

A STUDY OF UCO BANK THROUGH NPA AND ITS EFFECT IN BANKING SECTOR IN INDIA

Dr. Md. Juber*

ABSTRACT

Finance and banking are the lifeblood of trade, commerce and industry. Nowadays, the banking sector acts as the backbone of modern business. The development of any country depends mainly on the banking system. Banking is one of the most important and important parts of human life. In today's fast paced lifestyle, people cannot make the right changes without developing the right banking network. The performance of the banking-sector is perhaps more closely linked to the economy than any other sector. The banking sector plays an important role in shaping the capital of the country but there are various obstacles in the continuous flow of growth of any commercial bank such as risk management, efficiency and productivity in the functioning of the bank, maintaining the loan portfolio etc. Apart from these, there is a big challenge for the commercial bank to function better which is about the non-performing assets of the bank. Making loans is not a big deal for a bank but recovering these loans is a major concern for a commercial bank. This paper identifies UCO Bank's non-performing assets.

Keywords: Banking Sector, Commercial Bank, UCO Bank, Non-Performing Assets (NPA).

Introduction

The banking sector has been undergoing a complex but comprehensive restructuring phase since 1991, with the goal of making it stable, efficient, as well as strengthening with the real sector to promote savings, investment and growth. Get in touch with although the performance of banking-sector is not expected to change completely until the reforms are completed, some indicators are showing signs of improvement under the CAMEL framework. The bank needs to increase capital adequacy, strengthen asset quality, improve management, increase revenue and reduce sensitivity to various financial risks. UCO Bank, formerly known as United Commercial Bank, is one of the leading commercial banks in India. Founded in Kolkata in 1943, UCO Bank is one of the oldest banks in India. It was Ghanshyam Das Birla, a prominent Indian industrialist who thought of setting up a commercial bank with Indian capital and management during the Quit India Movement of 1942. United Commercial Bank was the result of this idea. It was nationalized on July 19th, 1969, along with 13 others. Currently, UCO Bank has around 2,000 service units spread across the country. It also has two overseas branches in Hong Kong and Singapore. UCO Bank has a presence in all sectors of economy, including-industry, agriculture, infrastructure, services and trade and commerce. It serves as a trusted and commendable financial-institution as well as a highly sought-after destination for customers and investors. UCO Bank has a large number of service-units (around 2000) throughout the country and abroad. These consist of specialized and computerized-branches. There are also arrangements for its representatives / agencies all over the world. UCO Bank also conducts foreign exchange business with 4 foreign exchanges dealing operations centres in more-than fifty centres across the country.

* University Department of Commerce & Business Administration, T.M. Bhagalpur University, Bhagalpur, Bihar, India.

With the growth and development of the economy, the importance of the banking system has increased and the role of banks in these growth and development processes is inevitable. After Commercial Bank since 1969. Therefore, the RBI issued instructions based on the recommendations of the Narshamham Committee that every commercial bank has to be very punctual in lending and more importantly it has to deposit the loan amount which is the recovery of the loan. Considering the RBI's recommendation, the NPA ratio has come down to 3.6% in 2013. However, the NPA issue has not been resolved together.

Review of Literature

Banerjee et al. (2018), reviewed the status of aggregate NPAs and net NPAs in private sector banks & public sector banks to study their impact on asset quality of banks. Deliberate debt breakdowns, poor debt management policies, approval of loans without analysing the borrower's risk-bearing capacity, are the main reasons for stacking NPAs. Banks should also focus on formulating and implementing better strategies. Stricter government regulations could help lower NPA levels.

Chalam, G.V. (2017), The paper seeks to study NPA trends in the Indian banking sector, particularly sector-wise, and identifies the causes and consequences of NPAs and establishes sound control and feedback mechanisms on banking operations.

Singh, V.R. (2016), The article highlights the status and trend of NPAs in Indian Scheduled Commercial Bank, factors contributing to NPAs, reasons for high impact of NPAs and ways to recover NPAs through various channels. - He observed that the NPA limit in public sector banks is relatively high, though the government has taken various steps to reduce NPAs.

Sharifi, O. and Akter, J. (2016), Highlighted the N profit trends, status and impact of public sector banks over a period of seven years (2009-2015) and found that NPAs had a negative impact on the financial performance of public sector banks during the study period.

Manek (2015), this study emphasized "NPAs Analysis of UCO Bank". These articles examine the obstacles of the banking system in the continuous flow of risk management, efficiency and productivity in the functioning of any commercial bank such as a bank loan portfolio etc. But apart from these there is a huge challenge for the better functioning of the commercial bank which is about the NPAs of the bank. This article identifies UCO Bank's non-performing assets for the period 2009-10 to 2013-14. Here is a detailed study for the purpose of finding UCO Bank's NPA with detailed statistics and advice to reduce the NPA of a particular bank.

