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RATIO ANALYSIS IN PUBLIC SECTOR BANKS WITH REFERENCE TO PUNJAB NATIONAL BANK

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ABSTRACT: Punjab National Bank's financial documents. This is demonstrated by the ratio analysis of the paper, which concentrates on revenue, stability, efficiency, and liquidity. The bank's capital adequacy ratio, non-performing asset ratio, return on assets, and net profit margin are among the critical metrics that are employed to evaluate its financial management. In this investigation, the bank's most recent annual reports are employed to evaluate its effectiveness in managing the opportunities and risks that have arisen as a result of the current economic climate. It examines broader, more general trends that have evolved over time, in addition to specific facts. Ratio analysis assumes a more profound significance when implemented in this manner. It enables managers, investors, and regulators to make informed decisions and enhances the transparency and accountability of public organizations. The findings demonstrate the current state of Punjab National Bank and its potential future trajectory by employing these financial metrics.

Keywords: *Financial Performance, Ratio Analysis, Profitability, Liquidity, Capital Adequacy Ratio, Non-Performing Assets (NPA), Return on Assets (ROA), Net Profit Margin,*

1. INTRODUCTION

The primary objective of ratio analysis is to provide numerical values with greater significance in order to facilitate comprehension of financial records. A business does not rely solely on a single indicator to determine its performance; rather, it evaluates the interrelationships between the various components of its income statement and balance sheet. How does it function in the majority of cases? This can provide a more comprehensive response to the query "Is the business profitable?" Can I influence them to comply with my requests? Can it effectively employ the resources at its disposal? Is it possible to maintain the prices in the long term? Investors, government officials, and analysts can utilize ratio analysis to learn about the internal operations of a business. This is due to the fact that these currency records are accessible to all individuals.

The Punjab National Bank and other public sector organizations prioritize research that employs numerical data. These enterprises are crucial to the expansion of the economy due to their ability to receive deposits, provide financial support, and fund government initiatives. Ratios assist individuals who have an interest in a company in determining its profitability, efficiency, liquidity, and solventity. This facilitates the comparison of results over time or between institutions that are similar, as it demonstrates both the areas that require

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improvement and the successes that have been achieved.

Ratio analysis can be employed as a warning method, as well as to test objects. This demonstrates the capacity of a bank to effectively manage its resources, generate revenue, mitigate risk, and identify potential issues prior to their escalation. The economy's stability and expansion are advantageous to businesses. This implies that regulators and politicians are both held accountable and disclosed to the public. Furthermore, it provides managers with a framework that they can employ to assess achievement and make informed decisions.

2. THE ROLE OF RATIO ANALYSIS IN PUBLIC SECTOR BANKS

Assessment of Financial Performance

Public sector banks' financial performance can be evaluated through ratio analysis, which evaluates their income statements and balance sheets. Return on Equity (ROE) and Return on Assets (ROA) are profitability metrics that indicate the efficiency of a bank's resource utilization. This is further evidence that the bank's activities and purchases have the potential to generate revenue. It is crucial to make this decision in order to achieve long-term success in the competitive business environment of the present day. Ratio analysis can be employed to examine the evolution of growth and prosperity over time.

Measurement of Operational Efficiency

Public sector banks are accountable for a vast network of branches and deposits, which is why operational efficiency is a critical metric. The advances-to-deposits and credit-deposit ratios are turnover measures that indicate the efficiency of resource utilization. The expense-to-income ratio indicates the efficiency of money allocation. This assists managers in identifying potential areas where work could be performed more efficiently. In other words, ratio analysis can assist banks in determining the efficiency of their resource utilization.

