
PROFITABILITY AND RETURNS IN INDIAN BANKING AT UNION BANK OF INDIA

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ABSTRACT: The research on profitability and returns in Indian banking seeks to assess the efficiency and financial performance of Union Bank of India, one of the country's leading public sector banks. The study examines key financial ratios throughout time, such as net profit, return on assets (ROA), return on equity (ROE), and others, to assess the bank's ability to generate profits relative to its resources. Through an examination of revenue, expenditure, and operational efficiency trends, the study highlights factors that influence profitability, including interest income, non-performing assets (NPAs), and cost management strategies. Competitive pressures, economic volatility, and regulatory constraints all have an impact on the bank's financial outcomes, which are taken into consideration in the research. The findings shed light on the long-term profitability of Union Bank of India, which is useful for stakeholders, investors, and lawmakers in determining how to best allocate resources to maximize profits. In sum, the research shows that returns and profitability are key performance indicators for the Indian banking sector.

Keywords: *Profitability Analysis, Returns in Banking, Union Bank of India, Return on Assets (ROA), Return on Equity (ROE), Net Profit*,

1. INTRODUCTION

Profitability and returns are indicators of a bank's health and well-run operations. Profitability is the ability of an Indian bank to make money from its major business activities while keeping running costs low and offering value to its owners. In order to assess performance across various client bases, regulatory frameworks, and business models, profitability is a crucial notion in this industry, which includes public, private, and multinational banks. An emphasis on both making money and making sure things will last has an impact on investor confidence and economic stability. The profits that an Indian bank's depositors and stockholders receive from its activities are known as returns. They are closely related to earning money. Metrics like Return on Equity (ROE) and Return on Assets (ROA) are commonly used to assess how well banks convert resources into profit. Profitability in India is influenced by a number of factors, including market competition, regulatory restrictions, interest rate volatility, and loan quality. Higher returns from effective resource usage and risk management result in easier access to finance and economic expansion.

Profitability and returns are impacted by the opportunities and difficulties unique to the Indian banking sector. Earnings are impacted by elements like digitization, borrowing costs, regulatory compliance, and non-performing assets (NPAs). Higher profits and returns could result from economic growth, technical development, and increased access to financial services. Since they offer insightful information about a company's sustainability, financial

health, and operational strategy, profitability and returns are crucial metrics for stakeholders, legislators, and investors to take into account.

2. LITERATURE SURVEY

Nayak, S. (2025) Indian banks would earn less in FY26 after a successful FY25, according to India Ratings. Most of the predicted reduction is due to more people not paying back unsecured loans, especially small company and personal credit loans. Since borrowing costs are rising, net interest margins may fall more. Loan growth will likely be 13%–13.5% and savings growth 12%–13%. The fight for low-cost savings is heated among financial institutions. Operations will remain expensive due to digital technology investments and compliance. Banks are likewise preparing for global financial market shifts. Selective loans and risk management will be crucial, say analysts. Public sector banks may have many NPAs. However, private banks should increase steadily. The study shows how capital adequacy protects against loan losses.

Kumar, R. (2024) The study examines how Corporate Social Responsibility (CSR) activities affect the profits of four major Indian banks: ICICI, SBI, PNB, and HDFC. The study examines how corporate social responsibility projects affect brand profitability, cost-effectiveness, and value. It also illustrates that successful CSR programs can boost long-term profits. The paper discusses healthcare, education, and environmental measures that boost the economy and society. Statistics show that CSR spending improves ROA and ROE. CSR is seen as a tool to improve image, retain consumers, and satisfy employees. The report emphasizes excellent government and openness for corporate social responsibility to work. Banks make more money when CSR is a priority. The inquiry also examines how regulations affect business social responsibility investments. The study found that corporate social responsibility (CSR) can benefit the Indian banking sector and society. CSR outcomes should be reviewed often to maximize their value.

