

A STUDY ON THE HAYWIRE OF YES BANK

Dr. Komal Bhardwaj

(Assistant PProfessor)

Faculty of Management

Chandigarh Group of Colleges Technical Campus,

Jhanjeri, Mohali

Sahil Sharma

Master of Business Administration Students

Chandigarh Group of Colleges, Jhanjeri, Mohali

ABSTRACT

India's 4th largest bank, YES BANK founded in year 2004 with two pillars Ashok Kapur and Rana Kapoor. As Ashok Kapur died in year 2008 and due to family disputes Rana Kapoor start handlings all the activities and landed the loans to various businesses through yes bank. As year by year, loan amount continuously increasing and mean while it would be converted into NPA for Yes Bank. RBI audit the bank and eventually Rana losing its share sum of 142 crore. Recently in march 2020 RBI issues MORATORIUM for Yes Bank that be the first brick of foundation for HAYWIRE. This research will cover multiple dimensions of bank journey. An effort has made to evaluate the crises of yes bank and secondary data were used in the study.

Keywords: - NPA, Moratorium, Bad loans, YES Bank

INTRODUCTION

The banking sector is a sector of economy from where growth would be derived. All the activities performed under the banking sector should be beneficial for the stability and growth of the economy. Starting with the dream of Rana Kapoor to build a professional bank in India from scratch, completing an economics degree from Delhi University and an MBA from New Jersey's Rutgers University. After working in bank of America for 15 years Rana Kapoor and his colleague Ashok Kapur setup banking firm in India. In year 2004, both applies for licence from banking regulation RBI. They want to setup YES BANK with the starting capital of 200 crore. The decision was taken to appoint Ashok as a non-executive chairman of yes bank. As in year 2008 the life of Ashok Kapur came to end as he was killed by terrorist in Mumbai. Ashok Kapur and his wife both gone for dinner and after shooting Ashok got separated from his wife. After this incident only Rana Kapoor was left to hold a leadership position of the bank.

Meanwhile there was an family disputes between Rana Kapoor and wife of Ashok Kapur and it would be clear out that all the activities of yes bank was came into existence under Rana

Kapoor. Latterly 2008 Rana gave loans to various companies at aggressive rate. As year by year the loan amount was increasing where chances to repay the loans was very low then the loans was converted in to bad loans for the bank. Yes bank takes steps in building its corporate lending and focused on sectors like real estate, electrical and media and many more, the aggressive rate to expand loan would create deep trouble for yes bank. In year 2015 USB corporation deals in science products says about the growth of yes bank as most of the lending till now converted into bad loans for yes bank due to delay in payments within 90 days of time period. Afterwards in year 2017, RBI notices yes bank and meanwhile yes bank also hide its real NPA's. RBI points out the difference of 3000 crore in actual and fake figures. In September 2018, RBI orders to vacant the position of CEO by Rana Kapoor

Rana Kapoor sold all his shares sum of 142 crore, as in past he said that "My shares are as DIAMOND for me and I will gave it to my daughters". In March 2019, Rabneet Singh was a new CEO of yes bank and due to the continuity of losses in yes bank, on 5 March 2020 RBI takes all the subject matter in its own hands.

RBI issues **Moratorium** for Yes Bank and also made restriction for the people holding account in yes bank that not to withdraw more than 50000 in a month. On 8th March 2020 ED arrests Rana Kapoor for allegation of fraud and money laundering to various companies.

Review of Literature

Boss, Jayanto nuclear physicist and Dr. Purnima Sharma (2017) conducted a review to investigate cybernation in Indian Banks on the grounds that the financial organization is partner degree irrelevant element that requests a reasonable quality transport framework from terminations of every providers and takers. The deplaning of remote banks and cash foundations, the occasion of independent individual banks, and in this manner the extent of de-heading brought about by contest have provoked a condition of illicit relationships any place the endurance of individuals World Health Organization don't be a piece of the race will be stressing.

Md. Abdul Kader, Hanif Hossain (2019) give out a review to explore the organization of the data arrangement of the confidential financial area in Asia. The concentrate conjointly centers around disentangling the framework primarily upheld at stretches the AIS activity by the individual financial framework. The review suggests that each one individual bank keep a rough and quick structure and strategy that could lay out a disadvantage entire hitting fresh recruits to the prevailing framework for brand punishing. They utilize explicitly orientated disseminated web business and plan that could fabricate a drawback for the money Administration Division of variety information (FAD) all together that they might utilize a unified framework to expand AIS viability.

