



Non-Performing Assets: A Study of UCO Bank

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ABSTRACT

Banks play an important role in the economic development of a country. Banks are growth-driver and the banking business is exposed to various risks, such as credit risk, liquidity risk, interest risk, market risk, operational risk and management risk. The sound financial position of a bank depends upon the recovery of loans or its level of Non-performing assets (NPAs). Reduced NPAs generally give the impression that banks have strengthened their credit appraisal processes over the years and growth in NPAs involves the necessity of provisions, which bring down the overall profitability of banks. The Indian banking sector is facing a serious problem of NPA. To improve the efficiency and profitability of banks the NPA needs to be reduced and controlled. In this paper, an effort has been made to evaluate the non-performance assets of the Uco bank since 2010-11.

KEYWORDS

NPA

1. INTRODUCTION

Non-performing Assets are threatening the stability and demolishing bank's profitability through a loss of interest income, write-off of the principal loan amount itself. RBI issued guidelines in 1993 based on recommendations of the Narasimham Committee that mandated identification and reduction of NPAs be treated as a national priority because the level of NPA acts as an indicator showing the bankers' credit risks and efficiency of allocation of resource. The financial reforms helped largely to clean NPA in the Indian banking industry. The earning capacity and profitability of the bank are highly affected due to this NPA.

2. OBJECTIVES OF THE STUDY The present study has the following objectives:

1. To study the sources and deployment of funds of UCO Bank.
2. To study gross NPA of UCO for the year 210-11 to 2014-15
3. To study net NPA of UCO for the year 2010-11 to 2014-15

3. ASSET CLASSIFICATION CATEGORIES OF NPAS

Standard assets:

Standard assets are the ones in which the bank is receiving interest as well as the principal amount of the loan regularly from the customer. Here it is also very important that in this case the arrears of interest and the principal amount of loan do not exceed 90 days at the end of financial year. If asset fails to be in category of standard asset that is amount due more than 90 days then it is NPA and NPAs are further needed to classify in sub categories. Banks are required to classify non-performing assets further into the following three categories based on the period for which the asset has remained non-performing and the reliability of the dues:

(1) Sub-Standard Assets

With effect from 31 March 2005, a sub standard asset would be one, which has remained NPA for a period less than or equal to 12 months. The following features are exhibited by sub standard assets: the current net worth of the borrowers / guarantor or the current market value of

the security charged is not enough to ensure recovery of the dues to the banks in full; and the asset has well-defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.

(2) Doubtful Assets

A loan classified as doubtful has all the weaknesses inherent in assets that were classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, – on the basis of currently known facts, conditions and values – highly questionable and improbable. With effect from March 31, 2005, an asset would be classified as doubtful if it remained in the sub-standard category for 12 months.

(3) Loss Assets

A loss asset is one which is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted- although there may be some salvage or recovery value. Also, these assets would have been identified as „loss assets“ by the bank or internal or external auditors or the RBI inspection but the amount would not have been written-off wholly.

4. SOURCES OF DATA

The collection of data is based on secondary source. Secondary information has been collected through annual reports of Uco Bank. In addition various journals, magazines, articles, books, published and unpublished documents have also been considered in the research work.

5. REFERENCE YEAR

The period of study was 5 years i.e. 2010-11 to 2014-15.

6. DATA ANALYSIS

SOURCES OF WORKING FUNDS

The UCO bank derives its working fund from Share capitals and reserves, Deposits from the public and other institutions and Borrowings and refinancing. The optimum size of working funds and bank's efficiency in strategically applying the funds has a long term impact on the volume of business. It is extremely desirable for the bank to manage the working funds prudently in such a way as to maintain the cost of total working funds at the optimum level. It is obvious that higher income earned at lower cost ensures profitability.

Table 1 Sources of Working Funds (Rs. Crore)

Year	Share Capital		Reserves & Surplus		Deposits		Borrowings		Other Liabilities & Provisions		Total		Trend on Working funds
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	
2010-11	2450.52	1.5	4968.70	3.04	145277.60	88.91	5474.77	3.35	5226.86	3.20	163398.45	100	100
2011-12	2487.71	1.37	6125.72	3.39	154003.49	85.32	12901.42	7.14	4980.05	2.76	180498.40	100	110.47
2012-13	2575.63	1.3	7106.79	3.58	173431.05	87.30	9492.43	4.78	6045.51	3.04	198651.40	100	121.57
2013-14	1014.71	0.42	10211.58	4.27	199533.55	83.44	20718.24	8.67	7646.68	3.2	239124.75	100	146.34
2014-15	1075.59	0.44	11473.36	4.67	214336.71	87.16	10252.54	4.17	8778.71	3.57	245916.91	100	150.50

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The sources of working funds of bank are shown in Table 1 shows that the proportion of share capital to the working funds decreased from 1.5 in 2010-11 to 0.44 in 2014-15. The amount of share capital in relation to total working funds decreased from 2450.52 crore in 2010-11 to 1075.59 crore in 2014-15. The reserves and surplus, has gone up from Rs. 4968.70 crores to Rs. 11473.36 crores. Similarly deposits of bank registered an increase from Rs. 145277.60 crores in 2010-11 to Rs. 214336.71 crores in 2014-15. However, the proportion share of deposits to working funds shows a small decline during the study period. The proportion of borrowings shown fluctuating trend during the study period. On the whole the average show that deposits is the single major source of working fund.