Patel, M. (2023) The report emphasizes the need for competent CEOs in Indian banks to handle economic and managerial issues. It advises public and private organizations on leadership development. The study found that excellent leadership improves bank efficiency, reduces risks, and improves decision-making. This article discusses how leaders may contribute to digital change and foster creativity. Good leadership increases profits, employee engagement, and customer satisfaction. The study emphasizes planning for future issues like market volatility and regulatory changes. It also examines successful resilient leadership cases. Strategic projects include skill development, future planning, and governance improvement. Leaders should balance short-term financial and long-term sustainability goals. The study found that company culture affects earnings. It claims good leadership reduces risks and maximizes growth. Last but not least, it proposes leadership systems to assist institutions make money in a changing world.

Sharma, P. (2022) Indian bank profitability and business efficiency are the focus of this study. Its effectiveness is measured by the cost-to-income ratio, return on assets (ROA), and net interest margin (NIM). The findings show that more efficient processes boost earnings and financial performance. The study reveals that private banks run their companies better than state banks. New technology, labor productivity, and process efficiency can all affect

efficiency. The study found that efficiency reduces running costs while maintaining service. How successfully banks conduct their companies shows they can adjust to economic developments. The study found that efficiency affects corporate profitability and non-interest revenue. It suggests automating chores and leveraging digital banking to streamline operations. Good government and management abilities are also stressed. Long-term profitability depends on operational efficacy, according to the study. Regular process evaluation and best practices are advised.

Mehta, A. (2021) This article discusses Indian institutions' six-year profit growth. NPAs falling indicates that risk management and regulation are effective. Public and private banks perform differently, with private banks producing more money. The company's finances have improved by employing new technology, decreasing costs, and creating new revenue streams. The study found that regulatory reforms such as speedier remedial procedures strengthened balance sheets. Fewer bank failures are due to greater asset and loan quality monitoring. Cross-selling financial products and charging fees are growing revenue streams. The essay emphasizes capital adequacy for long-term growth. Leadership and government plans are crucial for effective operations. It discusses fiscal aid like low interest rates and stable GDP growth. The report predicts stable and successful Indian banks in the future.

3. MEASURE PROFITABILITY

In order to conduct a comprehensive analysis, you must be familiar with all the various methods for determining profitability. Common methods for determining profitability include the following:

Gross Profit Margin

When sales are deducted from COGS, the resulting amount is the gross profit margin. You can locate it by

$$\frac{(\text{Sales} - \text{COGS})}{\text{Sales}}$$

After deducting manufacturing costs, a larger profit allows the corporation to retain a larger portion of the money it earns. Margin calls in the single digits for capital-intensive industries like uranium mining and auto manufacturing. However, at about 100%, the gross profit margins are highest in the banking and financial services industry.

Operating Profit Margin

Operating profit margin, a measure of a company's ability to control its primary expenses, can be calculated in this way.

$$\frac{\text{Operating Income}}{\text{Revenue}}$$

If your margin is large, it indicates that you have a firm grasp on your operational expenses.

Net Profit Margin

The net profit margin is the amount remaining after deducting all expenses, including taxes and interest.

$$\frac{\text{Net Income}}{\text{Revenue}}$$

Profitability is measured by the size of a company's margin.

Return on Assets (ROA)

This is the formula for Return on Assets (ROA), a metric that indicates how efficiently a company turns its assets into profit.

Net Income / Total Assets

An increase in ROA indicates that resources are being put to better use.

Return on Equity (ROE)

One way to measure a company's profitability is by looking at its return on equity (ROE).

