



Title: *STUDY ON FINANCIAL SERVICES PUNJAB NATIONAL BANK GROWTH & DEVELOPMENT IN INDIA: LIMITATION, SCOPE, TECHNIQUE & CONCLUSION*

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ABSTRACT

As the present study having special emphasis on Punjab National Bank, deals with the profile of Punjab National Bank. An overview of growth and development of Punjab National Bank since its incorporation (i.e. in 1985) has been given.

INTRODUCTION

Growth and Development of Punjab National Bank

Growth and Development of PNB has been discussed into two parts PNB before independence, PNB after independence.

PNB Before Independence

The Punjab National Bank emerged in the nineteenth century, inheriting the tradition of ancient trade and banking and influenced by the impact of modern British banking practices and the resurgence of the new Punjab where one of the ideals of the new elite was to start their own modern banks professionally run with Indian Capital and management, wide public participation and no personal control or ownership. Rai Mul Kaj of Arya Samaj specially had long cherished idea that Indian should have a National bank of their own. He was keenly concerned with the fact that though Indian capital was being used to run British banks and companies; the profits went entirely to the British, whilst India had to contend themselves with a small interest on their capital. After filing and registering the Memorandum and Articles of Association on 19 May 1894, the bank was incorporated under Act VI of the 1882 Indian Companies Act with the authorized capital of Rs.2,00,000 divided into 2000 shares of Rs. 100 each.

Table 2.1 Progress of PNB (1895-1897)

	Paid up Capital Rs	Deposit Rs.	Net Profit Rs.	Dividend%
31st Dec,1895 (8%months)	41,500	1,65,337	1,555	4
31st Dec,1896	76,960	4,57,988	5,314	5
31st Dec,1897	1,09,495	7,27,447	15,536	5

Prakash, Tondon, Banking century, Penguin Book, (India) Ltd. 1989, P.152-155

Sources: Tondon Prakash, Banking century, Penguin Books, 1989 P-155 on 12th April 1895 the bank opened for business, a day before the great punjabi festival of Baisakhi celebrating the wheat harvest. The control of the bank was to lie with the large dispersed shareholding under the joint stock system with limited liability. The directors presented their accounts and report for the period from 12th May 1895 to 31st Dec 1895. As shown in Table 2.1, total deposits rose to Rs.4,57,988 on Dec 31st 1896 and to Rs.7,27,447 on Dec 31st 1897 from Rs. 1,65,337 in 31st Dec.,1895 and paid up capital of Rs.41,500 on 31st Dec 1895 rose to Rs. 76,960 on 31st Dec., 1896 and to Rs. 1,09,495 in 1897. Net profit was Rs. 1,555 for the year ending Dec.31, 1895 rose to Rs. 5,314 on 31st Dec,1896 and to Rs.15,536 in Dec.31, 1897.

In Dec., 1896 the bank opened a saving fund, offering an interest of 3.75 percent a set of rules was carefully framed for the different kinds of deposit account - Current Account, Saving fund and fixed deposit. Most of the original clauses with slight changes are still in currency today and the innovation of pass book, supplied free of cost, before one century is even today a time honored custom.

In April 1900, the first branch of the bank outside Lahore was opened at Rawalpindi .In 1901 the board purchased its first property, a piece of land for Rs.15,000 for new premises for the Anarkali branch. After a successful start the board settled down zealously to growth and innovation. To keep with the growth, branch expansion was quickened and bank ventured out of the Punjab in 1904 to Karachi and Peshawar. By 1907, a number of new banks had come up in Punjab and other parts of India. PNB opened its third branch outside the Punjab in Delhi and ventured out to open its first branch in distant Bombay. In 1910 it was decided to issue 5000 preference share at 6 percent per annum and the innovation of telegraphic transaction was introduced.

