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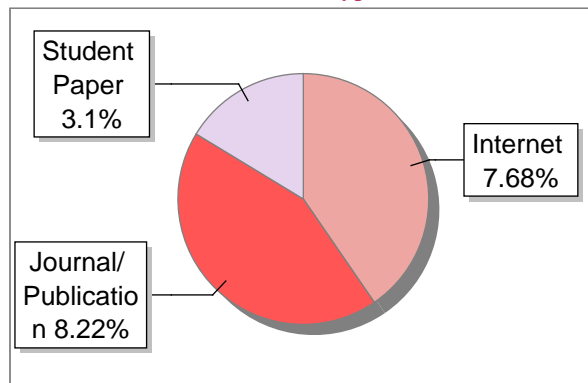
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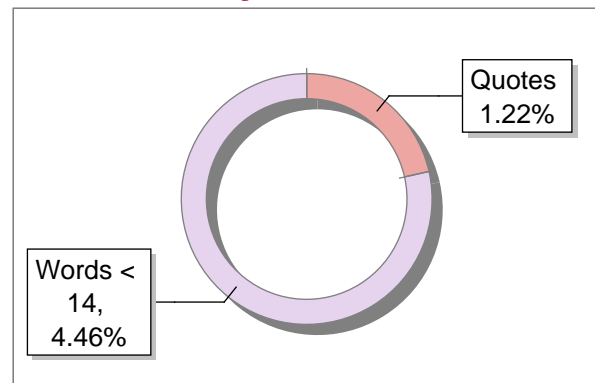
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CHAPTER I
INTRODUCTION

1.1 INTRODUCTION TO THE STUDY

As commercial institutions, banks' main job is to collect public deposits and lend money to individuals, groups, companies, and other entities. The lending industry is dangerous. Risks associated with lending include the possibility for accounts to turn into nonperforming assets. Since they don't provide interest revenue and don't repay loans to the bank in line with the repayment schedule, non-performing assets (NPA) lower a bank's income and profitability. Despite the fact that non-performing assets do not generate income, they yet require banks to set aside funds from their current earnings to pay for them. The term "Non-Performing Assets" started to be used in Indian banking with the introduction of financial sector reforms. The prudential rules for revenue recognition, asset classification, and provisioning accordingly are put into force beginning with the fiscal year 1992-1993, as recommended by the committee on the financial system. (Narsimham Committee). By providing quantification and objectivity, these criteria have enhanced the assessment of and provisioning for non-performing assets (NPA). The Reserve Bank of India puts in great effort to make sure that the guidelines in this field adhere to international norms. More often than not, a bank's efficiency may be determined by the rate of return on its assets rather than solely by the size of its balance sheet. Even though non-performing assets (NPA) do not generate interest income for the banks, banks are nonetheless required to set aside money from their current production for NPA. Non-Performing Assets (NPA) have a negative effect on return on assets in a variety of ways, including:

- The provisioning needs they impose reduce current profitability.
- They cause revenue to decline.
- They have higher provisioning needs, which affect profitability, capital fund accretion, and the capacity to expand high-quality risk assets in the future.
- They restrict money recycling and correct asset-liability mismatches.

Recovery Policy

There are a number of procedures that must be accelerated for the various recovery stages, and related fees must be paid. The securitization statute suggests that the bank had been perfectly authorized to take control of the different assets being mortgaged, and finally, being disposed of after a lengthy procedure within an appropriate time frame.

The recovery stages comprise a number of steps, including:

- The security accessibility has to be looked at.
- The securities' dependability and existence are guaranteed.
- The stock that the bank is being hypothecated and that has to be sold.
- Notification is required to the Export Credit Guarantee Corporation of India.
- The need for criminal action must be acknowledged
- The documents whose enforceability will be examined.

1.3 STATEMENT OF THE PROBLEM

The number of NPA demonstrates how successfully lenders manage credit risk and resource allocation. NPA management is divided into two categories: preventative and curative techniques. As a preventive step, the bank has improved its credit risk management and continuous risk assessment procedures. As a result, there will be fewer instances of newly produced NPA. The remedial procedures are punitive in character and are intended to recover NPA accounts. It comprises of Reserve Bank of India (RBI)-enacted policies such as the formation of Compromise Settlement Schemes, the Securitization Act, Debt Recovery Tribunals, and Asset Reconstruction Companies (ARCs).

While large-scale initiatives are increasingly profitable for a number of Indian foundations, small and medium-sized enterprises also require financial support. It

is thus vital to respond to the query on the type of financial help Yes Bank offers.

1.4 PURPOSE OF THE STUDY

- Researching the causes of Non-Performing Assets
- To comprehend the numerous elements influencing the accounts and how Non-Performing Assets (NPA) are developing in the banking industry.
- To research and be aware of the safeguards against Non-Performing Accounts.

Learn about Yes Bank's Non-Performing Assets in this report. According to the study, NPAs are a crucial factor in determining the performance and financial stability of Yes Bank.

The primary goal of ¹⁷ this research, which was carried out at Yes Bank using data from the previous five financial years regarding the effectiveness of Non-Performing Assets management, was to identify management gaps when handling Non-Performing Assets and to make recommendations for ways to improve the bank's use of Non-Performing Assets.

1.5 RESEARCH QUESTION(S) AND OBJECTIVES

These research questions and the goals the dissertation aims to accomplish

1.5.1 Research Questions

Following is some of the several research issues this study addressed:

- How well is Yes Bank's Non-Performing Assets (NPA) managed?
- Do Non-Performing Asset (NPA) additions happen more frequently in the post-millennium period?

- Do the chosen micro and macro factors have a mediating or moderating impact on the Yes Bank's asset quality?
- What are the numerous causes of Non-Performing Assets (NPA) and what impact do they each have?

1.5.2 Objectives of the Study

The study's precise goals are to:

- Analyze Yes Bank's Non-Performing Assets (NPA).
- To review each account for Non-Performing Assets (NPA) loans.
- To examine how Non-Performing Assets are classified.
- Determining and analyzing Yes Bank's Net Non-Performing Assets (NNPA) to Total Asset Ratio

1.6 DEFINITIONS

Definition of Non-Performing Assets (NPA):

A non-performing asset is one that no longer generates revenue for the bank, particularly if it is leased (NPA). Accounts will be classified as non-performing assets if interest or principal payments on a term loan are overdue for more than 90 days, an overdraft or Cash Credit account's account status is "out of order," or invoices that have been bought or reduced are overdue for more than 90 days (NPA).

