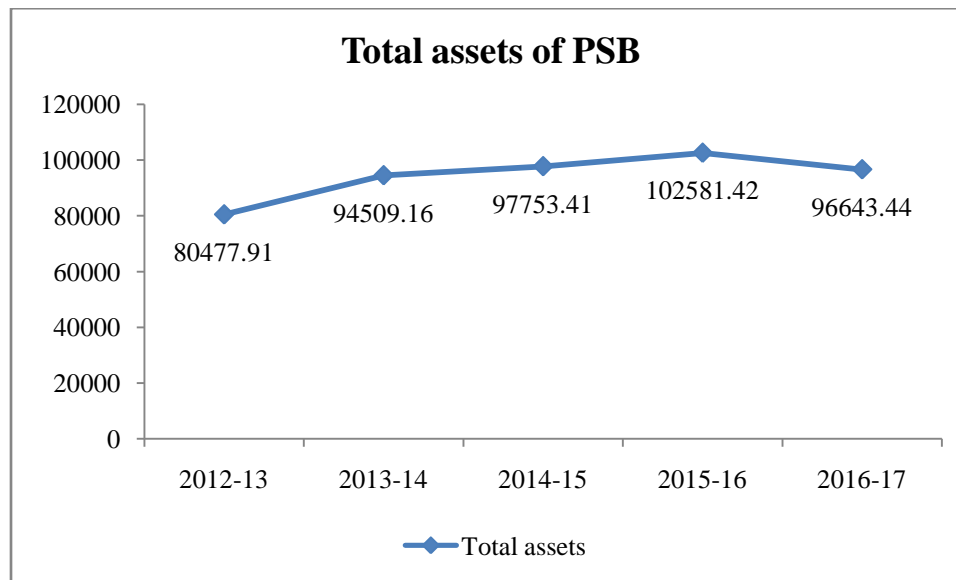
Graph No. 3



Source: Annual Reports of PSB from 2012-13 to 2016-17

Graph 3 shows the trend of total advances of Punjab & Sind Bank from 2012-13 to 2016-17. The bank has given advances of Rs.51430.79 crore in 2012-13 which follow increasing trend in next consecutive three years , further it declined in 2016-17 and stood at Rs. 58334.53 crores.

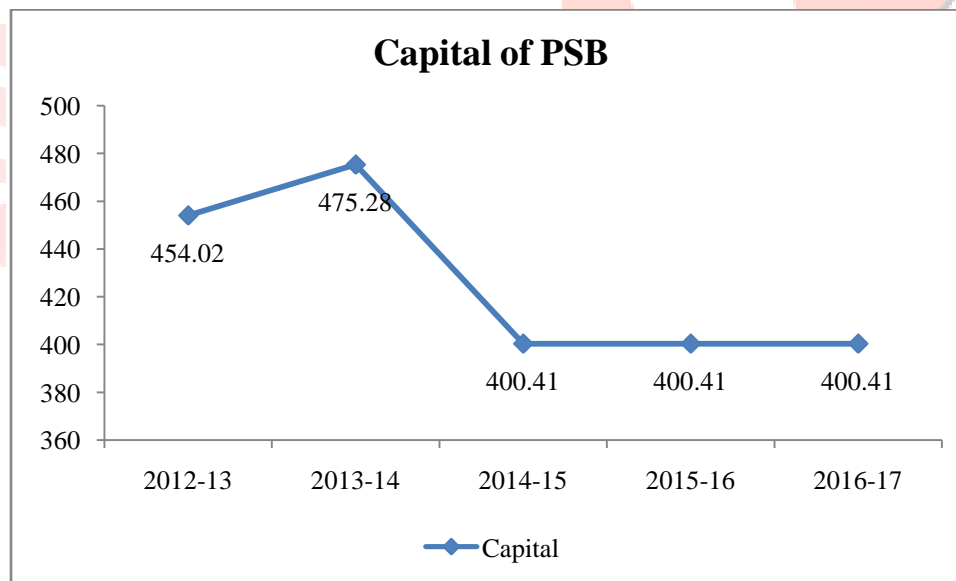
Graph No. 4



Source: Annual Reports of PSB from 2012-13 to 2016-17

The above graph presents the trend of total assets of Punjab & Sind Bank from 2012-13 to 2016-17. The bank has possessed total assets of Rs.80477.91 crore in 2012-13 which followed an increasing trend but in 2016-17 total assets are decreased. The total assets finally stood at Rs.96643.44 crores in 2016-17.

