

NPAs comparison of PSL and Non-PSL of Yes Bank Annual Report, 2017-18

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Abstract:

Yes Bank, a famous brand now days in the Indian Banking domain and one of leading private sector bank. In the recent past bank was in news first it was due to non-reporting correct NPAs figures to to the regulator and then it was penalized by the regulator for it's wrong reporting of NPAs figures. Also bank's founder member and chairman Mr Rana Kapoor was also not given the extension by RBI continuing as bank's chairman which has adversely affected its share price and it has seen almost 50% drop in the stock market at exchanges. Also it has emerges as the preferred lender in the in banking domain. It has received the honorable position in the lending and advances both in priority and non-priority segments. Keeping this into consideration we have we have compared its annual report of March ending 2017 and March ending 2018 which is published by the Bank on it's official website “ <https://www.yesbank.in>” and same is submitted to regulator as well so we can trust the data source. This research paper covers both the segments of advances that priority and non-priority for 2016-17 and 2017-18 years are analysed with respect to gross advances and gross NPAs. We have compared both the financial years gross NPAs with respect to growth in the gross advances in both the segments. This research is based on the secondary data analysis and also we have shared the findings from the research in this paper. All the findings in the paper are based on the published gross advances data shown in the figure 1. Bank is also many many programs like digital awareness, financial inclusions and many more which in turn helps bank brand awareness and improving the bank's business book. There are many research has been conducted on the priority and non-priority sector and also comparative study has been taken over. But this is it's kind of only paper where we have solely conducted the private sector bank (Yes Bank Ltd) on which focussed work is not done. It is also important to take this work on this this bank because bank was on regulator radar since last few years for irregular reporting of It's NPAs figures. While analysing the annual report that aspect will also will kept in to the mind. This data actually can't be challenge as same has be submitted to regular and becomes official when it is published on the official website of the bank.

Key Words: *Lending, Priority Sector, Non Priority Sector, Advances,*

Introduction:

Yes Bank is 5th largest private sector in Bank in the Indian Banking domain after ICICI Bank, HDFC Bank, Axis Bank and Kotak Mahindra Bank. It is a such a big branch in the social media and which has 3.3 million followers on twitter, highest followed global bank brand on twitter, 640k followers on the Instagram, 7.7 million likes which is second largest liked brand on social media globally. Also Yes Bank has physical presence pan India across all 29 states and 7 union territories with more than 1100 branches and 1724 ATM.

Vision of YES BANK is committed to its vision of 'Building the Finest Quality Large Bank of the World in India' having evolved its organizational ethos into the 'Professionals' Bank of India'. It has also won the several awards in the banking domain like Best Bank for SMEs in India - Asia Money best bank award 2018, Best Bank for CSR- Asia Money 2017, Best Trade and Finance Bank of India 2017- The asian banker achievement award, Dow Jones Sustainability Index 2015-17- Emerging Market, The extraordinary branch 2018- The brand vision summit 2018 and many more. YES BANK has always been ahead of the curve in terms of process, product and service innovations and is also accelerating these through pertinent digital interventions. While 2017 was all about being future- ready by conceptualizing and testing futuristic ideas, the year 2018 will be more about embracing 'Future, Now' by scaling these interventions, and fast-forwarding YES BANK into the future. By embracing the Future Now philosophy, YES BANK is bringing in the future of banking to the present, having seeded and scaled multiple such initiatives as part of our digital transformation, both within and outside the YES FINTECH initiative.

The Bank continually invests to fortify the resilience and reliability of IT and Information Security systems to enable seamless customer services and mitigate various aspects of cyber related threats and risks. This has facilitated the Bank in offering a vast array of digital products and services to customers and promote safe, secure and convenient banking. Yes Bank is also foraying into a cashless and paperless ecosystem. The Bank's innovative and sophisticated financial tools and technologies are designed in partnership with credible technology partners, and are used to offer solutions that ensure better efficiency, security and viability

'YES BANK culture' focused on encouraging open and honest Communication, strengthening Connect among employees and the community, supporting Career development and showing that 'We Care' as an organization.