Creditworthiness and Risk Evaluation

Financial organizations are confronted with numerous hazards, including operational, market, and credit risks. The Non-Performing Asset (NPA) Number and the capital Adequacy Ratio (CAR) are two ratios that indicate the management of loans and capital by a public sector bank. These measures can assist legislators and investors in determining the bank's stability. A high CAR indicates that the enterprise is financially secure. The banking system is not functioning effectively if the NPA is substantial. Therefore, in order to comprehend the risk profile of the PSB,

Comparative Analysis

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Regulatory Compliance

Public sector banks must adhere to the Reserve Bank of India's stringent regulations and Basel guidelines. The leverage ratio, the capital-to-risk-weighted assets ratio (CRAR), and the liquidity coverage ratio (LCR) are among the metrics employed to ensure that all standards are met, both domestically and internationally. These procedures guarantee that the bank maintains sufficient liquidity and is solvent. Failure to adhere to the regulations may result in penalties or damage to one's reputation. In this manner, ratio analysis assists banks in fulfilling their legal obligations.

Profitability Measurement

In order to remain viable, financial institutions, particularly those that provide assistance to individuals, must generate revenue. The Net Interest Margin (NIM), which is comprised of Return on Equity (ROE) and Return on Assets (ROA), indicates the potential revenue that a bank could generate in the future. Consequently, they demonstrate the efficiency of a bank's financial management and the amount of additional funds it generates to support growth. There is a correlation between the level of trust that governments and investors have in public sector banks and their profitability. Ratio analysis can assist in determining the stability of your finances and observing the fluctuations in your profits over time.

Liquidity Management

The significance of cash flow for banks is that it enables them to fulfill their imminent obligations and deposits' requests. Two methods are employed to evaluate the speed at which a bank can convert its assets into cash: the fast ratio and the current ratio. It is crucial for public sector banks to maintain a high level of funding in order to maintain the trust of the public. Your reputation and finances may be jeopardized if you fail to effectively manage your cash flow. Consequently, liquidity levels ensure the security of public sector banks.

Investor and Stakeholder Confidence

Public sector banks are accountable to a variety of stakeholders, including the government, proprietors, customers, and the general public. Ratios indicate the stability of a bank in terms of its finances and operations. Investors evaluate the profitability and solvency of a business as critical performance indicators. Individuals who deposit funds into banks experience a sense of security when there is an adequate amount of liquidity and currency. As a result, ratio analysis is an effective method for establishing trust and relationships with colleagues.

3. LITERATURE SURVEY

Ratio analysis was implemented by Ravindra, S. Sharma to evaluate the outcomes of prominent Indian public sector organizations subsequent to the COVID-19 disease outbreak in 2025. The paper revealed that return on equity (ROE) and return on assets (ROA), two profitability metrics that indicate improved operational efficiency, had increased slightly. Despite the fact that non-performing assets (NPAs) continue to diminish banks' capital and lending capacity, liquidity measures indicate that they have sufficient currency on hand to satisfy their immediate obligations. Trend

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analysis indicated that net interest rates were gradually increasing, while asset management ratios demonstrated the efficient utilization of banks' resources. According to Shri Sharma, the banking system was maintained in a stable state by the implementation of Basel III standards. The results of this paper demonstrate that ratio analysis can be employed to evaluate the efficiency of various businesses, identify issues, and assist managers in making decisions. Certain businesses are distinguished by their increased profitability and existing financial reserves.

Karao, K. Rao's primary objective in 2024 was to enhance the stability, profitability, and efficiency of a select number of public sector banks. The findings indicate that banks with high liquidity ratios are capable of fulfilling their immediate obligations. The profitability ratios have marginally improved as a result of the recent decrease in costs and the increase in interest income. Asset quality metrics consistently demonstrate that non-performing assets (NPAs) pose a threat to wealth. The stability and leverage of the company were indicated by the ratios of its debt and stock, while the effectiveness of its management was indicated by the ratios of its performance. The institutions were not all the same when you looked at the trends, but there was a constant rise over time. Rao asserts that ratio analysis is a critical method for assessing government entities and formulating policy.

According to a 2023 paper by Arun, L.M. Nair, public sector banks may be capable of maintaining favorable liquidity ratios by managing their capital effectively and making intelligent investments. The bottom line improved as a result of the increase in interest income and the decrease in expenditures. However, the non-performing assets made it difficult to generate sufficient cash flow. Risk-related ratios, including debt-to-stock, can indicate the degree of vulnerability of a business. Conversely, cost-to-income and other efficiency ratios can indicate the efficacy of a company. According to the paper, ratio analysis can assist individuals in adhering to regulations and making decisions. Both trend analysis and comparison views demonstrated the performance of the banks in comparison to one another. The institutions' growth and risk management were also demonstrated through trend analysis. According to Nair, ratio analysis is a critical method for determining the financial health of a company and formulating future strategies.