For short-duration crops, the account is classified as a Non-Performing Asset if the payment of principal or interest is deferred for two crop seasons (NPA). A long-term agricultural loan account will be classified as a non-performing asset if the outstanding balance has been past due for more than one crop season (NPA).

A Kisan Credit Card (KCC) account is considered to be "normal" if the balance is always ² less than or equal to the drawing limit (short-term (crop) loan) for the prior year. ³ For the purposes of applying prudential standards, the short-term loan (with a significant component of a crop loan) sanctioned on the Kisan Credit Card (KCC) can be treated in the same manner as a "cash credit" account ² if the balance owed is less than or equal to the drawing limit and each drawl is paid back within a year. The term loan that the Kisan Credit Card (KCC) is used for has a predetermined repayment schedule and is governed by the existing prudential regulations.

Banks have non-performing assets (NPAs), sometimes referred to as bad loans, which are assets that don't perform, or don't bring in any money. ⁴ The assets of the bank are the advances and loans given to customers. In the event that the borrowers miss a payment of interest, a portion of the principal, or both, the loan is said to be bad.

⁴⁸ According to the Reserve Bank of India (RBI), ² a term loan for which interest or a principal payment is past due for a period of more than 90 days following the end of a certain quarter is considered a non-performing asset. However, in terms of agricultural and farm loans, the following definition of non-performing assets (NPA) applies:

- If a loan (including instalment payments and interest) for a short-term crop agricultural loan, such as one for rice, jowar, or bajra, is not repaid after two crop seasons, it is referred to be a Non-Performing Asset (NPA).
- The above would be 1 crop season from the due date for long-duration crops.

Definitions of Non-Performing Assets (NPA) ⁴ by Reserve Bank of India (RBI):

- a) When an asset, especially one that is leased, stops bringing in money for the bank, it is considered Non-Performing.
- b) A loan or advance that is a Non-Performing Asset (NPA) includes the following:

1. A term loan's interest or principal payment is past due for a length of time longer than 90 days,
 2. The account is still "out of order" with respect to an overdraft or cash credit (OD/CC), as stated in paragraph 2.2 below.
 3. In the event of bills that have been bought and reduced, the bill is still past due ²⁵ after more than 90 days have passed.
 4. The principle or interest instalment has not been made for crops with low shelf lives for two crop seasons, whereas it has not been made for crops with long shelf lives ³ for one crop season.
 5. The principal or interest instalment for long-term crops is past due for one crop season.
 6. The sum of the liquidity facility ²¹ has been past due for ² more than 90 days in regard to a securitization transaction completed in compliance with February 1, 2006, instructions on securitization.
 7. Past-due receivables that are related to derivative transactions and indicate a ³ positive mark-to-market value of a derivative contract are still regarded as non-performing assets (NPA) 90 days beyond the payment due date.
- c) If the interest due and charged for any quarter is fully settled within 90 days of the quarter's end, only then may a bank label an account as an NPA.
- d) Accounts that are "out of order" are those whose outstanding amount continuously exceeds either the permissible limit or the drawing capability. These accounts should be regarded as "out of order" if the principal operating account balance is less than the authorised limit or drawing power but there ⁵² have been no credits ²¹ for 90 days or more as of the balance sheet date or the credits are insufficient ³ to cover the interest debited during that time.
- e) "Overdue": Any ² amount due to the bank under any credit facility ³² that has not been paid by the deadline set by the bank is said to be "overdue." (rbi.org.in)

1.7 SCOPE AND DELIMITATIONS OF THE STUDY

The project's data is based on three consecutive years at Yes Bank from 2020 to 2022.

- Conduct a survey and determine the total amount of Non-Performing Assets (NPA).
- Look at the financial effects of these Non-Performing Assets (NPA).
- Examine whether establishing a Branch of Non-Performing Assets is operationally sound (NPA).

1.8 LIMITATIONS OF THE STUDY

- ²⁷ It is not possible to extrapolate the study's results to other states.
- A variety of information could not be retrieved due to the Yes Bank's strict confidentiality policy.
- The study is completed within the allotted time frame.
- The study's conclusions cannot be applied to other fields.
- Only data from the last five years were gathered.
- Because the Reserve Bank of India's (RBI) policies governing Non-Performing Assets (NPAs) change every year, the research's conclusions, recommendations, and ideas are only applicable to the time period covered by the study.

1.9 SIGNIFICANCE OF THE STUDY

Maximizing one's financial resources is the main objective of everyone, especially ⁴³ in India, where more than half of the population struggles to adequately manage

their families. However, before a fully developed banking system was formed, the Indian people had to deal with a variety of problems. The government policy of 1991 had a significant role in the Indian banking sector's transition towards a development stage. The banking sector has greatly helped the Indian populace utilise the single currency to its fullest. Banks provide lending facilities for their expansion in addition to accepting deposits from the general public. The Indian banking sector is contributing to the expansion of the country's economy and service industries. However, banks have recently become concerned about credit risk. Non-Performing Assets are numerous common people and business owners who borrow money from banks but are unable to repay it for actual or imagined reasons. Many banks are struggling with the issue of non-performing assets (NPA), which is hindering their capacity to operate. Non-Performing Assets (NPA) cause banks to make a large amount of provisions, which reduces their bottom line and lowers profitability. Their financial performance suffers as a result.

1.10 INDUSTRY PROFILE AND COMPANY PROFILE

INDUSTRY PROFILE

The State Bank of India is the oldest bank in the Indian banking industry; it was established in Calcutta as the "Bank of Bengal" in June 1806. The first bank owned exclusively by Indians was the "Allahbad Bank," which was established in 1865. By the turn of the 20th century, the market had expanded thanks to the establishment of banks like the "Punjab National Bank" in Lahore in 1895 and the "Bank of India" in Mumbai in 1906. The "Reserve Bank of India" formally took over command of the country's banking sector in 1935. After India's independence in 1947, the Reserve Bank was nationalised and given considerable power. The Narsimha Rao administration implemented a liberalisation agenda at the start of the 1990s and gave licences to a small number of private banks. These financial institutions, collectively known as New Generation tech-savvy banks, included Global Trust Bank (the first of its kind to be founded), which eventually merged with Oriental Bank of Commerce. Due to this move and the nation's booming

economy, the banking sector in India has experienced remarkable growth. Government banks, commercial banks, and international banks have all significantly aided the development of this industry.