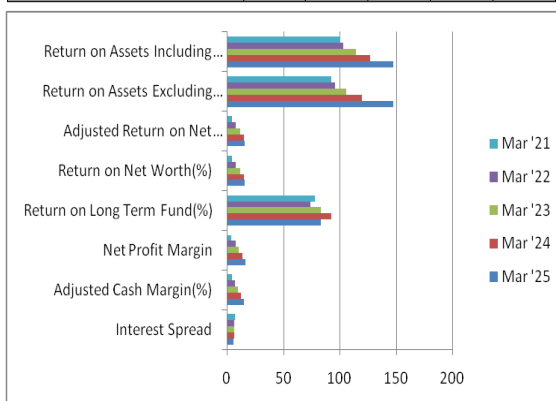
Net Income / Shareholders' Equity

The efficient utilization of invested capital is demonstrated by a high return on equity (ROE).

4. RESULTS AND INTERPRETATION

Profitability Ratios

Profitability Ratios	Mar '25	Mar '24	Mar '23	Mar '22	Mar '21
Interest Spread	6.02	6.39	6.46	6.57	7.12
Adjusted Cash Margin(%)	14.94	12.54	9.61	7.41	4.74
Net Profit Margin	16.69	13.67	10.44	7.7	4.22
Return on Long Term Fund(%)	83.19	92.67	83.26	74.04	78.01
Return on Net Worth(%)	15.92	14.94	11.68	7.94	4.87
Adjusted Return on Net Worth(%)	15.92	14.94	11.68	7.94	4.87
Return on Assets Excluding Revaluations	148	119.63	105.64	96.3	92.99
Return on Assets Including Revaluations	148	127.03	114.61	103.26	100.64



INTERPRETATION: Over the last five years, Union Bank of India has steadily improved its profitability metrics. Improved revenue generation and more efficient operations have been gradually increasing the net profit margin and adjusted cash margin. Buyers saw a greater return on their investment in 2025, with the return on net worth increasing from 4.87% in 2021 to 15.92%. Although the interest spread has decreased slightly, returns on assets and long-term funds demonstrate that overall profitability has significantly improved over time. The bank is now maximizing its profits and minimizing its losses as a result of this.

STANDALONE PROFIT & LOSS ACCOUNT

Standalone Profit & Loss account	Mar '25	Mar '24	Mar '23	Mar '22	Mar '21
INCOME					
Interest / Discount on Advances / Bills	79,066.91	71,971.03	56,760.14	45,235.50	45,765.84
Income from Investments	23,184.19	22,467.43	21,355.04	19,942.84	20,573.70
Interest on Balance with RBI and Other Inter-Bank funds	5,088.37	4,854.86	2,116.84	2,140.83	2,113.22
Others	386.5	484.64	511.32	624.79	314.58
Total Interest Earned	1,07,725.97	99,777.96	80,743.34	67,943.95	68,767.33
Other Income	19,812.91	16,080.19	14,633.15	12,524.82	11,336.85
Total Income	1,27,538.89	1,15,858.15	95,376.49	80,468.77	80,104.19
EXPENDITURE					
Interest Expended	70,512.30	63,207.56	47,978.00	40,157.49	44,078.91
Payments to and Provisions for Employees	14,667.64	14,377.18	12,389.71	10,114.61	9,024.90
Depreciation	1,071.02	890.98	737.15	738.1	895.23
Operating Expenses (excludes Employee Cost & Depreciation)	10,197.89	9,171.80	8,804.48	7,585.37	6,845.86
Total Operating Expenses	25,936.55	24,439.96	21,931.33	18,438.07	16,765.99

5. CONCLUSION

In recent years, profits and returns from Indian banks have fluctuated, although they have been gradually increasing. For quite some time, public sector banks (PSBs) have been battling with inefficient operations and high levels of non-performing assets (NPAs). Government reforms, recapitalization, and more regulatory oversight have improved matters, though. In contrast, private sector banks and foreign banks have maintained consistently greater returns and profitability due to superior asset quality, distinctive financial offerings, and competent management. Important metrics like return on equity (ROE) and return on assets (ROA) reveal significant differences between PSBs and private players, despite the fact that the banking industry overall is relatively stable. Indian banks are positioning themselves for long-term, consistent earnings by focusing on digitization, decreasing expenses, and expanding lending.

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