The bank recorded a continuing and health growth in the first two peaceful decades. The third decade was a decade of military, political and economic crises and disaster. A series of misfortune was witnessed like a serious fire, major banking crises, a spate of bank failure, World War I, Indian political upheavals etc. During the crises board strengthened the capital base by making a call of Rs.10 per share on the partly paid shares and issuing at par the 5000 unsubscribed shares, the capital was further raised in Nov. 1914 from Rs.20 lakh to Rs. 50 lakh and the board held back from opening new branches. The successive crises, the 1913 bank failures, the war and the post war boom came to an end by 1921.

From 1921 the bank then started to open new branches. In 1923 PNB moved its head office from the old Anarkali office to a large building bought on the Mall Road of Lahore. PNB became a member of the Northern Indian Chamber of Commerce Lahore In March 1924, the

board discussed opening an agency in America and sanctioned \$200 for advertising in Banker's Magazine, New York and International Banking Directory.

The world depression of 1930's continued to deepen and bank's profits were virtually obliterated. In 1932 the board took measures to meet the situation - a suspension of branch expansion, retrenchment of inefficient staff and reduction in expenditure by amalgamating certain branches.

By the time of the next major crises, First World War II. Then the partition, the bank had recovered well, though not wholly, from the post world war I mild depression and later the great depression of the 1930's.

World depression caused major setback to the banks particular PNB. By the year 1939 the bank had recovered but there was a decline in reserve and profit In Jan 1940 the bank made its first acquisition of the Bhagwan Das Bank Ltd In 1943 ,Punjab National Bank was the first bank in India to introduce 'teller' and prompt payment system. In 1946 the board resolved to join the proposed Indian Bank's Association. On 26 June 1947 the Registered office of the Punjab National Bank Ltd. shifted from Lahore to Tropical Building, Connaught Circus. New Delhi.

Table 2.2. depict the progress of PNB, before independence

Table 2.2 :- Pre Independence Period Progress of PNB (1895 - 1947) (Rs. In Lakh)						
Heads/Year	1895	1913	1920	1930	1940	1947
Paid Up Capital	0.41	9.89	18.33	31.25	31.47	87.46
Reserves	-	9.65	14.19	19	14	100
Deposits	1.65	133	309.25	537.56	802.97	5914.46
Advance	1.12	91.14	232.3	326.09	347.87	2386.28
Profit	0.0155	1.42	1.46	1.56	1.12	0.35
Dividend (%)	4	11	14	6	9	-
Offices (Nos.)	1	22	31	42	70	200

Sources : Tondon, Prakash- Banking Century, Penguin Book Ltd.,P-412 – 413

PUNJAB NATIONAL BANK AFTER INDEPENDENCE

Pre Nationalizations Period

In Nov. 1947, the bank moved to its fifth abode to 8, under Hill Road, Civil Lines, Delhi from Tropical building at Connaught Place. The year 1947 was the year of independence and partition. Like individuals the bank also became refugee. The bank was in difficulty because

efforts were made to transfer their liabilities to the other dominion in order to safeguard the interest of their depositors but could not and were not given facility to transfer its assets and there was a distress withdrawal. Deposit show a fall of Rs.2.38 crore. The bank earned profit of Rs.64.31 lakh inspite of the political, social and economic upheaval through which for a greater part of the year, the country had to pass.

In July 1949 the PNB workmen's union came into existence. By 1951 the damages of the partition had been repaired and new growth had begun. In 1952, a Loan and Audit Department was established, District Manager's offices were abolished, economy in staff expanses, uniform policy on all general issues and training of expert personnel in loans work was emphasized and a scheme of provision of lockers to the public was announced.

There was a third major run on the bank in Aug., 1960 after the first run in 1913-14 and second in 1949. The second run was due to leak out of the news that the controlling interest of the bank was passing in to new non-Punjabi hands but for the third run there was no knowledge of reason. In 1958 the bank was to move again to Parliament street head office.

The Indo-Chinese war 1962 had no adverse impact on the PNB or banking in general. In April 1962 the bank's only office abroad at Rangoon was taken over by the People's Bank No-7 and a sunl of Rs. 12.45 lakh was transferred to India. In 1967 the bank introduced a special scheme for farm advances. A special agriculture cell was established in the head office to look after the development of direct finance to farmers. Following table 2.3 shows the PNB growth from Independence to nationalization of Punjab National Bank.