The next phase for the Indian banking sector has been set up by the proposed relaxation of the regulations for foreign direct investment (F.D.I.), where all foreign investors in banks may be granted voting rights that could exceed the current cap of 10%, though it has now increased to 49% with some restrictions. The banking sector in India is completely taken aback by the new policy. The 4-6-4 method (borrow at 4%, lend at 6%, and depart at 4) had been the regular operating practise for bankers up until this time. For traditional banks, the new wave offered cutting-edge thinking and innovative working methods. India saw a boom as a result. People received more from their banks than they had anticipated as well as more in return.

In March 2006, the Reserve Bank of India gave Warburg Pincus permission to increase its share of private sector bank Kotak Mahindra Bank to 10%. This is the first instance in which an investor has been allowed to hold more than 5% in the bank, despite RBI guidelines from 2005 saying that any holding beyond 5% in private sector banks would require their assessment. In terms of supply, product options, and reach in 2007, banking in India is normally quite developed, although it is still challenging for the private sector and foreign banks to reach rural India. Indian banks are perceived to have clear, strong, and transparent balance sheets in terms of asset quality and capital sufficiency when compared to other banks in nearby economies with comparable sizes. The Reserve Bank of India is an independent institution that experiences little intervention from the government. Without utilising a fixed exchange rate, the Bank's stated objective for the Indian Rupee is to reduce volatility, and thus far, this objective has been mostly met. There will probably be a significant demand for banking services, notably for retail banking, mortgages, and investment services, given that the Indian economy is anticipated to continue to grow quickly for some years, particularly in the service sector. Additional options include asset sales, M&As, and takeovers.

India has 88 designated commercial banks as of right now (SCBs)

- 28 banks in the public sector (that is with the government of India holding a stake),
- 29 privately held banks (these do not have government stake; they may be publicly listed and traded on stock exchanges)
- 31 international banks, too.

BANKING

The term "BANK" comes from the Latin words "bancus" or "banque," which both refer to benches. Early on, European moneylenders and moneychangers sat on benches and displayed large piles of coins from many nations in order to exchange and lend money.

Definition:

A firm that does banking operations in India ¹⁶ is referred to as a banking company.

⁹ **As per Banking Regulation Act 1949 Section 5(b)**

Accepting public money deposits for the purpose of lending or investing, repayable on demand or otherwise, and withdrawal by check, draught, or other means, is what is referred to as "banking" in the dictionary.

According to Sir John Paget

No individual or entity, corporate or otherwise, may call themselves a banker if they don't (a) accept deposit accounts, (b) accept current accounts, (c) issue and pay checks, and (d) collect crossed and uncrossed checks for his clients. Simply put, ¹⁰ a bank is a financial establishment that trades in money and credit by

collecting public deposits and disbursing loans and credit to commerce and industry, respectively.

FUNCTIONS OF BANKS

1. Primary / basic Functions

- Taking deposits
- Making loans and advances
- Cash Credit for overdrafts
- ⁹ Discounting of bills of exchange

2. Secondary / supporting Functions

1. Agency Activities

- Gathering of checks, invoices, etc. Obtaining dividends and interest
- Accepting payments from clients. buying and selling of securities.
- Funds transfer capability
- To serve as executor and trustee.

2. Utility / useful Functions

- Safekeeping of the client's priceless possessions and securities. Subsidizing facilities
- Issuing letters of credit and traveler's checks Exchange-of-currencies facility

- Offering trade-related information
- Disseminating data about the creditworthiness of their clients.

CLASSIFICATION ON BASIS OF OWNERSHIP

On the basis of ownership banks are of the following types:

1. PUBLIC SECTOR BANK

Banks that are owned by the government are referred to as public sector banks. The government controls these banks. In India, 6 more banks were nationalized in 1980 after the nationalization of 14 banks in 1969. Consequently, there were 20 nationalized banks in 1980. However, there are now 9 nationalized banks. All of these banks are under the public sector umbrella. Their top priority is welfare.

2. PRIVATE SECTOR BANKS

The private sector owns and operates these banks. There are several banks in the nation, including ICICI Bank and ICIC Bank. In order to prepare for the portion of the banks he has, an individual has power over their banks.

3. CO-OPERATIVE BANKS

They are those financial entities, cooperative banks. They provide its members short- and medium-term loans. In India, there are cooperative banks in every state; these institutions are referred to as central cooperative banks at the local level. In turn, the central co-operative bank has locations both in urban and rural regions. Every state cooperative bank is an apex bank that gives the central cooperative bank access to loan facilities. By accepting deposits, extending credit like a commercial bank, and borrowing from the money market, it helped the wealthier segments of the urban population mobilize their financial resources. The RBI provides funding as well.

7 COMPANY PROFILE

Yes Bank, India's contemporary private sector bank, is the outcome of founder Mr. Rana Kapoor's dedication to building a high-end, customer-focused, service-driven private Indian bank that supports the "Future Industries of India" and the tireless efforts of his highly skilled senior management team.

Yes Bank uses international best practises, the highest standards of customer service quality, and operational excellence to provide comprehensive banking and financial solutions to all of its prized clients. One of Yes Bank's key strengths and differentiators is its knowledge-driven approach to banking and exceptional customer experience for its retail and wealth management clients. A few of the industries in which Yes Bank is steadily growing across the country include corporate and institutional banking, financial markets, investment banking, corporate finance, business (Small & Medium Enterprises) and transaction banking, international banking, retail banking, and wealth management. The Bank always strives to provide outstanding banking experiences that are expressed with simplicity, empathy, and completeness.

Through its Knowledge Banking methodology and goal of being the "Bank for an Emerging India," Yes Bank is aware of the financial requirements of the Government of India in its growth and development role as a "Growing India". Yes Bank is still dedicated to providing for this niche market.

