CHAPTER-III

PUNJAB NATIONAL BANK
(Historical Perspective)
3.1 INTRODUCTION

Punjab National Bank was Nationalized in 1969 along with 13 other major banks. Nationalization in 1969 infused PNB with new directions and thrust, bringing with it greater challenges larger dimensions in diverse operational areas. The bank met the needs of nationalization enthusiastically and directed its efforts to accomplish the cherished national goals of mobilizing savings of the community on a large scale and deploying the same in a productive manner for development. PNB has always been concerned about its role in social and economic fabric of the country. As a bank with enduring traditions linked with India's history and future, it considers itself a potent instrument of social and economic change.

During its long corporate history it has innovated new concepts, encouraged innovative thinking, explored and reshaped management systems and verified the effectiveness of organizational process. It believes in improving services of an on-going basis and evaluation of customer services forms and essential part of its internal audit.

PNB - a bank born with the vision of future. A vision towards efficient and customer friendly banking. Today's world is driven by information technology. PNB endeavors to upgrade itself
towards modern and progressive banking, serving over 35 millions customers through a large network of over 4022 branches.

3.2 HISTORY OF PUNJAB NATIONAL BANK

In the annals of Indian history, the last decade of 19th century has a special place. It was during this period that a reawakening of India began and the nationalist fervor started asserting itself. At this juncture, a group of farsighted patriots and social reformers like Lala Lajpatroy, The Lion of Punjab, S. Dyal Singh Majitha, who was also the founder of Dyal Singh College and Tribune, Lala Lalchand, one of the founders of DAV College and President of its management society, Kali Prasono Roy, eminent leader who was also the chairman of the reception committee of the Indian National Congress at its Lahore Session in 1890. Lala Har Krishan Lal, who became widely known as the first Industrialist if Punjab, E.C. Jessawala, a well Parsi Merchants & partner of Jamshedji & Company of Lahore, Lala Prabhu Dyal, a leading merchant and Philanthropist of Multan and Lala Dholan Das, a great banker and merchant of Amritsar decided to start a bank which would be truly Indian in character and thus the Punjab National Bank was born on May 19, 1894 on the economic horison of the country.
The bank was a part of the Swadeshi Movement. It was owned by the Indian people and would work for the Indian people, especially at a time when Indian capital was being used to run English Banks and companies, the profits accruing from which entirely to Britishers, whilst Indians have to contended themselves with a small interest on their own capital. The bank open for the business on April 12, 1895 and Lala Lajpatroy opened the first account with the bank, housed in a building in the Anarkali Bazar, Lahore. The authorized total capital of the Bank was two lacs and the working capital was rupees twenty thousands. The bank appropriately choose the world, 'STABILITY' as its telegraphic, which proved prophetic as was shown by the events that followed in later years.

That the bank never left its pioneering became evident when on many issues and problems bank’s experience even today-like autonomy, delegation, discipline, role of directors, fraud, loan losses, cost control, etc. PNB clearly perceived the challenges and handled them effectively. For instance, as early as 1929, the bank introduced a system of continuous audit to prevent possibility of frauds; while in 1935 the system of recruitment, training, promotion and salaries was organized on truly scientific bases. Besides bank held staff welfare and public interest as paramount objectives.
Profit sharing bonus, provident fund, voluntary outside audit, manpower rationalization, etc. were introduced long before these were advocated by management experts for improving operational efficiency and employee motivation.

In 1940 PNB acquired the Bhgwan Das Bank Limited, there why raising its working capital. After the war, in 1947 the Board of the bank took a momentous decision to shift the registered office to Delhi. After the partition bank had to close as many as 92 offices (33% of total) in west Pakistan, which constituted 40% of the total deposits of the bank. By 1951, the damage that the partition of the country brought on the bank had been repaired and new era of growth had begun. This was the year of Bharat Bank Merger with PNB. The universal bank limited was taken over in 1961 and the bank moved ahead registering remarkable growth. The Hindustan Commercial Bank merger came in 1986 and the bank continued its impressive growth.

