IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

A Study On Asset Turnover Ratio Of Union Bank Of India With Reference To Non-Performing Assets

Dr. Jayaben O. Songara
M.Com, SLET, Ph.D.

Abstract:

Any country's economic growth is based on having a robust and financially sound banking industry. By collecting deposits and distributing loans in accordance with the nation's socio-economic priorities, banks help the public mobilize their savings. In order for agricultural and industrial units, MSMEs, and the service sector to operate profitably and contribute to economic growth, banks and other financial institutions offer financial help in the form of advances. In India, banks are seeing a sharp rise in non-performing assets (NPAs) in the wake of the 2008 financial crisis, which is impacting their profitability and efficient operations, especially in public sector banks, which make up 70% of the banking system. Even though the Reserve Bank of India and banks have taken several initiatives to address the NPAs issue, the Indian economy is still concerned about it.

The definition of non-performing assets, different forms of NPAs, and how NPAs affect Union Bank of India's turnover ratios are all discussed in the paper. In this paper, the effect of NPAs on UBI turnover ratios will be examined.

Keywords: Non-Performing Assets, Public Sector Banks, Profitability, Assets Turnover Ratios, Economic Development.

Introduction

After India's economy was liberalized in 1991, the banking industry underwent a substantial transformation that prioritized lending and branch expansion. Banks typically lend money to clients, lengthening their cash cycle through interest or principal payments. Profitability and goodwill are impacted by non-performing assets or funds that are not producing income. With 70% of the Indian banking system being owned by public sector banks, they currently control the industry.

A strong banking industry is a crucial base for the growth of an economy, especially for emerging nations. The banking industry is also impacted by the economic crisis. The BASEL Committee on Banking Supervision created BASEL regulations with three objectives to prevent such a crisis:

1. Improve banking operations' transparency.
2. Lowering the banking industry's risk factors and
3. To ensure that banks are ready to survive the economic and financial crisis, minimum capital requirements need to be maintained.

Non-performing assets :

When performing banking operations, banks are exposed to a variety of risks, including market risk, credit risk, systematic risk, operation risk, and others. In banking operations, these risks are always taken. Banks always run the possibility of not receiving interest payments or having to write off even the principal amount when making loans to the needy. If a fund is accompanied by interest and the principal amount, it is known as an income to a bank; if it is not, it represents a loss to the bank and is referred to as "Non-Performing Assets" in the banking industry. When a period of 90 days has passed from the end of the quarter in the case of interest payments, the interest amount outstanding is considered non-performing.

Types of NPAs:

- Standard assets
- Substandard Assets
- Doubtful Assets
- Loss Assets

Review of Literature

Mohammed Arif Pasha & T. Srivenkataramana (2014) in their study titled 'Non-Performing Assets of Indian Commercial Banks: A Critical Evaluation' they came to the conclusion in their research that non-performing assets are a significant threat to the banking sector. NPA should therefore receive the utmost attention because it has a negative impact on our country's economic development.

Singh Vivek Rajbahadur (2016) the study's main focus is on non-performing assets in India's scheduled commercial banks, which comprise domestic banks as well as banks from other countries that operate in India. The author subsequently explored the conceptual framework of NPAs in PSBs and highlighted the trends of NPAs in the study, which is based on secondary data. The impact of gross advance and gross NPAs of scheduled commercial banks in India, as well as the impact of net advance and net NPAs, are examined by the author.

Madhavi, Amith Gautham, and Amith Srivatsava (2017) in their study " NPA and Stock Return Related: An Empirical Study of Back Testing Model" they concludes that NPA may not be a strong or the only criterion for judging the health of any specific bank and making an investment decision solely based on this. However, we can use NPA as a catalyst in generating positive returns as this can be used to identify and exploit the herd mentality of the crowd and the emotional impact.

Yadav Pallavi Singh (2019), in her research title 'Impact of Non-Performing Assets (NPAs) on Assets Turnover Ratios of Punjab National Bank Limited' she examined the important role of asset turnover ratio in increasing the NPAs. She is done by using secondary data. Secondary data is taken from the RBI website and Basel III disclosures. Her study about the Punjab National Bank of India.

Objectives of the Study:

1. To examine the conceptual side of Union Bank of India's non-performing assets.
2. To research the asset combination of banks.
3. To determine, evaluate, and understand Union Bank of India's asset turnover ratio.
4. To provide useful suggestions to Union Bank of India for lowering the amount of non-performing assets.