Srinivas K T (2013) *revealed that* financial services or products can be provided to the weaker sections at cheaper rates when public sector banks take the right steps to reduce NPAs in both preferential and non-preferential sectors.

Anshu Bansal (2012) "Reducing debt default time is a good step to reduce NPAs and as a result improves the quality of banks' assets," he said.

Bakshi (1998) in his article, "NPAs Management in Banks" stated that there was a well-being code-system that classified assets in 1998 but this principle was not very effective. The RBI introduced prudent principles for regulating NPAs, including asset classification, income identification and supply criteria. Both net NPAs and gross NPAs decrease after the introduction of normal NPAs. Controlling the supply of money and credit.

Objective of the Study

- To Study the reasons for banks NPAs.
- To study the impact on the performance of UCO Bank.
- To analysing UCO Bank's NPAs.

Research Methodology

Numerous studies and documents have been reviewed and analysed. This is a detailed written paper. This study was prepared with the help of secondary data. The main sources of secondary data are collected from books, journals and research articles and various online sites that provide study-related information.

Causes for Creation of Non-Performing Assets

- **External Causes:** Natural disasters and climatic conditions, recession, change in government policies, change in economic conditions, industry related issues, effects of liberalization on industries, technical issues.

- **Internal Causes:** Internal defaulters, faculty projects, most project reports are ground realities, proper liaison, product pricing, etc., Increasing pressure for sanctions, unavailability of banker professionalism and assessment standards, non-compliance with the system, non-insistence on procedures and guarantees, etc.

NPAs: Effect on the Performance of Banks

A large percentage of NPAs has a detrimental effect on bank profits in a number of ways.

- As a result, interest income is lower.
- They consume current profits through supply needs.
- This eliminates the capital base and reduces their competitiveness.
- The decline in profits affects variables such as the ratio of capital to risk weighted assets (CRAR and cost).

Referring to the Committee on Banking Sector Reforms (Narasimham Committee II, 1998) "NPAs are a actual economic-cost to nation as they use scarce-capital and credit-funds for non-productive use. The money deposited is not available for productive use to the extent that the bank wants to make arrangements for NPAs or terminates it. This is a charge on their profits, NPAs, in short, for banks It's not just a problem. They're bad for the economy."

Analysis of the Impact of NPA on the Performance of UCO Bank

Paragraph 5A (b) states that the term of securities of SARC should not exceed 6 years, is not mandatory (making unconditional payments, not related to recovery of assets through SARC), and for this it is necessary to have a minimum rate. Bank Rate with an interest rate of plus150 bps in addition to the bank rate will take this to mean that zero coupon bonds cannot be issued through SARC. At the same time, bonds / debentures should not be subordinated, as one cannot be satisfied with an unsuitable tool to 'redeem' in an unsuitable way. Apparently, this requirement applies in the case of bonds and debentures, but it would be ridiculous to think that in the case of bonds and debentures, what is clearly imposed by the RBI should be left out in form of a pass-certificate.

ARCs are not money banks; they are not financial centres. They are a tool of recovery. Without bringing in foreign investors, there is no way ARC can finance its acquisition externally. Such foreign investors are unlikely to be subject to transfer banks, as they do not make commercial sense. Therefore, start-up banks have no choice but to be subject to their bonds / debentures. Since the RBI guidelines clearly state that debentures cannot have legal final maturity for more than 6 years, and must be paid in cash, the only way out would be if the asset Failure to pay in full will lead to ARC bankruptcy and it will be very difficult to expect full pay within 6 years

To analyze the impact of NPA on the performance of the UCO Bank in terms of Profitability, Liquidity and Involvement of Management (IM) under this study from 2018-19 to 2019-20, we have taken gross NPA as independent variables; on the other hand, bank's performance indicators such as Profitability, Liquidity and Involvement of Management (IM) are taken as dependent variables.

Table 1: Sector Wise Advances of UCO Bank

Sl. No.	Sector	Current Year 2019-20			Previous Year 2018-19		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
A 1	Priority Sector (Including RIDF) Agriculture and allied activities	16818.44	4385.42	26.08	21197.49	4479.75	21.13
2	Advances to industries sector eligible as priority sector lending	1860.94	651.61	35.02	2540.34	682.62	26.87
3	Services	18124.64	2207.93	12.18	16411.65	2199.46	13.40
4	Personal Loans	900.86	129.41	14.37	10482.92	507.19	4.84
	Sub-total (A)	37704.08	7374.37	19.56	50632.40	7869.02	15.54

B	<i>Non-Priority Sector</i>	0	0	0	0	0	0
1	Agriculture and allied activities						
2	Industry	19210.7	6877.78	35.80	31857.30	18179.93	57.07
3	Services	2885.57	161.49	5.60	3262.64	102.76	3.15
4	Personal Loans	12727.15	1027.17	8.07	10633.66	499.35	4.70
5	Others	42433.15	3841.14	9.05	22187.01	3237.27	14.59
	Sub-total (B)						
	Total (A+B)	114961.45	19281.95	16.77	119573.01	29888.33	25.00