Abdul and Abu (2019) He utilized a semi-organized structure comprising of open and shut finished inquiries, the key information was gathered. The example size was 52, that was picked abuse the Bulgarian algorithmic program. The consequences of the relapse of the review show that liquidity effectively affected the benefit of the store cash banks recorded in African nation, in this way it's done that liquidity inside the financial area worked on their benefit all through the review time.

Aruna Polisetty (2019), in this review, the creator has been attempted to comprehend the gamble the board credits by concentrating on the way things are drilled at the bank. Resource quality numbers are being gathered over years and investigation is finished to decide how they are kept up with. The Government of India and the RBI have taken up the undertaking of tidying up the bank monetary records on fundamentally important premise. A few methodologies have been utilized in managing

credits and the IBC and AMC ideas are significant stages towards this. This study sees that ordinary checking of hazard the board, resource quality (Gross NPA and Net NPA status, NPA Ratio, PCR, Concentration of NPAs and Divergence) and information banking, size of bank and different characteristics are really assisting the keep money with being with sensible NPA figures.

Devansh S. Babaria (2019) in this paper, with the assistance of different numerical apparatuses, The Author has been broke down the exhibition of Yes Bank share cost since December, 2019. The numerical devices are additionally assisting in anticipating the future cost of Yes With banking. The figure depends on the past costs and thought about no outside factors. A Trend Line will likewise be accommodated better comprehension of the examination. They have closed the accompanying;

- To finish up, this exploration paper depends on how the Yes Bank offers will act sooner rather than later (in light of their presentation since December).
- Shares of Yes Bank hit its 52-week low on Friday sixth March, 2020 because of outer variable of government covering as far as possible on the loan specialist to Rs. 50,000.
- Around early afternoon even the BSE SENSEX fell by 3%.
- Consortium of moneylenders, drove by State Bank of India, will get a controlling stake in Yes Bank.

Hardik Brahmhatt (2018) this paper means to analyze the capital design and monetary investigation of chosen banks through certain estimations. The yearly budget summaries of the business banks were utilized for this study which covers a time of a long time from 2015 to 2017 for obligation value and generally monetary examination. The review evaluates the capital construction of the banking estimated by all out obligation to value proportion (DER), f-test have been utilized to show the capital design of banks and its presentation. In any case, this study reasons that there is no massive contrast in the red value proportion among the years and future possibilities are much beneficial and development arranged according to financials. The financial backers are having a tendency to get the benefit whenever contributed during this period of year. Coming a long time for the yes bank are the long stretches of accomplishing of the objective and mission which is set for the year 2020.

Varuna Agarwala (2019), the degree of non-performing resources (NPAs) best demonstrates the sufficiency of the financial area of a country. The goal of this study is an endeavor to investigate the commitment of the different banks separately to the NPA in the financial business by investigating its development design during the period 2010-2017. Further, the review is made to investigate the impact of different gatherings of banks, primarily, State Bank of India (SBI) and its partners, nationalized banks and confidential area banks on the financial business in such manner.

Objectives of the study

- ✓ To understand the performance of yes bank in previous years.
- ✓ To check out the increase in % of NPA for Yes Bank.
- ✓ To study out the HAYWIRE of Yes Bank.

BACKGROUND

This research reflects the performance of Non Performance Assets of Yes Bank. As by the research we have found out that the crisis of Yes Bank was even more than the PMC Bank crisis. The points of concern during the research are explained further:

- The loan book has created a major problem while calculating the Non Performing Assets (NPA's) because according to a figure in the year 2004 the ratio of loan book was 55,000 crore which further in the year 2019 rises up to 2,41,000 crore.
- This figure shows that the amount of the loan book has raised too much which creates a problem and became a reason of crisis.
- Due to the death of Ashok Kapur in the year 2008 Rana Kapoor being the only head of the entire organization increased the loan amount which itself became the reason of downfall.
- The Asset Quality Review (AQR) in 2005 also told about the difference in its figures. According to the research the Yes Bank was when asked for the AQR by Reserve Bank Of India(RBI) they told it for the amount of 200 crore but when RBI itself audited in the bank they found it for the amount of around 350 crore which shows the major divergence in the exact figures.
- Further if we talk about the UPI transactions of Yes Bank then of course it has collaborated with various online platforms like Phone Pay, Clear Trip, Swiggy and many more.
- Now taking our research to the point of concern which was about Non Performing Loan Ratio it is calculated as:
- Non Performing Loan Ratio =
$$\frac{\text{Bad Loans}}{\text{Total Loans}}$$
- We also came to know that the Foreign Banks provide loan only up to 2% of their total amount but the Yes Bank exceed its limit and went up to 7.9% which was generally a figure of fear for the bank.
- The recovery rate of loan in India is only 30% while is foreign it is about 80% and it's the major difference which banks need to consider because the bad loans can never be recovered. The increase in loan amount is basically a reason of downfall for a bank and for which Yes Bank itself is an example.
- The RBI asked each and every bank to maintain the Cash Reserve Ratio of 4% but the Yes Bank didn't follow this instruction.
- Now RBI bail out Yes Bank and pressure State Bank of India (SBI) to buy its 49% of the shares.
- SBI will attain this much percent shares of Yes Bank with the tax payer money only.
- The remaining 51% of shares are still pending and many other public companies like Life Insurance Corporation of India (LIC) was also asked to purchase some percent of the shares of Yes Bank.
- The end of research reflects the issue of Bank Run. This was found that when the bank came in the state of liquidity the customers want their whole money back.
- So to fix the situation RBI restricts the transaction amount to rupees 50,000 per month from the Yes Bank because if the whole money was taken out by the customers in a single day then automatically the bank came to the situation of Bank Run.

Research Methodology

To discuss and attain the objectives of the research we use secondary data of the banking organisation and RBI audit report. RBI reports on bank statistical returns of scheduled commercial banks in India to identify the determinants influencing NPA's and the main determinant of yes bank was bad loans or over issuing of loans. This research analyse the non performing loans ration of yes bank with other banks to clear out the real NPA's ratio and current ration of Yes Bank. After the over lending of loans to the companies the recovery rate was declining and the total loans were converted into bad loans for bank.

The loan book clearly reflects the increasing rate of loan given to companies from year 2004 to 2019.

Loan amount **2004**

Loan amount **2019**

55000 crore

241000 crore

Yes bank haywire was only due to it's over lending and increase in the ratio of NPL year by year. This table reflects the overall NPA's of Yes Bank:

PARTICULARS	MAR'20	MAR'19	MAR'18	MAR'17	MAR'16
Gross NPA	32,877.59	7,882.56	2,626.80	2,018.56	748.98
Net NPA	8,623.78	4,484.85	1,312.75	1,072.27	284.47
% of Gross NPA	16.8	3.22	1.28	1.52	0.76
% of Net NPA	5.03	1.86	0.64	0.81	0.29
Return on Assets %	-5.1	0.5	1.6	1.8	1.7

Data Analysis

To evaluate the performance of Yes Bank we compare the NPL ratio of yes bank with other private banks. This analysis helps to better understand the problem arises in yes bank.

YES BANK (IN CRORE)

YEARS	BAD LOAND	TOTAL LOANS	NPL's RATIO
2019	4491.89	241499.6	1.86%
2018	1302.61	203533.86	0.64%
2017	1071.32	132262.68	0.81%

AXIS BANK (IN CRORE)			
YEARS	BAD LOANS	TOTAL LOANS	NPL's RATIO
2019	4947.97	494797.97	1%
2018	17586.01	439650.3	4%
2017	7461.38	373069.35	2%
HDFC BANK (IN CRORE)			
YEARS	BAD LOANS	TOTAL LOANS	NPL's RATIO
2019	16388.02	819401.22	2%
2018	–	658333.09	0%
2017	–	658333.09	0%
ICICI BANK (IN CRORE)			
YEARS	BAD LOANS	TOTAL LOANS	NPL's RATIO
2019	–	586646.58	0%
2018	25619.76	512395.29	5%
2017	23211.6	464232.08	5%
BANK OF BARODA (IN CRORE)			
YEARS	BAD LOANS	TOTAL LOANS	NPL's RATIO
2019	14064.56	468818.74	3%
2018	21371.59	427431.83	5%
2017	19162.96	383259.22	5%

This research data explains the bad loans of Yes Bank and it was increasing year by year as compare to other private banks. As in year 2018 the bad loans of yes bank was 1302.61 crore and in year 2019 it would be increase to 4491.89 crore, and this indicates the losses bear by yes bank was only due to its NPA.