Taking into account the inherent strength and financial soundness of PNB, the loss making New Bank of India was merged with PNB in September 1993. This was first ever merger of a loss making nationalized bank with a profitable nationalized bank. Further on the January 31, 2003 Nedungadi Bank Ltd. (NBL), a private sector bank based in Kerala was amalgamated with Punjab
National Bank w.e.f., February 1, 2003. Despite the adversities and hurdles it has faced in more than 100 years of its eventful existence, PNB has never looked back and always occupied a front line position among the banks and to be it is a premier banking institution in India and is moving forward with confidence and dynamism to meet the merging challenges in a proactive manner. True to its tradition PNB is committed to maintaining the highest standard of service, professional excellence and integrity. While striving to become one of the most profitable banks in the country it aims to be recognized as a socially responsible bank as well. With this corporate credo, PNB rededicates itself to the service of the nations.

3.3 **FUNCTIONS OF PNB**

The term “BANK” originally referred to an individual or organization, which acted as a money changers and exchanges one currency for another. But these days, a bank is an institution in which people keep their cash balances in the form of deposits. According Prof. Sayers, “Banks are institutions whose debts—usually referred to as ‘bank deposits’—are commonly accepted in final settlement of other people's debts”. According to banking Regulation Act 1949, “banking means the accepting for the purpose of lending or investment of deposits of money from the
public, repayable on demand or otherwise and withdrawal by cheque, drafts, order or otherwise”. Following are the main functions of PNB

(a) **Receiving deposits from public:**

An important function of PNB is to attract deposit from the public. It accepts deposits from every class and from every source and in all cases, without exception, it undertakes to repay the money, either in part or in full, in legal tender money. Deposits are of various types – Demand Deposits, Saving Deposits and Fixed Deposits.

(b) **Making Loans and Advances:**

The second major function of PNB is to make loans and advances out of the deposits of public. Direct loans and advances are given to all types of persons particularly to business and investors, against personal security, gold and silver and other movable and immovable assets. The most common way of lending is by over draft facilities.

(c) **Use of Cheque System:**

Apart from these two major functions, PNB performs a number of other useful functions to the community. It has
developed the cheque systems, under which the depositors are given the right to withdraw from their deposits any amount at their convenience by means of cheques.

(d) **Transfer of funds**:

Another function PNB is to provide facilities for transfer of funds from one part of the country to another or from one country to another. Any amount of money can be transferred cheaply through Punjab National Bank.

(e) **Other Functions**:

Other miscellaneous functions performed by PNB include -

- Lockers to keep valuable articles of customers in safe custody.

- Acting as agents for its customers to buy and sell gold and silver and securities on their behalf.

- Making and receiving payments on the behalf of its depositors,

- Issuing letter of credit and travelers cheque for the convenience of its customers,
Performing all functions, which will bring in profits?

PNB also offers Internet banking services in the country for Corporates, individuals. Internet banking services are available through all branches, which are networked under CBS. Providing 24 hours, 365 days banking right for the ATM users, internet banking offers world class banking facilities like any time access to account, complete details of transaction, and statement of accounts, information of deposits, Loans over draft account etc. PNB has recently installed on line payment facility for railway reservation through IRCTC payment Gate and online Utility Bill Payment Services which allows internet banking access to pay their telephone, mobile, electricity, insurance and other bills any time anywhere from their desk top. Another step taken by PNB in meeting the changing aspirations of its clients is launch of its debit card, which is also an ATM card. It enables the card holder to purchase goods and services and 45,000 merchant establishment across the country. ATM card can be used to withdraw cash at more than 4500 ATMs.
### 3.4 Subsidiaries

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<tr>
<th>Name</th>
<th>Year of Formation</th>
<th>Business area and prospective</th>
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<tr>
<td>PNB Capital services</td>
<td>April 12, 1988</td>
<td>SEBI Registered Bakers. Involved in syndication of loans, commercial papers, and external commercial borrowings, debentures trusteeship, advisory services and project appraisal.</td>
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<tr>
<td>PNB Housing Finance</td>
<td>November 11, 1988</td>
<td>Approved by NHB Provides Housing loans for purchase, construction and upgradation of a dwelling unit.</td>
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<tr>
<td>PNB Asset Management Company Ltd.</td>
<td>March 18, 1994</td>
<td>1. Responsible for investment decisions and day to day operation of PNB mutual funds including formulation and launch of new schemes under overall supervision, control and governance of the funds Board of Trustees. RBI authorised primary dealer. Trades in Govt. dated Securities, Treasury bills, Bonds of public sector enterprises, Govt. Guaranteed bonds, State Govt. securities. Involved in Money market operation including dealing in call/notice and term money, short-term borrowing, commercial papers and certificate of deposits.</td>
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<tr>
<td>PNB Gilts</td>
<td>March 13, 1996</td>
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