Research Methodology:

For the research, the following methodology was used:

I. Sample size of the study:

The purpose of this research is to determine the non-performing asset condition of the Union Bank of India. For this purpose, the Union Bank of India was purposefully chosen for the analysis, particularly in terms of asset turnover ratios.

2. Data collection:

The secondary data used in this study was mostly gathered from bank annual reports, bulletins, and other study-related information found in books, periodicals, and websites regarding banks. From 2018 to 2023, a five-year period was used to collect the data.

3. Limitations of the study:

- The study only made use of data over five years.
- Because this research depends on secondary data, the conclusions of an examination of the bank may change.
- Information that is readily available to the public will be used to assess the data's correctness and quality.

4. Scope of the study:

The Union Bank of India is the only entity covered by this study. 2018–19 to 2022–23 is the study's reference period. For the aim of the study, secondary data was gathered from a variety of sources, including the Reserve Bank of India and Union Bank of India Annual Reports. The current analysis illustrates the non-performing asset condition of Union Bank of India. Along with other methods including comparative statements, common size statements, trend analysis, and cash flow analysis, ratio analysis is just one tool for determining the effect of non-performing assets on a bank's financial health.

5. Analysis and interpretation of data:

Ratio analysis is the foundation for the analysis and interpretation of the study's data, and it is this analysis that uses ratios to show how well a bank is performing in relation to its asset turnover ratio. Therefore, the analysis also includes the following table:

Union Bank of India:

With a share of the government of 83.50 percent, Union Bank of India is the fifth-largest nationalized bank in India. With its main office in Mumbai, India, the Bank was founded on November 11, 1919. Union Bank of India was formed on April 1st, 2020, by the merger of Andhra Bank and Corporation Bank. The bank also has one representative office in Abu Dhabi (UAE), one banking subsidiary in London, and three foreign branches in Hong Kong, Dubai, and Sydney, as well as one representative office. The first large PSB to utilize a 100% core banking solution in India is Union Bank of India. For the last five years, this table represents the bank's assets turnover and NPA level.

Table-1 Calculation of Assets Turnover Ratios of Union Bank of India

(In crore)

Particular/year	2018-19	2019-20	2020-21	2021-22	2022-23	Average
Total Income	38541	42491.91	80104.2	80469	95376	336982.11
Current Assets	490276.5	545920.8	1064332	1180399.7	1271926.8	4552855.8
Fixed Assets	3762.3	4762.5	7343.8	7191.3	8825.6	31885.5
Total Assets	494038.8	550683.3	1071705.8	1187591	1280752.4	4584771.3
NPA	20332	31325	27281	24303	12928	116169
Total Assets (Excluding NPA)	473706.8	519358.3	1044424.8	1163288	1267824.4	4468602.3
Total Assets Turnover Ratio	0.078	0.077	0.074	0.068	0.075	0.074
Fixed Assets Turnover Ratio	10.24	8.92	10.91	11.19	10.81	10.57
Current Turnover Ratio	0.079	0.078	0.075	0.068	0.075	0.074
Total Assets Turnover Ratio (Excluding NPA)	0.081	0.082	0.077	0.069	0.075	0.075

(Source: Annual Reports of Union Bank of India)

Interpretation of Ratios :

Referring to Table 1, it can be concluded that the total income of Union Bank of Indian (UBI) has increased from ₹ 38541 crores in 2018-19 to ₹ 95376 crores in 2022-23 on an average of ₹ 336982.11crores. The value of current assets has been gained by:

Current Assets = Total Assets –Fixed Assets

The table shows the current assets of Union Bank of India has increased from ₹490276.5 crores in 2018-19 to ₹1271926.8 crores in 2022-23 on an average of ₹ 4552855.8 crores. The fixed assets have increased during the period 2018-19 to 2020-21which is ₹ 3762.3 crores to ₹ 7343.8 crores respectively, shows a fall of 152.5 crore ₹ s in period 2021-22 which is ₹ 7191.3 crores . Then it has incresed in 2022-23 by ₹8825.6 on an average of ₹ 31885.5 crores.