Yes Bank is aware of Through a "Money Doctor" approach that emphasizes diagnostic and prescriptive attention to detail, bankers provide inventive, systematic, and thorough solutions. This is made possible by Yes Bank's technology leadership, which offers tried-and-true solutions that are simple to use for government undertakings and agencies. Ministries of the Union Government, State Governments, Central and State Public Sector Undertakings (PSU's), and Agencies have received financial and consulting services from Yes Bank.

In a little more than three and a half years, the Government Relationship Management (GRM) team has established relationships with more than 100 organizations. The core values of client attention, innovation, and top-notch service that guide all businesses within Yes Bank are shared by the GRM team.

The GRM team provides knowledge advisory, liquidity management and investment products, transaction banking, trade finances, cash management services, Treasury services, Forex remittances, debt capital markets, investment managements, corporate salary accounts, advisory structured transactions, term loans, and cash credit limits to various government operations including IFFCO, SAIL, Airport Authority of India, IOCL, NDPL, HPCL, Bridge & Roof co. (India) Ltd, and many others.

BUSINESS STRATEGY

Knowledge Banking: - The knowledge banking strategy that underpins all of Yes Bank's client solutions is one of its advantages and distinctive qualities. Knowledge has been institutionalized as a fundamental component in both internal and external operations and is used to provide solutions that are specifically tailored to the needs of the clients.

Operations and technology: - Yes Bank benefits from having access to the most recent technologies because it is a new generation bank. In order to transform its technological platform into a tactical business instrument for creating a competitive edge, the Bank has made the calculated choice to invest in the best IT systems and procedures.

Responsible Banking: - Yes Bank, which incorporates the ideas of Corporate Social Responsibility (CSR) and sustainability into its business emphasis, has a mission to lead "Responsible Banking" in India.

Business Lines: - In order to efficiently meet the various demands of its target consumers, Yes Bank has four separate business sectors.

Corporate and Institutional Banking (C&IB): - to meet the demands of multinational corporations, institutional clients, PSUs, and major government and corporate clients. Through its multipurpose branches in the major metropolitan cities, the bank targets C&IB customers.

Emerging Corporate Banking (ECB): - this division is committed to working

with businesses that are growing quickly and becoming leaders in their respective industries.

Business Banking: - Yes Bank has established a specialized business unit to focus on offering excellent banking solutions uniquely created to satisfy the diverse and dynamic demands of its SME clients. This unit is committed to serving the needs of small and medium-sized firms (SME).

Retail Banking and Wealth Management: - The Bank wants to make retail banking a significant value-driver. Yes Bank provides flexibility and convenience to its clients, which is shown in its branch layout and design, product feature and design, alternatives for distribution channels, and excellent service quality supported by technology. Through its sales and service network connected to its branches, Yes Bank primarily provides value-added retail liabilities, third-party wealth management products, as well as retail asset solutions.

Private Banking: - For its most elite High Net Worth clients, Yes Bank is putting an emphasis on customized relationship banking that is underpinned by structured financial ³⁹solutions that are specifically designed to meet their demands.

Product lines: - To maximize cross-selling to consumers, Yes Bank provides a wide range of fee-based products to corporate and business banking clients.

Financial Markets: - According to the Asia Money 2005 foreign exchange poll for India, Yes Bank Financial Markets was voted second in both the "best for currency strategy" and "best for technical analysis" categories.

Transaction Banking: - Yes Bank To help clients with their strategic financial and operational needs in the following areas, the Transaction Banking Group has taken a consultative approach and placed a strong emphasis on expertise and relationship banking:

- Liquidity and working capital management
- Asset administration
- Integration of the Treasury

- Risk and exposure management

Yes Bank offers innovative structured solutions that are essential to a company's financial supply chain by putting industry expertise and cutting-edge technology to use.

Yes International Banking: - With the use of cutting-edge technology, it provides a full range of international banking services and products, including treasury, global Indian banking, debt, trade finance, corporate finance, investment banking, and business consultancy services. In order to raise money, the Bank also intends to take use of its global footprint. These services will initially be provided through partnerships with foreign banks and financial institutions, followed, subject to regulatory permission, by the opening of branches and representative offices.

Developing a brand: - The Bank thinks that its service and trust symbol, "YES," is where it starts to differentiate itself. "YES" indicates the bank's sincere service-oriented spirit. The main advertising agency, Triton Communications, and the bank's public relations advisor, Ad Factors PR, are both supporting the development of the "YES" brand.

Listings and Shareholding

According to Yes Bank Limited's annual shareholder report from March 2018, the top three shareholders were:

(43%), foreign portfolio investors

the insurance industry (14%),

Additionally, mutual funds like UTI (10%),

Additional investors, such as Madhu Kapur (3%),

(8%) Mags Finvest Pvt. Ltd.

CHAPTER II

**COMPANY PROFILE AND OVERALL
ORGANIZATIONAL STUDY**

As no research is complete without a scientific examination of the literature and scholarly works, and as a result, cannot meaningfully contribute to the spread of knowledge, ²³ the available literature has been examined in order to meet the study's objectives. The available material was scanned with the use of abstracts from journals, books, papers, websites, and other sources. The goal of the literature review is to identify research gaps, as well as to give background information and a rationale for the study that will be conducted. ³⁶ It is a summary of what recognized academics and researchers have written about the issue and includes material that has been published on the topic, sometimes within a certain time frame. Dr. Suresh Patidar wrote a paper titled "Analysis of Non-Performing Assets (NPA) in Need Segment Loaning: A Near Think About Between Open Area Banks and Private Segment Banks of India." This study examines the loaning of Non-Performing Assets (NPA) and a comparable study is conducted among open and private banks. Utilizing tools like relapse analysis and proportion examination, the study dissected the need segment in order to determine the rate offer of Non-Performing Assets (NPA) of all banks and to identify the significant impact of need segment loaning on the aggregate Non-Performing Assets (NPA) of banks. The results showed a notable impact of need-based lending on the growth of Non-Performing Assets (NPA) for open-segment banks, however there was no notable impact of need-based lending on the growth of NPA for private-segment banks. ⁵⁵ Many studies have been done on this subject, both in India and outside. ²³ It is impossible to review every one of this research. In order to identify the major gaps in the research, an effort has been made to examine the studies on Non-Performing advancements in this chapter. Several of them are listed below:

2.1 THEORETICAL FOUNDATION

Prudential standards were presented ¹¹ by the Reserve Bank of India to address the credit observing procedure being received and sought after by the banks and budgetary foundations following the monetary changes attempted ¹⁰ by the Government of India in response to the Narasimhan Committee reports I and II.