Source: UCO Bank Annual Report 2019-20

Table 2: Movement of UCO Bank NPAs

Non-Performing Assets (Particulars)	2019-20	2018-19
• Gross NPAs as on 01.04.2019 (Opening Balance)	29888.33	30549.92
• Additional (Fresh NPAs) during the year plus Exchange Difference	6118.08	9027.16
	63.30	55.28
Sub Total (A)	36069.71	39632.36
• Less:	1592.39	2332.20
▪ Upgradations		
▪ Recoveries	2716.28	2991.52
▪ Technical/Prudential Write-offs	11496.57	3433.19
▪ Write-off other than those under (iii) above	982.52	987.12
Sub Total (B)	16787.76	9744.03
▪ Gross NPAs as on 31 st March 2020 (Closing Balance) (A-B)	19281.95	29888.33

Source: UCO Bank Annual Report 2019-20

Table 3: Details of Technical/Prudential Written-Off Accounts of UCO Bank

Technical Write-off and Recoveries (Particulars)	2019-20	2018-19
Opening Balance of technical/Prudential written off accounts as at 01.04.2019	8598.76	5915.11
Add:	11496.57	3433.19
• Technical/Prudential write-off during the year		
• Addition to Old accounts	193.75	17.60
(A) Sub-total	20289.08	9365.90
Less:	1668.20	767.14
(B) Recoveries made from previously technical/prudential written-off accounts during the year		
Closing Balance as at 31.03.2020	18620.88	8598.76

Source: UCO Bank Annual Report 2019-20

After analysis all these tables shows that Non-Performing Assets has improved to some extent but still needs to implement ARC and AMC properly to speed up recovery. We see the UCO Bank performance summary its better than earlier and the table 1.1 to 1.3& shows the betterment condition of UCO Bank and situation of NPAs is under control. The ARCs and SARCs have been worked very dynamic way of NPAs Recovery and time to time RBI guidelines improve the Bank's NPAs in our country. This betterment condition of Banks is sign of sustainable growth of Indian economy.

Conclusion

Inefficient assets created a major problem not only for the Indian banking sector but also for the economy. This study shows that the amount withheld in UCO Bank's NPAs is very high and adversely affects profitability, liquidity and management involvement. The bank should take timely action against the malfunction of performing assets. The recovery performance is also unsatisfactory. The bank management should expedite the recovery and upgradation process and make efforts to handle and reduce NPAs. The government should take some steps and make further arrangements against the defaulters for speedy resolution of pending cases. The performance of banking-system is proving to be an important one but the problem of NPAs is a serious note for any bank. Here in this research paper, we have observed UCO Bank's NPAs from 2018 to 2020 under which the situation was bad for the first two years but last year 2018 saw an improvement as the percentage of net and gross NPAs decreased. This is a good sign for a UCO Bank. This paper presents the search, reasons and dynamics of UCO Bank's NPAs, which reflects the overall betterment condition of UCO Bank and situation of NPAs is under control.

References

1. Dr. BiswanathSukul (2017), "Non-Performing Assets (NPAs): A Comparative Analysis of Selected Private Sector Banks", International Journal of Humanities and Social Science Invention
2. D. Jayakoddi and Dr. P. Rengarajan (2016), "A Study on Non- performing Assets of selected public and private sector banks in India" Intercontinental Journal of Finance Research Review
3. Dr. D. Ganesan & R. Santhana Krishnan (2013), "Non-Performing Assets: A Study of State Bank of India" Asia Pacific Journal of Research
4. Limbore N. V, &Nalkol A. P (2013), "A study of effectiveness and prospects of E-tailing with special reference to Baramati Region", AJMS, Vol. I, Issue 5
5. Statistical Tables relating to Banks in India, Vari Hemal Pandya (2011), Corporate Governance Structures and Financial Performance of Selected Indian Banks, Journal of Management & Public Policy, Vol. 2, No. 2
6. Ram Pratap Sinha (2008), Ownership and Efficiency: A Non-Radial Bilateral Performance Comparison of Indian Commercial Banks, The ICAI University Journal of Managerial Economics, Vol. VI, No. 4
7. Shiralashetu, A.S. and Akash, S. B. (2006). Management of non-performing assets in commercial banks-some issues", Banking and finance.
8. Bidani, S. N. (2002). Managing Non-performing Assets in Banks, Vision Books Publications.
9. NPA Reduction: The New „Mantra“ of Slippage Management IBA Bulletin, 22.10 (October 2000).
10. Sreedharan, M. (1996), "The Indian Banking Industry's Dilemma", Express Investment Week, 6.51
11. Annual Reports of UCO Bank 2018-19
12. Annual Reports of UCO Bank 2019-20.