DEPLOYMENT OF WORKING FUNDS

Table 2 displays the deployment to working funds of Uco Bank. A close observation of the table reveals that cash balance with RBI to total assets stands at 6.37 per cent in 2010-11 which is decreased upto 3.36% in 2014-15. The other assets work out to 2.5 per cent for the whole study period on an average basis. Fixed assets constitute only 0.44 per cent on an average. Since UCO Bank's major areas of deployment include loans and advances and investments, as they should be any banking concern. The loans and advances to total assets on an average stand at 62.33 percent while investments to total assets are 26.83 per cent on an average. It can be concluded from the analysis of this table that UCO bank has been managing its working funds very prudently.

Table 2 Deployment of Working Funds (Rs. Crore)

Year	Cash and Balance with RBI		Balance with Banks and Money at call and Short Notice		Investments		Advances		Fixed Assets		Other Assets		Total		Trend on Working funds
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	
2010-11	10404.03	6.37	6576.41	4.02	42927.28	26.27	99070.81	60.63	738.87	0.45	3681.05	2.25	163398.45	100	100
2011-12	7811.53	4.32	5792.16	3.20	45771.50	25.36	115540.01	64.01	804.75	0.45	4778.46	2.65	180498.40	100	110.47
2012-13	5705.36	2.87	6638.75	3.34	52244.90	26.3	128282.86	64.58	887.59	0.44	4889.93	2.46	198651.40	100	121.57
2013-14	8049.21	3.37	6962.80	2.91	67451.69	28.21	149584.21	62.55	1061.76	0.44	6015.08	2.5	239124.75	100	146.34
2014-15	8267.52	3.36	13901.45	5.65	68859.43	28	147350.43	59.92	1114.00	0.45	6423.64	2.61	245916.91	100	150.50

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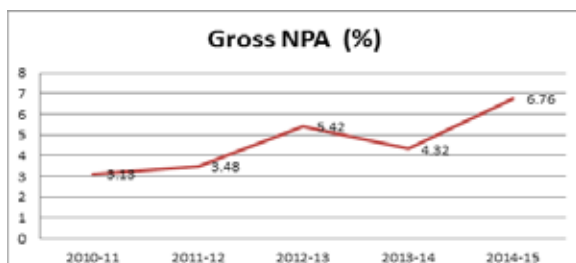
NPAS IN RELATION TO ADVANCES The performance of UCO Bank in gross NPAs and NPAs has been depicted in the Table 3

Table 3 Gross NPAs and Net NPAs (Rs. In Lakh)

Year	Gross NPA		Net NPA	
	Rs.	%	Rs.	%
2010-11	315036	3.13	182455	1.84
2011-12	408620	3.48	226394	1.96
2012-13	713009	5.42	406931	3.17
2013-14	662137	4.32	355643	2.38
2014-15	1026505	6.76	633058	4.30

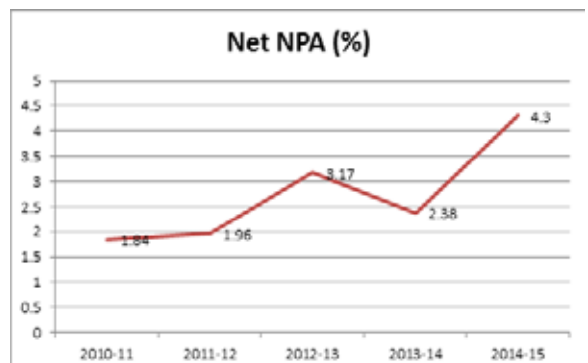
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Chart 1 Gross NPA(%)



Above chart shows that Gross N.P.A.(%) from the year 2010-11 to 2014-15. It is clear from the above table that Gross NPA in terms of % has increased from 2010-11 to 2012-13 and has decreased marginally in 2013-14 and again increased in 2014-15. It was 3.13% in 2010-11 while it was 6.76 % in 2014-15 while it decreased to 4.32% in 2013-14.

Chart 2 Net NPA (%)



Above table shows that Net N.P.A.(%) from the year 2010-11 to 2014-15. It is clear from the above table that Net NPA has increased from 2010-11 to 2012-13 and has fallen in 2013-14. It was 1.84% in 2010-11 and has increased to 3.17% in 2012-13 while decreased to 2.38% in 2013-14 and increased to 4.3%.

7. FINDING

1. Deposits is the single major source of working fund.
2. Major areas of deployment include loans and advances and Investments.
3. Gross and Net NPA both have shown fluctuating trend in terms of rupees and percentage.

8. CONCLUSION

The performance of banking system is proving an important one but the problem of NPA,s is serious note for any bank.

Uco bank has shown fluctuating trend. In the year 2010-11 percentage of Gross NPA to total advances was 3.13% which increased to 6.76% in 2014-15 and percentage of net NPA was 1.84% in 2010-11 increased to 4.3% in 2014-15.

9. REFERENCES:

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