



A STUDY ON THE NPA AND ITS DETERMINANTS IN YES BANK: AN EMPIRICAL ANALYSIS

Ms. Deblina Mukherjee* **Mr. Raj Das****

**Student, Centre for Innovative Studies, University of North Bengal.*

***Faculty, Centre for Innovative Studies, University of North Bengal.*

Abstract

The aim of this research paper is to study the current trends in NPA in Yes Bank. This paper further examines the impact of Non-performing assets (NPAs) that affects the growth of banking sector in a country. In our quest to investigate the relationship the data has been collected from secondary sources such as published annual reports, journals, etc. has been used. The time period for which the research was conducted starts from 2008 to 2022. Correlation analysis has been used to compute the relationship between NPA and profitability and regression analysis has been done to find the causal impact between the selected variables. More interestingly, this paper also discusses the reasons for downfall in Yes Bank and suggests the measures taken by the Government to resolve the same.

Keywords: *NPA, Banking, Financial, Financial Analysis, Correlation, Regression.*

Introduction

Yes Bank is India's 4th largest bank in India headquartered in Mumbai started in the year 2004 and obtained its certificate of Commencement of Business on January 21, 2004. It was founded by Rana Kapoor and Ashok Kapoor. In the year 2008, Yes Bank got the tag "Emerging market sustainable bank of the year". It was listed on Stock Exchange on June, 2015, it was ranked no.1 in the year 2008 for Emerging Markets Sustainable Bank of the year. Yes Bank is currently operating across all 29 states and 7 Union Territories in India with a branch network with 1050 approx. branches and 1724 ATM's spread across India (Annual Reports, 2019). As per the Annual Report of 2019, 2.37lakhs individuals have already lay hold of the products and services and have been a part of Yes Community, Yes Bank's unique community engagement program.

In 2018, Rana Kapoor was applauded and decided officially by Yes Bank shareholders as managing directors and CEO for 3years, then after Yes Bank Shares reached all time high. Yes Bank shares immerse by 30% after RBI intentionally cut short Rana Kapoor tenure till January 2019. After this incident Rana Kapoor resigned from the post of MD and CEO OF Yes Bank. Then Ranveet Gill was appointed new MD and CEO of Yes Bank. In April the Board Meeting applauded for fund raising of \$1 billion in one or more installment after that the bank reported a quarter loss of Rs 1507 Crores.

After month of inquiry, on March 5, 2020, the RBI announced the order to it replace the Yes Bank Board of Directors for a period of 30days "owning to serious downturn in the financial position of the Bank". Within a month of Ranveet Gill taking over as head of Yes Bank on March 2019 it was appraisal that their NPA was standing at 8%.

The Bank continually invests to strengthen the flexibility and reliability of IT and Information Security systems to enable coherent customer services and reduce various aspects of cyber related threats and risks. 'Yes Bank culture' focused on uplifting and honest Communication, toughness connect among employees and the community, supporting Career development and showing that 'We care' as an Organization.

Yes Bank focused on corporate banking services, treasury risk management services, including working capital finance, specialised corporate finance, investment banking solutions and liquidity management solutions based on highly focused client. This bank is a part of global thought leadership forum such as Clinton Global Initiative (CGI), Tall berg Forum. Recently it became the first Indian Bank to become an observer with the United Nations Environment Programme (Financial Initiative).

Objectives of Research

1. To analyze the latest trends in NPA's of Yes Bank as compare to previous year annual report
2. To analyse the reason that lead to downfall in Yes Bank.
3. Relationship between NPA & profitability & regression analysis has been done to find the casual impact between the selected variables

Research Methodology

This study makes research on the performance of Yes Bank during the period from 2008-2022. This study is based on secondary data collected from official Yes Bank website annual report, journals, research papers etc. This study is to analyse the Yes Bank trends of previous 15year and investigate reasons that lead to downfall in Yes Bank. We wanted to study the crisis of Yes Bank till date & impact of NPA on profitability.

Hypothesis

H0: There is no significant impact of Net NPA's over the profitability of the business.

H1: There is a significant impact of Net NPA's over the profitability of the business.

Data Analysis & Interpretation

Table 1, shows the correlation between Net NPA & Profitability of Yes Bank from FY 2008 to FY 2022

Financial Years	Net Profit	Total Assets	Profitability (ROA)	Net NPA
Mar 31, 2008	20,00,243.00	169824184	1.177832	21,139.00
Mar 31, 2009	3038420	229007901	1.326775	411570
Mar 31,2010	20,00,243.00	363825107	0.549781	84,560.00
Mar 31, 2011	4777393	590070000	0.809632	411570
Mar 31, 2012	9769984	736620000	1.326326	129878
Mar 31, 2013	13006807	991041274	1.312438	174600
Mar 31, 2014	16177802	1090050000	1.484134	69908
Mar 31, 2015	2,00,53,614.00	1361430000	1.472982	2,60,675.00
Mar 31,2016	25394000	1652634000	1.536577	87725000
Mar 31, 2017	33300000	2150600000	1.548405	2844000
Mar 31, 2018	42245000	3124500000	1.352056	13127000
Mar 31, 2019	17202000	3808600000	0.451662	44848000
Mar 31, 2020	-227149760	2578320000	-8.80999	86237000
Mar 31, 2021	-34622270	2735930000	-1.26547	98133000
Mar 31, 2022	1,06,62,120.00	3185780000	0.334678	8,20,45,320.00
Correlation			-0.55078	

Note: N = 15

Table 1 shows the correlation between Net NPA's and Profitability of Yes Bank over a period of 15 years covering FY 2008 to FY 2022. The computed correlation coefficient is -0.55078 , indicating a moderate degree of negative correlation between the Net NPA's and Profitability of selected bank. Therefore, the output obtained using correlation analysis shows an inverse relationship between the variables.

Table 2, shows the regression output of Net NPA & Profitability of Yes Bank from FY 2008 to FY 2022:

Name of Bank	P-value	R Square	F (1,13)
Yes Bank	0.033354751*	30.34%	5.660822**

* implies that the null hypothesis was rejected at 5% level of significance.

** F (1,13): implies that the computed value is greater than the critical value.

Table 2 shows the regression output of Net NPA's over the Profitability of Yes Bank for a period ranging from FY 2008 to FY 2022. The computed R Square value of 0.3034 indicates that the Net NPA was able to explain 30.34% variability over the dependent variable i.e. profitability over the study period with $F(1, 13) = 5.660822$, $p < 0.05$. Therefore, we reject the null hypothesis indicating that the ROA as a measure of profitability got impacted due to Net NPA's of Yes Bank.

Conclusion

Findings of the study reveal that NPA is a significant factor which has unfavourably impacted the financial sector in India. We had analysed that the Correlation between NPA and Profitability of Yes Bank. We had also shown here the regression output of Net NPA over the Profitability of Yes Bank. Therefore we rejected the null hypothesis indicating that the ROA got affected due to Net NPA's of Yes Bank.

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