Table 2.3 :- Pre Nationalisation Period Business Performance of PNB				
	(Rs. In Lakh)			
Heads/Year	1950	1955	1960	1969
Paid Up Capital	87.75	87	125	200
Reserves	113.84	98	158	527
Deposits	4419.92	9012	13948	39109
Advance	1978.07	4202	9353	22653
Profit	3.75	64	118	159
Dividend (%)	4	14	20	14.89
Offices (Nos.)	307	326	408	619

Sources : Tondon Prakash, Banking Century, Penguin Book Ltd.. 1989
P. 413-414.

Post-Nationalization Period

In 1969 the PNB was nationalized with other 13 banks. Its board was dissolved. On 18th July 1970, the first nationalized bank board was announced by the government, consisting of chairman, custodian and six directors representing different constituencies : Industry, Handicraft, Agriculture, Economics, the Reserve Bank and development economics as laid down by the Bank Nationalizations Act. Pursuing the objectives of nationalization at its first meeting the board passed a number of resolution. Many schemes were evolved to finance poultry projects, primary agricultural societies, small scale industries, rickshaw pullers for purchase of cycle rickshaw, handicraft artisans engaged in producing goods primarily for export, helping disabled ex-servicemen and their dependants, new entrepreneurs. The old symbol of the bank was replaced by a new symbol.

It Deals with the methodology of study which covers the study plan, scope of the study, review of the Literature, terminology used in the study, nature of data required, source of data, selection and classification of samples, techniques of analysis, limitation, statements of Hypothesis and evaluation.

SCOPE OF THE STUDY

The present study is an attempt to study the prevailing financial services marked by the public sector banks and to review the various innovative financial services which the public sector banks implemented. Public sector banks might be facing various problems while implementing various innovative financial services, therefore the present study is also an attempt to study the problems faced by the banks in national and international perspective. As economic reforms have already been initiated and financial reforms is one of the core component of economic reform, these reforms have created an urgency to study the prospectus of the financial services.

DEFINITIONS OF THE TERMS

In order to study and review the financial services being marketed by public sector banks, it is necessary to understand the terms of the title of the study: Marketing, Financial services, Bank, Public Sector Banks.

MARKETING:

There are number of popular definitions of marketing having for themselves different meanings attached to the term marketing.

S.A Chunwala defines “marketing as the process that facilitates the exchange of valuable products created/ or offered to consumers so as to satisfy their needs, wants and demands”

According to Philip Kotler, “marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with other.”

Thus the core concepts of marketing are needs, wants and demands; product and services; value satisfaction and quality; exchanged transactions; and relationship and market. Wants are the form assumed by human needs when shaped by culture and individual personality. When

backed by buying power, wants becomes demand. People satisfy 'their needs, wants and demands with product and services. A product is anything that can be offered to a market to satisfy a need, want or demand. Products also include services and other entities such as persons, places, organizations, activities and ideas. In deciding which product and services to buy. Consumers rely on their perceptions and relative value. Customer value is the difference between the value the customer gains from owning and using the product and the cost of obtaining and using the product. Customer satisfaction depends on a products perceived performance in delivering value relative to a buyer's satisfaction. Customer satisfaction is closely linked to quality. Marketing occurs when people satisfy their needs, wants and demand through exchange.'

FINANCIAL SERVICES:

In this context "financial services" means something that can be offered to a market to satisfy financial needs.

Bank: A bank is an institution that

- (i) Accepts and safeguard deposits of money from customers
 - (ii) Permits money to be withdrawn or transferred from one account to another and
 - (iii) Lends the surplus of deposited money to customers who wish to borrow
- Neither of the functions alone is sufficient to earn an institution the status of bank.

Public Sector Bank:

In Indian context, "public sector banks" are the banks owned by central government which include State Bank of India, five associates(earlier seven associates) of State Bank of India , 19 nationalized commercial banks and 196 regional rural banks.

