

# CRISIS OF YES BANK

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## **Abstract:**

Now a days banking services are upgraded. People are more aware about their money and financial position. People deposit their money in bank for different purpose like saving, investment etc. Bank plays important role for our nation's economy development of a country. Banking system occupies essential place for forms the care of money market. Banking is defined as the acceptance of deposit of money from public for lending or investment. Our central bank RBI, Reserve Bank of India regulated banks. Banks have to adherence rules and regulation of RBI. Somehow banks do not adherence of rules and regulation and making fraud. This type of fraudulent act deteriorated whole banking system, bank collapse and deposit of public are entrapped. This will lead to lower economic growth and higher unemployment. This research paper discusses about collapse of 'Yes bank' and reasons behind it.

Keyword: Yes bank, Banking sector, RBI & SBI.

## **Introduction:**

Yes Bank Limited is an private sector bank which was founded by Rana Kapoor and Ashok Kapoor in 2004. Yes Bank is 4<sup>th</sup> largest private sector bank in our country. It offers wide range of banking and financial product for corporate and retail customers through retail banking and assets management services.

On 5<sup>th</sup> march 2020, the Reserve Bank of India(RBI) announced that, in the interest of its customers and depositors, it would suspend and supersede Yes bank's board and impose a 30-day moratorium on its operations. The RBI cited Yes Bank's failures to raise new funding to cover its non-performing assets, inaccurate statements of confidence in its ability to receive new funding, and its underreporting of its non-performing assets, among other factors, as the impetus for moratorium. Customers are being limited from withdrawing more than 50,000 Rs. from their account. Reserve Bank of India (RBI) has taken control of the bank which had and excessive amount of bad loans in an attempt to avoid the collapse of the bank.

## **Objectives:**

1. To examine reasons of crisis behind the crisis of Yes Bank.
2. To examine effect of Yes Bank collapse on economy.
3. To examine RBI revival plan for improvement of Yes bank.

## **The Reasons behind Yes Bank collapsing:**

The Reserve Bank of India says that it was in constant touch with the bank's management to find ways to strengthen its balance sheet and liquidity.

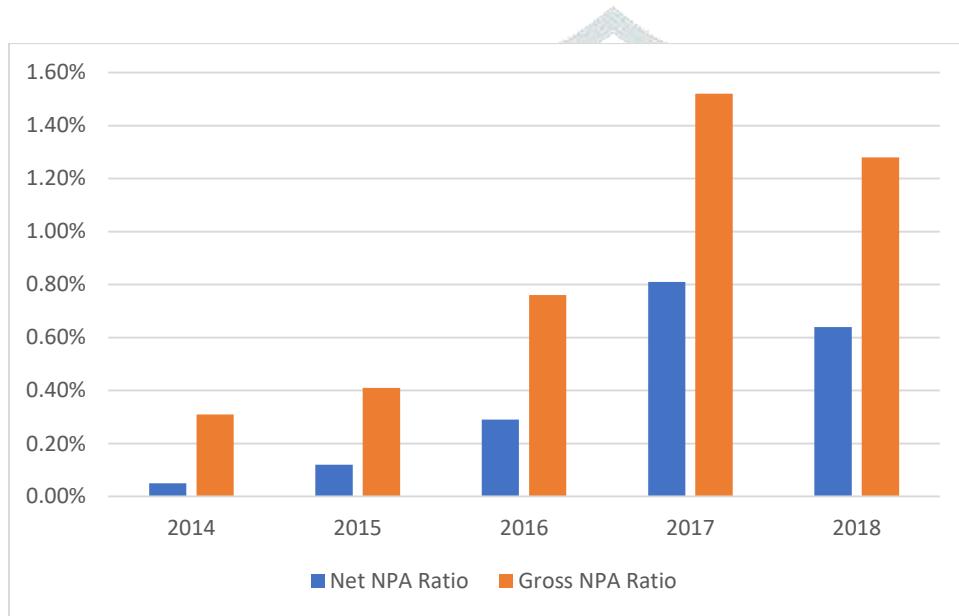
Here is a reason behind yes bank collapsing.