Government of India passed ¹ The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and The Recovery of Debts Due to Banks and Financial Institutions Act, 1993, to strengthen the recovery of debt by banks and financial institutions. The numerous defined standards or the credit where the major period is not 90 days late through the conclusion of the fiscal year are considered to be performing assets. It doesn't pose any risk to routine business. NPA stands for the term "nonperforming asset" refers to a variety of classifications for loans that are ³³ in default and have unpaid interest or principal balances in their books of accounts. When a loan payment has not been made ¹⁸ for 90 days or more, debts are sometimes labelled as nonperforming. Normally, banks designate their loans as nonperforming when there has been a 90-day period without any principle or interest payments, which might happen throughout the loan's duration or due to default at maturity. If a corporation pays interest on a loan but is unable to repay the principle at maturity, the loan is considered nonperforming. ¹ According to RESERVE BANK OF INDIA (RBI) guidelines, a record is designated as a ⁸ Non-Performing Asset (NPA) based on the recovery of sections and excitement on advancements and progresses and other aspects. According to RBI regulations, the following criteria must be met in order to declare a record as Non-Performing Assets (NPA):-

When a benefit, such as a rented resource, ceased to provide income for the bank, it moved closer to becoming Non-Performing. Whenever a credit or account is an NPA, it means that;

1. 1. If a term credit's interest and a ¹⁸ portion of the principal are past due for more than 90 days,
2. If the exceptional adjustment continues to be consistently abundant of as far as is possible/drawing power, the record remains "out of request" in reference to an Overdraft/Cash Credit (OD/CC). These records should be treated as "out of order" in cases where the exceptional adjustment in the key working record is not as much as possible/drawing power, ⁴⁹ but there have been no credits consistently ¹³ for 90 days as of the balance sheet date or assets are insufficient to cover the interest charged during the same period.

3. Due to invoices that were acquired and marked down, the debt remains unpaid for a period of more than 90 days,
4. The crucial or intriguing element subsequently delays for two product seasons for short-lived crops,
5. In relation to a securitization exchange attempted in accordance with regulations on securitization dated February 1, 2006, the measure of liquidity office remains extraordinary for more than 90 days.
6. With regard to subsidiary exchanges, if past-due debts remain outstanding for 90 days following the stipulated due date for payment, they will speak positively to the display assessment of a subordinate contract.

Reserve Bank of India Guidelines:

To safeguard banks and financial institutions, the Reserve Bank of India establishes specific rules. These include:

- Each bank should have its own protocol for examining various accounts internally. They must to adhere to the FDCI and the different asset classifications.
- When the bank makes an attempt, the accounts start to exhibit signs of the flaws of the targeted one, and the recovery process starts.
- The accounts and assets experience a delay the longer the duration.
- The management is capable of responding to the circumstances and functioning effectively, which has an effect on borrowing.
- A suitable loan is required to prove the requirement to the auditors and financial institutions.

The Effects of Non-Performing Assets (NPA)

A main sum or premium default reduces the moneylender's income, which would disrupt their financial plans and reduce their profit. The advance on loss agreements are a set-aside plan to cover all prospective losses in order to reduce the capital available to provide the ensuing advances. Once the actual losses have been determined from the defaulted credits, they are subsequently balanced against the revenue.

Recovering Losses

The four main options available to moneylenders to recover some or all of the losses brought on by nonperforming assets are as follows. Banks may be able to restructure loans when businesses are striving to pay down debt in order to maintain income and avoid classifying the loan as nonperforming. If the benefits of the borrowers serve as collateral for the defaulted loans, the lenders will assume ownership of the insurance and then sell it to reimburse the losses at a level of market value. Banks have the ability to convert bad credits into values that might indicate to the complete recovery of the value lost in a defaulted advance. The estimate of special offers is often eliminated when the bonds are converted to the new value shares. To the businesses who invest a lot of time in credit accumulations, banks may give the awful obligation at some dangerous discounts. In most cases, banks will give defaulted credits that are not insured or that cannot be recovered via other, more practical means. Factors that Cause Non-Performing Assets (NPA) By default is a term used in finance to describe a situation when a financial obligation is not met because a loan instalment was not paid. These are the causes:

- Unscrupulous lending practices
- The financial situation
- An overhanging element brought on by natural disasters.
- Incremental element brought on by credit policies, etc.

General Causes:

- Because of the defaulters, the legal process is cumbersome and the bank's recovery takes a long time.
- The extension of ongoing projects as a result of different financial market and public issue failures.
- Some units are closed owing to insurgency in numerous states, ¹² as well as natural disasters.
- There is a lack of support brought on by the costs of projects and the federal government.
- In the public and private sectors, large organizations put off paying tiny businesses their dues.

Problems Caused by Non-Performing Assets (NPA)

- The owners do not get a return on their investment. The worst-case scenario is if the bank collapses and the owners lose their assets. The number of stockholders might be impacted by this.
- The depositors are not receiving any market return on their savings. The depositors can lose their assets in the event that the bank fails.
- To redistribute the losses and the economic growth that the financial market is experiencing, the bank charges extraordinarily high interest rates and deposit rates.
- Investments with Non-Performing loans are risky. Due to improper credit allocation from several successful initiatives, failing projects do not receive funding.
- Non-Performing Assets may leak into the financial system, which might cause some economic turbulence.

Symptoms of Non-Performing Assets (NPA):

The initial payment on the loan is not paid.

- The account's balance is insufficient.
- The necessary payments are irregular.
- The account's activity is unpredictable.
- There is a delay in submitting the stock statement.
- The strategy has undergone multiple revisions.
- The borrower and bank are unable to communicate effectively.
- Modifications to government policy also result in a considerable shift.
- There is a chance that the borrower will pass away.
- The market is also impacted by the competition.