Sources of Data

For the present study "**Marketing of financial Services by Public Sector Banks with a special Reference to Punjab National Bank**", both primary and secondary data has been collected. The data was collected about the fund based as well as non-fund based financial services of PSBs in general and PNB in particular. In order to collect primary data and views of bankers a questionnaire was developed which was administered on 50 managerial staff of various public sector banks offices including offices and head office of PNB and simultaneously interview was conducted with the bankers. Whereas the secondary data, largely used in the study has been collected from the journals, reports, periodicals etc published by RBI, PNB, other public sector banks, CMIE Indian Banks Association, Govt. etc.

NATURE OF DATA

The data required for the study are of following nature

Information relating to the formation, growth & development of Public Sector Banks(PSBs) including Punjab National Bank(PNB) and other Commercial banks.

Information regarding prevailing fund-based and non-fund based financial services of PSBs including PNB.

SELECTION AND CLASSIFICATION OF SAMPLE

The period of the study is mainly from 1985 to 1995 which covers two five year Plans and policies of Congress Government, National Front Govt. and again Congress Government which introduced the concept of 'Globalization and Internationalization' with its liberalized policies. The data, however, beyond the year 1995 has also been included in the study to make it up to date. The primary and largely secondary data collected for the period has been systematically arranged and classified. Then it has been analyzed and interpreted for arriving at certain conclusions regarding predetermined objectives of the study.

TECHNIQUE OF ANALYSIS

The data collected from the financial statements of public sector banks and various journals and reports has been analyzed with the help of different accounting and statistical tools. The techniques are:

- I. **Trend Analysis:** Trend analysis aims at analyzing the growth in qualitative and quantitative terms. The data regarding the financial services of public sector banks in general and PNB in particulars was analyzed to measure the success of the services during the study period.
- II. **Ratio analysis** is the most important accounting tool used by financial analyst. Ratio analysis techniques also used to analyze the data.
- III. **Comparative statement:** Comparative statements aim at having yet greater insight into the financial health of the business such Comparison may be of two types. When statements of two or more firms are compared it is known as an inter firm comparison. The comparison of statements of two or more years of the same firm is referred to as an intra – firm comparison. In the present study both inter banks and intra banks comparison have been done to analyze and conclude the data.

LIMITATION

As it is inherent in analytical works the present study suffers from certain limitation. The various tools and techniques used in this study have their own limitations. Most of the data collected for the study are secondary in nature. In such a case, the study carries all the limitations which are inherent with tile secondary data and financial information. As the topic of the study is too comprehensive to cover each aspect in depth and resources available to the scholar are always subject to certain limitation. The present work is the study of marketing of (i) fund based and (ii) non-fund based financial services for a period of more than one decade. The coverage of topic was so extensive that simple study at any stage could not be possible and the study remains at micro level only.

EVALUATION

Indian financial system comprises of an impressive network of banks, financial institutions and a wide range of financial instruments. The Indian Financial system before mid of 1980s was characterized by the predominance of public sector institutions and a high degree of regulation. The mid 1980s saw movement away from this regulated regime. Commercial banks especially public sector banks were permitted to undertake new activities. Several money markets, instruments were introduced and interest rates in the money market were freed from control. Financial Liberalization has heightened competition among banks and other financial institutions. Consequently PSBs have diversified their financial services.

These developments has created an urgency to study and review traditional as well as innovative fund based and non-fund based financial services of Public sector banks and to focus light on prospectus kind problems of the financial services marketed by PSBs in general and PNB in particular.

CONCLUSION

The study aims at testing the following hypotheses basing on objectives with the help of available data.

1. PNB prefers innovative financial services along with traditional banking services.
2. Generally it has been found that the performances of Punjab National Bank (PNB) services are better than other Public Sector Banks (PSBs).
3. The PSBs in general and PNB in particular faces much operational problems while financing the international business.
4. Initiation of liberalization process did not give any concrete opportunity for future prospects of Public Sector Banks.