All of these are underpinned by YES BANK's integrated Vision and Values framework. YES BANK has always emphasized on Knowledge as a key differentiator, wherein we continuously enhance the capability, capacity and confidence of our Human Capital by creating an environment of continuous learning which equips them with knowledge and skills aligned to YES BANK's strategic objectives, business goals and regulatory requirements.

Objective:

1. To find the latest trend on NPAs of Yes Bank as compare to previous year Annual report of 2016-17 duration.
2. To discuss the key areas and trends of NPAs.

Methodology:

This paper is based on the descriptive study in nature and secondary data collection from the Yes Bank's annual report publish on it's official website. For this study we have considered the annual report of year 2016-17 and 2017-18. Both these annual reports are taken out from the Yes Bank official website.

Analysis and Interpretation:

Yes Bank NPAs and Annual Report discussion:

(₹ in millions)

Sector	As at March 31, 2018			As at March 31, 2017		
	Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector	Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector
Priority Sector						
Agriculture and Allied activities	108,333.92	1,152.95	1.06%	79,305.47	2,923.35	3.69%
Advances to industries sector eligible as priority sector lending	101,882.22	559.16	0.55%	60,135.24	305.81	0.51%
Gems and Jewellery	24,830.95	-	-	17,281.13	-	-
Services	215,285.26	764.18	0.35%	141,046.10	649.46	0.46%
NBFC's	14,045.13	171.14	1.22%	18,832.51	189.50	1.01%
Personal Loans	407.33	8.07	1.98%	-	-	-
Others	22,107.22	16.60	0.08%	12,924.53	3.14	0.02%
Sub-Total (A)	448,015.95	2,500.96	0.56%	293,411.34	3,881.76	1.32%
Non Priority Sector						
Agriculture and Allied activities	5,319.14	0.00	0.00%	2,173.21	45.66	2.10%
Industry	1,037,517.44	22,282.04	2.15%	679,595.25	15,518.26	2.28%
Construction	109,338.86	2,576.69	2.36%	81,825.57	1,247.91	1.53%
Electricity (generation-transmission and distribution)	185,688.75	7,539.25	4.06%	128,295.73	1,747.32	1.36%
Services	450,248.18	1,060.75	0.24%	314,300.22	647.79	0.21%
Commercial Real Estate	146,172.40	115.93	0.08%	106,007.73	107.49	0.10%
Tourism, Hotel and Restaurants	67,879.79	108.00	0.16%	56,107.01	-	-
Personal Loans	27,654.56	140.12	0.51%	9,312.94	5.16	0.06%
Others	79,723.91	284.15	0.36%	33,296.70	86.95	0.26%
Sub-Total (B)	1,600,463.23	23,767.06	3.25%	1,038,678.32	16,303.82	1.57%
TOTAL (A+B)	2,048,479.18	26,268.02	1.28%	1,332,089.64	20,185.57	1.52%

Figures 1.

Yes bank's has started its presence in the banking sector from the corporate lending and where it got huge success and then started focussing on the retail banking part. Majorly there are two kind of lending shown in the annual report of different bank's and same is as the Yes Bank case. 1. Priority Sector Lending 2. Non Priority Sector Lending. These 2 kind of lending are prescribed by the RBI and commercial Banks has to follow the same. Priority Sector Lending is mandatory which is based on certain % of Non Priority Sector Lending as direct by the RBI and has to be atleast 40%. With this background