Concept of Non-Performing Assets (NPA)

Prudent accounting standards brought Non-Performing Assets (NPA) into the Indian financial system. A period of fluctuating benefits was replaced by a satisfying anticipated disaster. There is no longer a need to "count the chicken before the deliver." During the years 1991–1992, a new accounting methodology emerged. There has been a change in the accounting system for credit requests and interest. The wage affirmation standard, or accounting standard 9, was applied to the cash-related systems and banks. Thus, in accordance with AS 9, interest payments aren't regarded as a result of included weakness but rather at a later time when they are highly acknowledged, thereby allowing RESERVE BANK OF INDIA (RBI) to take the lead as well. In light of this, the asset representation process gained momentum. When demonstrating these requirements, all widely

accepted Basel Leading Body of Trustees proposals were taken into consideration. The gauges of this standard salary were only visible in relation to standard or performance credits, as stated. When the borrower pays the outstanding interest and portion, the borrower's account will be charged immediately. Exercises were also taken to recover as and when the chance arose for the interest and portion to be especially due. Similar to this focus point, these were the names:

- Performing and common assets.
- Unproductive assets.

Non-Performing Assets (NPA) classification as per RESERVE BANK OF INDIA (RBI) guidelines:

Non-Performing Assets (NPA) Category:

⁵¹ Four categories have been established for bank loan accounts. As follows:

- Common Assets
- Deficient Assets
- Questionable Assets
- Loss of Assets

Standard Assets: It may be depicted as an asset that is not vulnerable to difficulties of any sort and that does not represent the typical risk associated with the business. According to the RESERVE BANK OF INDIA (RBI) regulations, such advances must first be planned before they become Non-Performing Assets (NPAs). In any event, it should be understood that grouping advantages is only done to compute the total of the arrangements that will be made for bank credits.

Sub-standard Resources: Previously, a sub-standard resource order was regarded as a total of Non-Performing Assets (NPA) for a residence of no more than two

years. Since March 31, 2001, an amount is considered sub-standard if it has been an NPA (Non-Performing Asset) for less than or equal to a year and a half. Amounts that remain Non-Performing Assets (NPA) for a period of time that is not precisely or equal to a year are considered to be sub-standard resources.

Assets in doubt: In the past, improbable resources were considered Non-Performing for a period that eventually reached two years. But starting on March 31, 2001, it was altered for a duration exceeding a year and a half. Beginning then of time, it has been further pressed, and the benefits remain below par for a one-year residence, it is categorized as questionable resources.

Loss Assets: When a loss is noticed by a financial institution, an internal auditor, an examiner, or in the Reserve Bank of India (RBI) inspection but the amount has not been properly calculated, at that moment it is referred to as a Loss Assets. Only those advancements are categorized as unfortunate resources without available securities.

Types of Non-Performing Assets (NPA):

The various types of Non-Performing Assets (NPA) are:

- Gross Non-Performing Assets (GNPA)
- Net Non-Performing Assets (NNPA)

The assets of the loan account that are being categorized as nonperforming assets under the rules of the Reserve Bank of India make up the gross Non-Performing Assets (NPA). The gross nonperforming assets that the bank makes are an indication of the quality of the loans. It contains inferior, dubious, and lost assets. Gross Non-Performing Assets (GNPA) = Gross Non-Performing Assets (GNPA) divided by Gross Advances is how the formula is expressed. The bank provides various deductions for certain assets through its net nonperforming assets (NNPA). The Non-Performing Assets (NPA) in India are included in the balance sheet in significant amounts. In India, the different recovery processes and written-offs are time-consuming. Net Non-Performing ratios are calculated by dividing

gross Non-Performing Assets (GNPA) by gross advance less provisions.

CHAPTER III

RESEARCH DESIGN / METHODOLOGY

The information on the sort of study design and methods will be included in this section of the thesis. The following chapter will describe and give a bigger and more detailed idea of the methods, its sausages, its effects over the firm, and some suggestion has been made. This section will aid in familiarizing the reader with the concept, elements, and procedure used in the various types of research method selected.

3.1 RESEARCH DESIGN AND RATIONALE

This research thesis on the Non-Performing Assets of Yes Bank has been conducted using a descriptive approach of study design. It focuses mostly on the secondary data that is now available for the analysis and interpretation of the goal outlined in the previous chapter. This thesis is organized in a thorough and descriptive way.

3.2 METHODOLOGY

The researcher used a³⁸ mixed strategy that incorporates elements of both descriptive and analytical research approaches in order to achieve the stated aims. Despite the existence of several research studies on Non-Performing Assets (NPA) in the Indian banking sector,⁴⁴ a deeper examination revealed that these studies verified the NPA issue¹ using secondary data and frequently relied on ratio analysis to determine whether NPA was effectively handled. A detailed examination of the studies revealed a lack of analytical research on the relationship between various performance indicators unique to banks and macroeconomic indicators regarding the frequency of Non-Performing Assets (NPA) for banks. The methodology for this study was developed with the aforementioned factors in mind; it uses the trend⁵⁷ in Non-Performing Asset movement¹ to assess the asset quality of public sector banks.

3.3 SAMPLING AND SAMPLING PROCEDURES

This study supports the use of secondary data exclusively, such as those from the last three years' worth of annual reports, articles, news stories, and journals. The study was conducted without the use of primary data gathering. The gathered data sets are appropriately evaluated and both qualitative and quantitative interpretations are made. It takes careful consideration and observation to create findings from quantitative data. The primary tool utilized in this case is a data collection tool where the data are gathered, processed, and evaluated to see whether they are trustworthy before being used in other computations.

The audited yearly reports, which are a completely reliable tool, served as the primary source of information. In order to compute and address the issue statement identified in this study, this offered all the pertinent and trustworthy facts based on the firm. The creditors, investors, and external analyst were the key users of this audited report, which also has the benefit of having a sample that combines and delivers both the time series and cross-sectional data, which no other source can.

The accounts office, recovery office, marketing research, restoration of the destroyed unit, financial administration, and the branch of company development are where the information is acquired.