Conclusion

Overall observation shows that the Haywire of Yes Bank was only due to its NPA. The research was all about that why this situation occur and the main reason of yes bank crisis

was only the high lending of money to various companies by Rana Kapoor at very aggressive rates and the risk of recovery was high so that the loan amount that was not returned within 90 days would be converted as bad loans for the bank. As per the above research the loan recovery rate in Indian banks was 30% out of 100% but in other developed countries like USA and UK the recovery rate was 80% in normal terms. The motive of this research is to find out the main reason of Haywire and the entire observation states out the one reason and that was NPA of Yes Bank. Higher the % of NPA would also cause the situation of BANK RUN, and only due to this RBI restricts the people to withdraw a limited amount of money from the bank in March 2020.

REFERENCES

Vlog's

- Dhruv Rathee (<http://www.youtube.com/playlist>) explains the overall crises of yes bank along with reasons.
- The Quint. This channel also explains the haywire of yes bank.

Website

- <http://www.moneycontrol.com>
- <http://www.financialexpress.com>

1. Agarwala, V., & Agarwala, N. (2019). A critical review of non-performing assets in the Indian banking industry. *Rajagiri Management Journal*.
2. Bhoir, A. History repeating itself at Yes Bank, says Harkirat Singh. Retrieved 30 August 2019.
3. Bose, Jayanto and Sharma, Dr. Purnima, (2017). A Study on Computerization in Indian Banking System. *Globus An International Journal of Management & IT*, 8(2).
4. Brahmabhatt, H. Capital Structure Analysis and Financials Analysis of Yes Bank in India.
5. Business Standard. Yes Bank Chairman Ashok Kapur killed. Retrieved 05 September 2019, from https://www.business-standard.com/article/finance/yes-bank-chairman-ashok-kapur-killed-108112901018_1.h; 2008. [English]
6. Devansh S. Babaria (2020). **Yes Bank Performance**. *International Journal of Advance Research, Ideas and Innovations in Technology*, 6(2) www.IJARIIT.com.
7. Gopalan, K. Rana's 'Yes' Bank. Retrieved 01 November, 2019, from <https://www.outlookbusiness.com/the-big-story/lead-story/what-went-wrong-at-rana-kapoors-yes-bank-5446>; 2019. [English]
8. Hosmani, A., & Jagadish, H. (2011, December). Unrthing the epidemic of Non-Performing Assets - A study with reference to Public Sector Banks in India. *International Journal of Multidisciplinary Research*, 1(8), 447- 459.
9. Kader, Md. Abdul and Hossain, Hanif, (2019). Maintenance of Accounting Information System At Private Banking Sectors In Bangladesh. *Globus An International Journal of Management & IT*, 10(2); 32-39.

10. Kader, Md. Abdul and Khan, Md. Abu Zahar, (2019). Financial Management Practices on Financial Performance. *Globus An International Journal of Management & IT*, 11(1); 06-20.
11. Manda, V. K., & Polisetty, A. (2018). Asset Quality & Risk Management Practices-An Analysis on Yes Bank. *Available at SSRN 3510944*.
12. Prasad, G. V., & Veena, D. (2011). NPAs Reduction Strategies for Commercial Banks in India. *International Journal of Management & Business Studies*, 47-53.
13. Reserve Bank of India. (2015). Master Circular on Disclosure in Financial Statements - 'Notes to Accounts'. Reserve Bank of India. Retrieved September 10, 2018, from <https://rbidocs.rbi.org.in/rdocs>
14. Sikdar, P., & Munish, M. (2013). Role of Non-Performing Assets in the Risk Framework of Commercial Banks – A Study of Select Indian Commercial Banks. *AIMA Journal of Management & Research*, 7(2/4), 1 - 19. Retrieved September 9, 2018, from https://apps.aima.in/ejournal_new/articlesPDF/PallabSikdar.pdf
15. Yes Bank. (2005-19). Annual Reports and the Quarterly Financial Report of Yes Bank for the F.Y. 2019-20