Above data is taken from the annual report of yes bank published for the duration of 2017-18 where the comparison of march ending 2018 and march ending 2017 is shown. Total advances in the march ending 2018 of Yes Bank is 2048479.18 million out of which 448,015.95 million is from priority sector lending and 1600,463.23 million from Non Priority Sector Lending. Which clearly shows that Yes Bank has not achieved the 40% target of total lending which is set by RBI for all scheduled commercial banks (SCBs) in India. In the same time in March 2017 gross advances by Yes Bank was 1,332,089.64 million and out which 293,411.34 million was lended in PSL and rest of 1,038,678.32 million is lended in NON PSL. So in March 2017 also Yes Bank has not achieved it's PSL target set by the RBI. however the interesting point is that Yes Bank has grown in it's gross advances by overall 65.02% which is really fabulous as their over all NPAs % is reduced from 1.52% to 1.28% which clearly shows that the asset quality of the acquisition by the bank. In case of PSL lending if we compare the figures gross advances book has shown the great growth of approximately 66% as compare to March 2017 in March 2018 also the NPA ratio has also reduced from 1.32 to 0.56% so with the growth in PSL lending they also acquired the good quality of asset which ultimately can help in profitability. When we look at the figures of Non PSL lending percentage of gross NPAs to Gross advances has increased or simply got doubled from 1.57% to 3.25% which is really surprising as general tendency in the market is that PSL lending has more chances of becoming NPAs rather than Non PSL as PSL lending is catering to un- addressed area of the domestic market. As far as growth is concern it more than 64% growth as compare to previous year but also compromised with the asset quality in Non PSL as compare to PSL.

1. Agriculture and allied activities:

There are 2 segment in this category

a. Farm Sector :Agriculture and allied activities such as minor irrigation, farm mechanisation, land development, soil conservation, dairy, sheep/goat rearing, poultry, piggery, plantation/horticulture, forestry, fishery, storage and market yards, bio-gas and other alternate sources of energy, sericulture, apiculture, animals and animal driven carts, agro-processing, agro-service centres, etc.

b. Non-Farm Sector :

Artisans, handicrafts, handlooms, powerlooms, MSME etc

In the March ending 2017 Yes Bank has the gross advances in the agriculture and allied activity was 79,305.47 million where by 3.69% was the NPAs out of total advances that is 2923.39million as compared to March 2018 ending it was 1,08,333.92 million where by only 1.06% was the NPAs of gross advances that is 1152.95 million that means as compared to previous year growth in the same segment is approximately 73% but the NPAs has reduced drastically that simply indicate the improved asset quality in the same segment. In the Non Priority sector gross advances in the March ending 2017 was 2173.21 million, out of which 45.66 million was NPAs which is nearly 2.10% of total in the comparison of the same if look at the data of March ending 2018 there was 5319.14 million was the gross advances and no NPAs is declared. That is simply shows the expertise of the Bank in this division. If compare both Priority and non priority segment head to head, agriculture and allied activity lending in the PSL segment is substantial and dominating and Bank has reduced its NPAs as compared to previous year and that simply shows its asset quality.

2. Advances to Industrial Sector

In the industrial sector there are 2 categories, one which covered under priority sector lending and other which is not covered under priority sector lending. Basically MSME are covered under priority sector lending and other than MSME are part of Non- PSL lending.

Manufacturing Sector Enterprises Investment in plant and machinery **Micro Enterprises** Does not exceed twenty five lakh rupees. **Small Enterprises** More than twenty five lakh rupees but does not exceed five crore rupees. **Medium Enterprises** More than five crore rupees but does not exceed ten crore rupees.

Service Sector Enterprises Investment in equipment **Micro Enterprises** Does not exceed ten lakh rupees **Small Enterprises** More than ten lakh rupees but does not exceed two crore rupees **Medium Enterprises** More than two crore rupees but does not exceed five crore rupees

Above is the criteria for loans which will get covered under PSL lending and other than that are non PSL lending.

March ending 2017 Banks has gross advances in PSL was 60,135.74million with gross NPAs of 305.81million which is 0.51% of total. While if we look at the data of March ending 2018 it is 1,01,882.22 million with gross NPAs of 559.16 million which is 0.55%. If we look at the % NPAs in this data but if we look the growth of the gross advances book in this segment it has grown approximately 59% compare to previous year and still the level the gross NPAs has just marginally changed that means a superior quality of advances book created by the bank.