3.4 TESTING OF HYPOTHESIS

- Null hypothesis (H0): There is no significant effect of Non-Performing Assets on the profitability of Yes Bank
- Alternative hypothesis (H1): There is significant effect of Non-Performing Assets on the profitability of Yes Bank

3.5 SOURCES OF DATA

- Secondary data
- Annual report of the organization.
- Operational measurements of the organization.
- RESERVE BANK OF INDIA (RBI) circulars.
- Internet.
- Journals and magazines

3.6 TOOLS AND TECHNIQUES:

- Tables
- Charts
- Graphs
- MS-Excel
- Data analysis

3.7 DESCRIPTIVE RESEARCH

The majority of this study is descriptive in character. Describes the phenomena or traits connected with a subject population by answering the questions "who, what, when, where, and how of a topic" (Cooper and Schindler, 2003). A descriptive study may employ surveys, panels, observations, or secondary data that has been quantitatively examined (Malhotra, 2004). Primary and secondary sources were employed in this study to explain Yes Bank's Non-Performing Assets. Statistics on Non-Performing Assets (NPA), different NPA indicators, chosen bank performance indicators, and the effectiveness of NPA management throughout the post-millennium period are all provided. This post-millennium period runs from 2020 to 2022.

CHAPTER IV
FRAMEWORK OF ANALYSIS

This section of the research study will include data analysis, calculation, interpretation, and some suggested management efficiency improvement measures. The search algorithm described above is computed and analyzed in this part.

4.1 DATA ANALYSIS AND INTERPRETATION

By raising the standard of credit evaluation and follow-up, the Non-Performing Assets (NPA) may be lowered more drastically. In accordance with international norms, bankers should conduct a critical examination of the current credit appraisal system. It is abundantly clear from conversations with bankers from other countries and data analysis that credit assessment and evaluation processes are more crucial for reducing the risk of Non-Performing Assets (NPA). Due to the increasing additions to Non-Performing Assets (NPA) in the Indian banking industry throughout the research period, the secondary data analysis also exposed flaws in the current credit evaluation. The technology must allow lenders to recognize and group projects and loan requests into several groups according to the level of risk involved. A thorough follow-up is also necessary after loan to look for any changes to the initial risk category. This will make decision-making timely.

The various top Non-Performing Assets (NPA) loans accounts are being categorized as follows:

1. Non-Performing Assets (NPA) accounts of Housing Loans
2. Non-Performing Assets (NPA) accounts of Vehicle Loan
3. Non-Performing Assets (NPA) accounts of Business loan
4. Non-Performing Assets (NPA) accounts of Education loan
5. Non-Performing Assets (NPA) accounts of Personal Loan

1. Non-Performing Assets (NPA) accounts of Housing Loans in Yes bank

Table 4.1: This Table showing Non-Performing Assets (NPA) accounts of Housing loan in Yes bank (Rs. In Lakhs)

Chart 4.1. This Chart showing Non-Performing Assets (NPA) accounts of Housing Loan in Yes bank (Rs. In Lakhs)

Analysis and Interpretation:

The Yes Bank Housing Loan, which has become a Non-Performing Asset, is seen in the graph above (NPA). Customers who wish to develop or buy their ideal house can apply for a housing loan. According to the aforementioned statistics, there would be a greater amount of Non-Performing Assets (NPA) for housing loans in 2021–2019 than in previous years. In contrast to previous years, the housing loan Non-Performing Assets (NPA) of 2020–2021 are lower. It was reduced once more in the next fiscal year by Rs. 2984873.2 Lakhs. It was reduced by Rs. 1391513 Lakhs in the fiscal year 2020–18, and then boosted by Rs. 2481863 Lakhs in the next fiscal year 2021–2022. the comparison of the most recent five years in a row.

2. Non-Performing Assets (NPA) accounts of Yes Vehicle Loan in Yes bank

Table 4.2: This Table showing Non-Performing Assets (NPA) accounts of Yes Vehicle Loan in Yes bank (Rs. In Lakhs)

Chart 4.2: This Chart showing Non-Performing Assets (NPA) accounts of Yes Vehicle Loan in Yes bank (Rs. In Lakhs)

Analysis and Interpretation:

The car loan from Yes Bank that has become a Non-Performing Asset is indicated in the graph above (NPA). Customers who wish to purchase their vehicles can apply for a vehicle loan. According to the aforementioned statistics, there will be a rise in Non-Performing Assets (NPA) for vehicle loans in 2021–2019 compared to previous years. In comparison to previous years of vehicle loans, the Non-

Performing Assets (NPA) of the 2020–2021 fiscal year are lower. Once more, it climbed by Rs. 3750802 Lakhs in 2021–2019 compared to the previous year (2020–2021). It was reduced by Rs. 2394450 lakhs in the 2019–2020 fiscal year before being raised by Rs. 735429 lakhs in the next fiscal year, 2021–2022. the comparison of the most recent five years in a row.

3. ⁵Non-Performing Assets (NPA) accounts of Business Loan in Yes bank

Table 4.3: This Table Showing Non-Performing Assets (NPA) accounts of Business Loan in Yes bank (Rs. In Lakhs)

Chart 4.3: This Chart Showing Non-Performing Assets (NPA) accounts of Business Loan in Yes bank (Rs. In Lakhs)

Analysis and Interpretation

The Yes Bank Business Loan, which has become a Non-Performing Asset, is depicted in the graph above (NPA). Predicted from the aforementioned data are Non-Performing Assets (NPA) of Business Loans. The number of business loans in 2021–2019 is higher than in previous years. In comparison to other years, the Non-Performing Assets (NPA) for Business Loans are lower in 2019–2020. Once more, it climbed by Rs. 354546 Lakhs in 2020–2021 compared to the previous year (2019–2020). In comparison to the previous year (2021–2019), it declined by Rs. 202218 lakhs in 2019–2020. However, in 2021–2022, it climbed once again by Rs. 599994 lakhs. the comparison of the most recent five years in a row.

4. Non-Performing Assets (NPA) accounts of Education Loan in Yes bank

Table 4.4: This Table Showing Non-Performing Assets (NPA) accounts of Education Loan in Yes bank (Rs. In Lakhs)

Chart 4.4: This Chart Showing Non-Performing Assets (NPA) accounts of Education Loan in Yes bank (Rs. In Lakhs)

Analysis and Interpretation

The Yes Bank Education Loan, which has become a Non-Performing Asset, is seen in the graph above (NPA). The aforementioned information indicates that education loans are Non-Performing Assets (NPA). Education loans in the year 2019–2020 are higher than in previous years. In comparison to previous years of education loans, the Non-Performing Assets (NPA) of the 2020–2021 fiscal year are lower. Again, it grew by Rs. 1768057 Lakhs in 2021-2019 compared to the previous year (2020-2021). It declined by Rs. 429067 lakhs in 2020–2021 compared to the year before (2019–2020), and then it grew by Rs. 741172 lakhs in 2021–2022. the comparison of the most recent five years in a row.