Singh (2022) implemented ratio analysis to evaluate government agencies, with an emphasis on revenue ratios, in order to mitigate economic uncertainty. A slight increase in profitability ratios was observed as a result of improved administration of interest income and costs. Despite the fact that non-performing loans were reducing capital levels and lending capacity, asset utilization rates were a critical metric for evaluating efficiency.

Patel's 2021 paper on the solvency, liquidity, and profitability of Bose PSB demonstrated that banks with higher liquidity ratios were more capable of fulfilling their short-term obligations. The banks' increased efficiency was demonstrated by the higher profitability indices, including ROA and ROE.

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4. ADVANTAGES OF PUBLIC SECTOR BANKS

The public sector banks of India share numerous positive characteristics. This is demonstrated in a variety of methods.

Financial Inclusion

Public sector banks' banking and financial services are accessible to a broader spectrum of individuals, including those residing in rural or remote regions.

Government Backing and Stability

Deposits in public sector banks are perceived as superior to those in private banks due to the government's substantial support for them.

Affordable Credit and Lower Loan Rates

Most of the time, public banks provide funding to significant businesses at low interest rates, which benefits the economy.

Support for Government Schemes

Humanitarian and social security initiatives are funded by public sector institutions.

Large Network and Market Presence

Public sector banks (PSBs) are present in both urban and rural areas due to their extensive network of ATMs and retail sites.

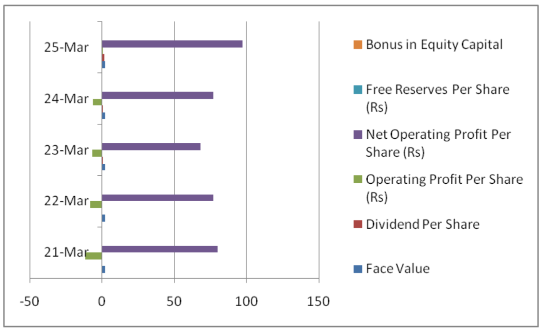
Mutual Fund Services

Mutual fund services are provided by numerous public sector banks in India, either independently or through partnerships with other asset management companies. Another service they provide is systematic investment plans (SIPs) for mutual funds.

5. RESULTS

Investment Valuation Ratios

Investment Valuation Ratios	25-Mar	24-Mar	23-Mar	22-Mar	21-Mar
Face Value	2	2	2	2	2
Dividend Per Share	1.5	0.65	0.64	0	0
Operating Profit Per Share (Rs)	0.64	-6.32	-6.46	-7.98	-11.77
Net Operating Profit Per Share (Rs)	97.09	77.33	68	77.07	79.85
Free Reserves Per Share (Rs)	0	0	0	0	0
Bonus in Equity Capital	0	0	0	0	0



INTERPRETATION: On March 21 and 22, investors received a $0.0 payout per share. On March 23 and 24, it increased to $64.25; from there, it decreased to $1.5 on March 25. The significance of the number 2 remains consistent each year. From March 21 to 24, the operating profit per share decreased by ₹-11.77, ₹-7.98, ₹-6.46, and ₹-6.32. The price increased to ₹0.64 on March 25. From March 2023 to March 2025, the Net Operating Profit Per Share increased gradually from ₹68 to ₹97.09, while the Free Reserves and Bonus in Equity Capital remained unchanged.