If we look the non priority sector lending the Industry, March ending 2017 it is 6,79,595.25 million is the gross advances and gross NPAs is the 15, 518.26 million is the gross NPAs of total which comes to 2.28% of total gross advances. At the same time if we look at March ending 2018 figures 1,03,7517.37 million gross advances, where 22,282.04 million are gross NPAs which is 2.15% of

total advances. Now if we compare both the years figures in the segment it quite clear that book has substantially grown with controlled or lesser NPAs which is great sign for the bank profitability.

3. Gems and Jewellery: It is the segment which is added to priority sector in order to boost export by the government last year and hence so far there is no exposure to NPAs in this segment however advances to 24,830.95million is given by the bank. This sector is purely and completely kept in to the PSL segment.

4. Service Sector: both Priority sector and non priority sector has exposure in the Service Sector as per the criteria defined the RBI. when we look the priority sector, march ending 2017 gross advances to the service sector was 1,41,046.10 million out of which 649.46 million was gross NPAs which is 0.46% of total. At the same time march ending 2018 gross advances was 2,15,285.26million out of which 764.18million was the gross NPAs which is 0.35%. If we look the YOY advances in the same time in both year it has grown about 65% approximately. Also the if we look the NPAs in it rather reduced and simply shows the improved asset quality in the bank. If we look at non priority sector the gross advances in the march ending 2017 was 314,300.22 million out of which gross NPAs is 647.79 million which is 0.21% of total. If we compare same with the figures of march ending 2018 it is 450,248.18 million out of which gross NPAs are 1060.75 million which is 0.24 %. If we compare advances for both the durations gross advances is increased by approximately 69% which is really tremendous business growth and if we look the NPAs it has not much increased. So business is channelized or sourced in a really profitable.

Personal Loan:

Personal loans comes under both the category, in Priority sector in comes for the weaker segment of the society while in the non priority segment it is other than the weaker segment.

In the priority segment personal loan exposure is in the March ending 2018 book, total gross advances is 407.33 million and out of which 8.07 million is NPAs which is normal part of business that is approximately 1.98%.

Also in the non priority segment the gross advances in the personal loan in march ending 2017 was 9312.94 million out of which gross NPAs was 5.16 million which means 0.06% a very minimal figure. This shows that banks has affluent category of corporate customer which hardly tend to default. If we look at the figures of march ending 2018 the gross advances are 27,654.56 million with gross NPAs 140.12 which is 0.51%. Total gross advances book has grown approximately 33% and at the same time NPAs has also been boost up.

NBFCs: Under the priority segment now NBFCs are also included in order to boost the funding to the unaddressed section of the society in this case scheduled commercial banks can fund the non banking finance companies and since they are having reach till remote location and huge network so they can cater the society.

Gross advances to this segment march ending 2017 was 18,832.51 million out of which 189.50 million was the gross NPAs which is 1.01%. For the march ending 2018 gross advances was 14045.13 million out of which 171.14 million is the gross NPAs which is 1.22%. Means NPAs are slightly moved up the as compare to march 2017 but its marginal and not so big. Also the growth of advances in this segment has down to 74% approximately and at the same time NPAs has increased.

Commercial Real Estate: This segment is the part of non priority sector lending. In the march ending 2017 gross advances to segment was 106,007.73 million and gross NPAs out which was 107.49 million that is just 0.10%. At the same time banks book has grown in the advances of this segment in the march ending 2018 to 146,172.40 million and at the same time gross NPAs has reduced to 115.93 that is 0.08%. In this segment bank is mortgaging generally the new build commercial properties and hence payment is quite easy.

Tourism, Hotel, Restaurant: This segment belongs to Non priority sector lending where in the march ending 2017 gross advances was 56,107.01 million and has no NPAs for these advances so far. In the march ending 2018 gross advances was 67,179.79 million out of which 108 million has turned out to be NPAs which 0.16% of total NPAs. this is quite risky business and depends on the lots of dynamic parameters and chances of becoming NPAs are higher so bank has to take a utmost care while funding into this segment.