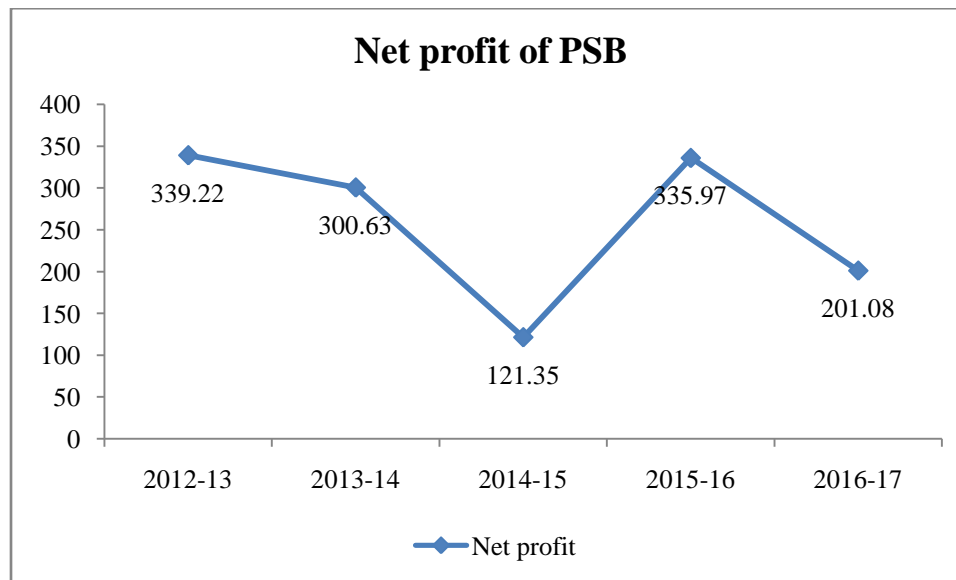
Graph No 5



Source: Annual Reports of PSB from 2012-13 to 2016-17

The above graph shows the total capital of Punjab & Sind Bank from 2012-13 to 2016-17. The capital of the bank was Rs.454.02 crore in 2012-13 which increased in next year and to reach Rs475.28. in 2013-14. Further, it declined to 400.41 crore in 2014-15 which constant in next two consecutive years.

Graph No. 6



Source: Annual Reports of PSB from 2012-13 to 2016-17

Graph 6 provides the trend of net profit of Punjab & Sind Bank from 2012-13 to 2016-17. Net profit of the bank shows a negative trend during the study period except 2015-16. Net profit of the bank was Rs. 339.22 crore in 2012-13 which decreased in the following years except 2015-16 resulting in a net profit of only Rs. 201.08 crore in 2016-17. In brief, it may be stated that the earning position of the bank is very poor during the study period.

Conclusion

The main aim of present study is to measure the financial performance of Punjab & Sind Bank from 2012-13 to 2016-17. To analyze the financial performance of the bank different parameters are used. The Punjab & Sind Bank of India is in a position to follow the rules of the Government for the economic development of the country. The results of this paper indicate that the overall performance of the bank in terms of liquidity (ROA, ROE) has been improving since 2013 up to 2016 and declining at 2017. Total Income, Total assets, deposits are all showing positive trends in the study period except 2016-17. But in recent years the profitability position of the bank decreased continuously. The findings of the study can be helpful for management of bank to improve their financial performance and formulate policies that will improve their performance of the bank.

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