Profitability Ratios

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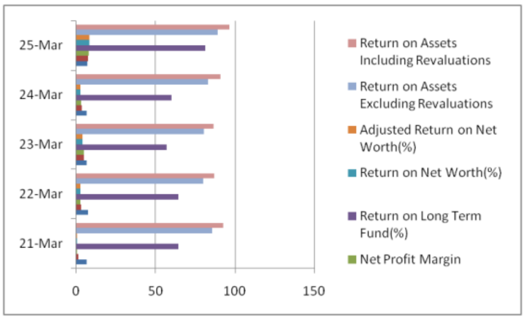
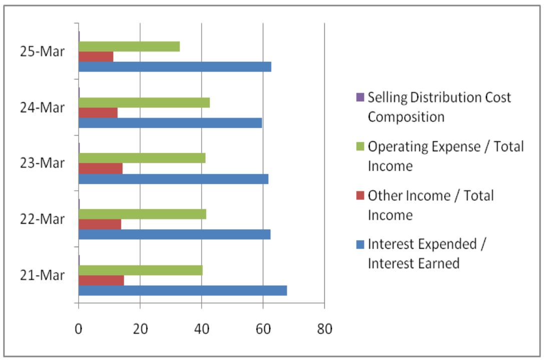
Profitability Ratios	25-Mar	24-Mar	23-Mar	22-Mar	21-Mar
Interest Spread	6.74	6.44	6.41	7.6	6.58
Adjusted Cash Margin(%)	7.59	3.49	4.98	3.2	1.49
Net Profit Margin	7.71	2.94	4.61	2.5	0.62
Return on Long Term Fund(%)	81.5	60.1	57.1	64.19	64.41
Return on Net Worth(%)	8.39	2.74	3.9	2.41	0.58
Adjusted Return on Net Worth(%)	8.39	2.74	3.9	2.41	0.58
Return on Assets Excluding Revaluations	89.16	83.01	80.32	79.92	85.49
Return on Assets Including Revaluations	96.7	90.69	86.72	86.79	92.55



INTERPRETATION: Profitability ratios were marginally lower than 7.6% on March 22, but they have been gradually increasing since then. The Interest Spread increased from 6.41% to 6.74% from March 23 to 25. This figure increased from 1.49% on March 21st to 7.59% on March 25th. The net profit margin increased by 0.62% from March 2021 to March 2025 to reach 7.71%.

Profit And Loss Account Ratios

Profit And Loss Account Ratios	25-Mar	24-Mar	23-Mar	22-Mar	21-Mar
Interest Expended / Interest Earned	62.5	59.49	61.68	62.26	67.59
Other Income / Total Income	11.13	12.48	14.13	13.69	14.7
Operating Expense / Total Income	32.74	42.61	41.07	41.51	40.22
Selling Distribution Cost Composition	0.08	0.11	0.11	0.06	0.14



INTERPRETATION: The profit and loss report indicates that the interest paid to interest earned ratio decreased from 67.59% in March 2021 to 62.5% in March 2025. This demonstrates the necessity of more effective management of interest costs. The ratio of Other Income to Total Income decreased from 14.7% on March 21 to 11.13% on March 25. This indicates that the organization is decreasing its dependence on various revenue streams. The Selling and Distribution Cost Composition was 0.08% as of March 25. This implied that the business was experiencing a decline in profitability due to the additional expenses. After being above 40% for several years, the Operating Expense to Total Income ratio decreased to 32.74% on March 25. This implies that the organization is operating more effectively.

6. CONCLUSION

Ratio analysis is a critical troubleshooting instrument in state-run financial institutions. Financial institutions employ critical indicators, including NPA, CRAR, ROA, and CASA, to identify potential financial crises. In order to ensure that comparisons are equitable and comprehensible, it is imperative that all PSBs adhere to the same accounting regulations. In contrast to private banks and the regulations that are implemented

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globally, public banks have the capacity to expand.

Ratio analysis can be employed by risk managers to identify issues with cash, liquidity, and assets that are not being utilized. Its concepts are not merely numerical. Modern data analytics, which automatically calculate and predict these figures, can assist individuals in making more precise and timely decisions. It is imperative that managers and employees continue to develop their ability to comprehend statistics and apply them to the formulation of policy and strategy.

A bank's capacity to adapt to economic fluctuations can be assessed through a series of stress tests that evaluate its liquidity and capital adequacy metrics. By incorporating non-financial factors such as employee productivity, customer satisfaction, and technology adoption into ratio analysis, it is possible to obtain a more comprehensive understanding of success. Educating individuals who have a vested interest in the issue, such as government officials and investors, about these ratios fosters transparency and accountability.

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