Finding:

- Yes Bank not achieved the 40% PSL target set by RBI for all the scheduled commercial banks in India in March ending 2018.
- Yes Bank not achieved the 40% PSL target set by RBI for all the scheduled commercial banks in India in March ending 2017.
- Over all gross advances book has shown the growth of approximately 65% in March, 2018 as compare to March 2017.
- In the agriculture and allied activities Bank has reduced its NPAs as compare to March 2017 against March 2018 in the both the priority and Non Priority sector.
- In the priority sector of MSME lending bank book has grown by approximately 59% as compare to previous year and also kept the NPAs on command.
- In the non priority sector over all growth is approximately 65% with controlled or lesser NPAs in the same segment compare to previous year and showing the great sign with respect to reduced NPAs.
- Gems and Jewellery segment has no NPAs so far.
- In the service sector gross advances has grown to 65% as compared to march ending 2017 to the march ending 2018 and at the same time NPAs has reduced from 0.46% to 0.35%

which is great sign and which shows the improved asset quality in the business which Yes Bank has sourced through its different channels.

- ❑ In the services segment yES bank has grown to 69% as compared to last year and there is only 0.003% NPAs growth that means greater asset quality and profitable business.
- ❑ Bank has to take care with respect to NBFC funding as gross NPAs has increased in this segment. Also it seen that bank has reduced its exposure in this segment which is down by 74% as compare to previous year.
- ❑ Commercial real estate segment is having less NPAs and are in reducing order which shows better funding avenues or quality of clients.

Suggestions:

- ❑ While looking the figures of NPAs many segments are doing goods and has controlled NPAs in the personal loan segment if look the figures in the non-priority sector if has increased substantially as compare to march 2017 to march 2018. In the case of March 2017 figures it is controlled while in the march 2018 it seems to be ok but as compared to March 2017 it looks in the bad shape. So bank has to look at the NPAs and asset quality of personal loan book of 2018 and should be start working on it.
- ❑ As far as NBFCs is concern banks has reduced its exposure as compare to previous year but also its NPAs has increased at the same time. So Bank has to minutely keep on eying on this segment for the recovery of loans and also need to check the business model of those clients who are facing the payment not on time.
- ❑ As commercial real estate lending segment seen better for the bank as far as NPAs in concern so Bank can think over increasing the exposure to the same segment.
- ❑ Tourism, Hotel, Restaurant segment is currently not seems to be high NPAs but this should be taken with care as chances of becoming NPAs are more in this segment as business are generally seasonal and lots of hygiene parameters are need to be taken care for this segment.
- ❑ For the bigger size loans however Yes Bank management are going to restructuring companies for example in March ending 2018 8 accounts are restructured while in March ending 2017 there was 5 accounts restructured for the midsize loans also they should look for same procedure so book cleanup activity is more aggressive in order to show the correct picture to financial ratios.

Conclusion:

If we look at overall NPAs data as compare the previous year that March 2017 with respect to March 2018 we find that there is large and huge reduction in the NPAs with improved asset quality. That simply shows the good quality of asset sourcing by the bank's sourcers and which has also contributed towards the profitability of the bank. Also if we look at the financials of the bank its

has grown with the reduction in gross NPAs figures which will ultimately help in growth story of the bank. Also there are 3 accounts which are classified as scheme for sustainable structuring of stressed assets as on March 2018 with total amount 1303.61 millions and which is big amount for the growing bank like Yes Bank so they be more conscious so that in future they shouldn't be doing this kind of provisioning. Also there are total 8 accounts in March ending 2018 with aggregate principal value of 15,803.78 which is sold to securitisation / asset reconstruction company for the restructuring which was only 5 account in March, 2017 with aggregate principal value of 9,568.84 millions. So certainly NPAs has grown as overall and few write off has happened which is not good for the health of the bank. It is good part from the bank side that they taken the harsh but the timely steps to restructure those loans and maintained their book be ruined more. Overall bank is doing good and wish them luck with bright future.

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