The total assets have increases during the period 2018-19 to 2022-23 which is ₹ 494038.8 crores to ₹ 1280752.4 crores respectively on an average of ₹ 4583771.3 crores. The non-performing assets have hugely increased during the 2019-20 which is ₹10993 crores to ₹ 20332 crores, after that, it decreased by ₹ 4044 crores in period 2020-21 which is ₹ 27281 crores. Again it decreased by ₹ 24303 crores in period 2021-22 and ₹12928 crores in 2022-23 on an average of ₹ 116169 crores.The total assets (excluding NPA) has been calculated by:

Total Assets (Excluding NPA) = Total Assets – NPA

The table shows total assets (excluding NPAs) of UBI has increased from ₹ 473706.8 crores in 2018-19 to ₹ 1267824.4 crores in 2022-23 on an average of ₹ 4468602.3 crores. The value of total assets turnover ratio is calculated by the following formula:

Total Assets Turnover Ratio = Total Income/ Total Assets

The table reveals that total assets turnover ratio indicates the proportion of total income to total assets turnover ratio and the bank is having decreased trend of total assets turnover ratio during the year 2018-19 to 2021-22 after that it shows increased in 2022-23 by 0.075 .The amount of fixed assets turnover ratio is calculated by the following formula:

Fixed Assets Turnover Ratio = Total Income / Fixed Assets

The table reveals that the fixed assets ratio shows that proportion of total income to fixed assets and the bank is having a mixed trend of fixed assets turnover ratio during the study period. It was highest in the year 2021-22 by 11.19 .The current assets turnover ratio is calculated by the following formula:

Current Assets Turnover Ratio = Total Income / Current Assets

The table states that the current assets ratio reveals the proportion of total income to current assets and the bank is having a decreased trend of current assets turnover ratio during the year 2018-19 to 2021-22 after that it shows an increase in 2022-23.

The value of total assets turnover ratio (Excluding NPAs) is calculated by the following formula:

Total Assets Turnover Ratio (Excluding NPA) = Total Income/ Total Assets (Excluding NPA)

The table indicates that the total assets turnover ratio (excluding NPA) states the proportion of total income to total assets turnover ratio (excluding NPA) and the bank has a mixed trend of total assets turnover ratio (excluding NPAs) during the study period.

Conclusions:

According to the report, Union Bank of India has had inconsistent performance, with significant non-performing assets limiting its ability to extend credit and lowering interest revenue. This reduces revenue growth and could cause an economic recession. The strong correlation between bank assets and non-performing assets points to poor loan management, possibly as a result of poor customer selection and weak background checks.

The banking sector has a big impact on a country's economic growth, especially in developing nations like India. Banks take deposits and lend money to businesses with problems; the effectiveness of their loan management is essential to their success. Non-performing assets fluctuate in value, which affects overall revenue, the nature of assets, and bank turnover. Banks must carry out background checks, reclaim stalled loans, and implement stringent procedures for big borrowers if they want to lower NPAs. Despite the difficulty for small borrowers, banks require stringent standards and an improved credit appraisal system to recover stalled debts.

Suggestions:

To ensure that interest payments are made on schedule, Union Bank of India should carry out pre-sanctioning assessments, background checks, debt-to-equity ratio calculations, and post-disbursement controls.

For the recovery of non-performing assets of bank, they may use recovery camps, preference of claims such as ECGC, Credit Guarantee Fund Trust for Small Industries, etc., compromise proposals, assets reconstruction companies, corporate debt restructuring, technical write-offs, one-time settlement schemes, suit filling such as arrest of defendants, decree copy, execution of decrees, etc., circulation of information about defaulters, debt recovery tribunals, Lok Adalts, and securitization acts.

References:

1. Annual Report for the year 2009-10 onwards | Union Bank of India
2. www.rbi.org.in
3. www.moneycontrol.com
4. C. R. Kothari (2004), Research Methodology, New Age International (P) Limited, p. 121-145.
5. Mohammed Arif Pasha & T. Srivenkataramana (2014) “Non-Performing Assets of Indian Commercial Banks: A Critical Evaluation” an international Journal from M P birla Institute of Management, Associate Bhartiya Vidhya Bhavan, Banglore vol. 8, #(2014) pp 3-9, ISSN 0974-0082
6. Vivek Rajbahadur Singh (2016),A Study of Non-Performing Assets of Commercial Banks and It’s Recovery in India,Annual Research Journal of SCMS, Pune, Vol. 4, p.110-125.
7. Madhavi, Amith Gautham, and Amith srivatsava(2017) ,NPA and Stock Return Related: An Empirical Study of Back Testing Model, PURSHARTHA Vol X .1, March-August-2017.
8. Pallavi Singh Yadav(2019) “Impact of Non-Performing Assets (NPAs) on Assets Turnover Ratios of Punjab National Bank Limited ” Think India Journal,Vol-22-Issue-14-December-2019, ISSN:0971-1260, pp.693-709.