5. Non-Performing Assets (NPA) accounts of Personal Loan in Yes bank

Table 4.5: This Table Showing Non-Performing Assets (NPA) accounts of Personal Loan in Yes bank (Rs. In Lakhs)

Chart 4.5: This Chart Showing Non-Performing Assets (NPA) accounts of Personal Loan in Yes bank (Rs. In Lakhs)

Analysis and Interpretation

The graph above illustrates the Yes Bank Personal Loan, which has been classified as a Non-Performing Asset (NPA). The aforementioned information indicates that personal loans are Non-Performing Assets (NPA). The number of personal loans in 2019–2020 is higher than in previous years. In contrast to past years of personal loans, the Non-Performing Assets (NPA) of 2020–2021 are lower. Again, it declined by Rs. 773367 Lakhs in 2021-2019 compared to the previous year (2020-2021). In comparison to the prior year (2019-2020), it declined by Rs. 179409 Lakhs in the following fiscal year (2020-2021), and then climbed by Rs. 315129 Lakhs in the following fiscal year (2021-2022). the comparison of the most recent five years in a row.

Categorization of Non-Performing Assets (NPA):

- Substandard Assets
- Doubtful Assets
- Loss Assets

Table 4.6: Table Showing Categorization of Non-Performing Assets (NPA) in Yes bank (Rs. In Lakhs)

Chart 4.6: Chart Showing Categorization of Non-Performing Assets (NPA) in Yes bank (Rs. In Lakhs)

Analysis and Interpretation

²⁸ It is clear from the graph above that suspect assets outnumber inferior and lost assets. Doubtful assets, which are the bank's biggest worry, are the main cause of the bank's problems.

Net Non-Performing Assets (NNPA) to Total Asset Ratio in Yes bank

Table 4.7. Table showing Net Non-Performing Assets (NPA) to Total Asset ratio in Yes bank.

$$\text{Ratio} = \text{Net Non-Performing Assets (NNPA)} / \text{Total Assets}$$

Chart 4.7. Chart showing Net Non-Performing Assets (NPA) to Total Assets Ratio in Yes bank.

Analysis and Interpretation:

The Net Non-Performing Assets (NPA) to Total Assets Ratio at Yes Bank is depicted in the graph above. The Net Non-Performing Assets (NPA) to Total Assets Ratio is predicted using the data given. In 2019–2020, the ratio of Net Non-Performing Assets (NPA) to Total Assets is higher than in previous years. The

ratio of Net Non-Performing Assets (NPA) to Total Assets (NPA/TA) for the 2020–2021 fiscal year is lower than it has been in previous fiscal years. Once more, it fell in 2021–2019 compared to the year before (2020–2021). It declined in the years 2020–2021 compared to the prior year (2019–2020), and then grew once again in 2021–2022. the comparison of the most recent five years in a row.

Table 4.8. Table showing correlation, P-Value, R Square and summary output.

Analysis and Interpretation:

Table 4.8 shows the correlation of Non-Performing Assets and Net Profits of Yes Bank. The correlation between the Net Non-Performing Assets and Net Profits is positively correlated (0.97), this means that the Non-Performing Assets is directly proportional to Net Profit. The P-Value was obtained by applying linear regression on Net Non-Performing Assets and Net Profit of the bank, P-Value of Yes Bank is 0.00673 which is less than 0.05 ($0.00673 < 0.05$) resulting in the rejecting null hypothesis indicating that there is no significant impact of Non-Performing Assets on the Net Profits of the bank. R square = 0.93771, which means 93.771% of variations in the profits of the bank due to the presence of Non-Performing Assets, but the value 0.93771 is considered to be less, thus there is a minor impact on the profits of the bank due to Non-Performing Assets.

CHAPTER V

**SUMMARY OF FINDINGS,
RECOMMENDATION & CONCLUSION**

5.1 FINDINGS

- Because of poor management, there is an unfavorable positive correlation between the bank's Non-Performing Assets (NPA), net profits, and total advances.
- The relationship between Non-Performing Assets (NPA) and earnings is positive, and this is a result of banks' poor customer selection.
- The bank's liquidity is negatively affected.
- The bank is unable to provide loans to new clients because of a lack of capital brought on by Non-Performing Assets (NPA).
- Over the past four years, the amount of Net Non-Performing Assets (NNPA) owed to propels has been changing and growing.
- The number of subpar resources used over time provides the impression that the association's performance has been inconsistent over time.

5.2 CONCLUSION

Non-Performing Assets (NPAs) have an obvious impact on any financial institution's advance plan over the course of a project, affecting their asset report, which in turn affects their profits. However, it is also evident that Yes Bank is doing everything in their power to lower the level of NPAs and is taking significant steps in this direction.

The partnership's Non-Performing resource management strategy was strengthened during the year under review. The highest priority was given to ensuring that standard resources remain in the same class and that edge situations are virtually always monitored to prevent them from becoming Non-Performing Assets (NPA).

To sum up, Yes Bank has established a respectable NPA determination mechanism that it uses to maintain the standard portfolios. The study reveals in

advance that Yes Bank's Non-Performing Assets (NPA), while under control, require close monitoring to maintain and reduce to a level that would support the growth of Yes Bank.

5.3 RECOMMENDATIONS

- Pre-endorsing evaluation and post-distribution control should be performed on bank advances in order to reduce Non-Performing Assets (NPA).
- Effective management is necessary for banks to reduce the amount of Non-Performing Assets (NPA).
- To get easy instalments, careful borrower selection and further meetings are necessary.
- Recovery worker execution should be an element of the corporate goal, and it should be linked to it.
- Regular audits of advance records to make sure that the fringe does not get classified as Non-Performing Assets (NPA).
- The corporation should put its efforts into repaying first and stoking loans and advances that are lent to its clients.
- Put emphasis on respect Non-Performing Assets (NPA) records should be made feasible by improving the credit evaluation process and encouraging activity utilizing loan reports.
- Improving advance portfolios and lowering the likelihood of Non-Performing Asset outcomes (NPA).
- Physical verification of speculatively sold properties and insurance securities ensuring the repayment of each credit.