## 1. Deteriorating Financial Position:

The Yes Bank was making losses and inadequate profits in the last few years. The financial position of Yes bank has gone through a steady decline over the last few years because of its uncertainty to raise capital to address potential loan losses and resultant downgrades, triggering invocation of bond covenants by investors, and withdrawal of deposits.

Net NPA Ratio and Gross NPA Ratio of Yes Bank for period of 2014 to 2018 is shown in the following table.

Year	Net NPA Ratio	Gross NPA Ratio
2014	0.05%	0.31%
2015	0.12%	0.41%
2016	0.29%	0.76%
2017	0.81%	1.52%
2018	0.64%	1.28%



## 2. Wrong Assurance:

Bank manager's find ways to strengthen its balance sheet and liquidity. They talk with various investors and they were likely to be successful. But in reality, there was no specific proposal from investors to put the kind of money that the bank required to survive and grow.

## 3. Governance of bank issues:

A bank has not collapse overnight. The bank has also experienced serious governance issues and practices last few years which have led to a steady decline of the bank. A bank was going through took three to four years to show up that bank will sink. However, neither the directors of the bank nor the management of RBI tried to save the bank. Take, for instance, the bank under-reported NPAs to the tune of 3,277 crore in 2018-19.

## 4. Non-serious investors:

The bank was engaged with a few private equity firms for exploring opportunities to infuse capital. These investors did hold discussions with senior officials of the Reserve bank but for some reason eventually did not infuse any capital. It shows that the investors of Yes bank are not serious enough to put the capital into the bank.

## **5. Outflow of cash:**

The bank was facing regular outflow of liquidity. It means that the bank was witnessing withdrawal of deposit from customers. The bank had the deposit book of Rs. 2.09 lakh crore at the end of September 2019.

## **6. Incorrect policy adopted by the bank:**

A bank generated their profit through giving a loan highest interest rate. A bank has to check and verify financial condition of particular companies. Here, the bank lends money on easy terms without checking financial health of the companies. Its easy way to make a profit in the beginning but eventually caused the collapse of bank.

### ***Revival plan of Yes bank:***

As per conference in Delhi. Our finance minister Nirmala Sitharaman said that the state bank of India (SBI) had expressed interest in investing in Yes bank. The Reserve bank of India has released a draft revival plan for the crisis. State Bank of India to invest in yes bank and own 49%. State Bank of India (SBI) cannot reduce its ownership to less than 26% for next three years. The State Bank of India and the Reserve Bank of India have likely conducted a thorough due diligence on the bank, and have already conducted negotiations between SBI, RBI, and other investors to buy into the new right issue that the SBI holds.

The RBI's revival plan also included restructures of Yes Bank share capital. As per draft plan, Yes bank's new share capital will be Rs. 5,000 crores with 2,400 crore equity shares with a value of Rs.2 each.

Yes Bank employees will continue their work under the same salary and terms of employment as before. The draft plan is also about new board to appointment. The board will be headed by a CEO and managing director and will have one non-executive chairperson, two non-executive directors and two nominee directors. If RBI wishes it can appoint additional directors under Banking regulation Act.

### ***Suggestions:***

1. RBI has to care about that no banks follow negligence.
2. RBI has to give proper security to Yes bank's customer
3. RBI has to give permission to big traders for online transaction.

### ***Conclusion:***

If this bank is allowed to fail, then the trust in the entire banking system would evaporate. The Reserve Bank of India (RBI) plan to recover Yes Bank, which has been struggling to raise capital. The RBI has called for guidance and comments in the draft plan from the public and most crucially, the State Bank of India. All eyes will be on SBI, which under the plan is supposed to make a huge cash infusion and own 49% of the restructure bank. A bad performance of bank creates merely negative impression of banks. Hence, the government has worked to improve the trust of people. They have done everything right in rescuing Yes Bank. RBI's new plans and new approaches may rebuild trust of customer. If we need development of our Economy then all bank should be adherence rules and regulation.

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