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FINANCIAL ANALYSIS OF YES BANK

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ABSTRACT:

This Research paper is showing Financial analysis of Yes bank for the year 2014-15 to 2018-19. For the purpose of analysis camels model is consider appropriate and conclusion on each criterion used on from the above analysis. It is found that yes bank has improved is performance on criterion such as used on from the above analysis and the performance is not improved for the criterion...

KEYWORDS:

Financial analysis, Camels model, Financial Position.

INTRODUCTION:

➤ What is Financial Analysis?

Financial analysis is the process of evaluating businesses, projects, budgets and other finance- related entities to determine their performance and suitability. Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid or profitable enough to warrant a monetary investment. When looking at a specific company, a financial analyst conducts analysis by focusing on the income statement, balance sheet, and cash flow statement.

➤ Corporate Finance and Investment Finance

Financial analysis can be conducted in both corporate finance and investment finance settings. In corporate finance, the analysis is conducted internally, using such ratios as net present value (NPV) and internal rate of return (IRR) to find projects worth executing. A key area of corporate financial analysis involves extrapolating a company's past performance, such as gross revenue or profit margin, into an estimate of the company's future performance. This allows the business to forecast budgets and make decisions based on past trends, such as inventory levels.

In investment finance, an outside financial analyst conducts a financial analysis for investment purposes. Analysts can either conduct a top-down or bottom-up investment approach. A top-down approach first looks for macroeconomic opportunities, such as high-performing sectors, and then drills down to find the best companies within that sector. A bottom-up approach, on the other hand, looks at a specific company and conducts similar ratio analysis to corporate financial analysis, looking at past performance and expected future performance as investment indicators.

➤ **BREAKING DOWN Financial Analysis:**

Financial analysis is used to evaluate economic trends, set financial policy, build long-term plans for business activity, and identify projects or companies for investment. This is done through the synthesis of financial numbers and data.

One of the most common ways to analyze financial data is to calculate ratios from the data to compare against those of other companies or against the company's own historical performance. For example, return on assets (ROA) is a common ratio used to determine how efficient a company is at using its assets and as a measure of profitability. This ratio could be calculated for several similar companies and compared as part of a larger analysis.

LITERATURE REVIEW:

Kwan and Eisenbeis (1997):

Observed that Asset quality was commonly used as risk indicator for financial institutions; it determines the reliability of capital ratios. The study indicated that capitalization affects the operation of a financial institution. More capital relates to higher efficiency. risk indicator for financial institutions; it determines the reliability of capital ratios. The study indicated that capitalization affects the operation of a financial institution. More capital relates to higher efficiency.

Cole et al. (1998):

Conducted a study on “A CAMEL Rating's Shelf Life” and the findings suggest that if a bank had not been examined for more than two quarters, off-site monitoring systems usually provide a more accurate indication of survivability than its CAMEL rating.

Godlewski (2003):

Tested validity of CAMEL rating typology for bank's default monetization in emerging markets. The research focused explicitly on using a logical model applied to a database of defaulted banks in emerging markets.

Prasuna (2003):

Analysed the performance of 65 Indian banks according to the CAMEL Model. The performance of 65 banks was studied for the period 2003-04. The author concluded that the competition was tough and that consumers benefited from better quality services, innovative products and better bargains.

Said and Saucier (2003):

Examined Japanese banks for liquidity, solvency and efficiency using the CAMEL rating method, for a representative sample of Japanese banks for the period 1993-1999, they evaluated capital adequacy, assets and management quality, earnings ability and liquidity position.

Sarker (2005):

Scrutinized the CAMEL model for regulation and supervision of Islamic banks by the central bank in Bangladesh. The study enabled regulators and supervisors to get a Shariah benchmark to supervise and inspect Islamic banks and financial institutions from an Islamic perspective.

OBJECTIVES:

- To study and evaluate financial performance of Yes bank for the selected years.
- To identify factors of strength and weakness.
- To suggest and improvement financial performance of Yes Bank.

RESEARCH METHODOLOGY:

RESEARCH DESIGN:

The research is conducted totally based on the secondary data, websites, annual reports, journals, announcements by the companies are taken into consideration as the research design of the study.

SAMPLING DESIGN:

The study has whole and sole research and analysis of Yes Bank. Which is taken in for the sample.

Research design: Descriptive research design

Data collection method: Secondary Data

DATA ANALYSIS AND INTERPRETATION:

1. Capital Risk Adequacy Ratio

I. Debt -equity Ratio = Borrowings

Share capital + reserve

YEAR	DATA (Cr.)	FINAL ANSWER
2018-19	$\frac{108424.11}{463.01 + 26441.19}$	4.03
2017-18	$\frac{74893.58}{460.59 + 25291.69}$	2.90
2016-17	$\frac{38606.67}{456.49 + 21597.57}$	1.75
2015-16	$\frac{31658.98}{420.53 + 13366.07}$	2.30
2014-15	$\frac{26220.40}{417.74 + 11262.25}$	2.24

The debt equity ratio gives the ratio of the year 2014-15 is 2.24%, 2015-16 is 2.30%, 2016-17 is 1.75%, 2017-18 is 2.90, and 2018-19 is 4.03. This ratio indicates the degree of leverage of a bank. It indicates how much of the bank business is financed through debt and how much through equity. Higher the ratio indicates less protection for the creditors and depositors in the banking system.

II. $\text{Total advance to total assets ratio} = \frac{\text{Total advance}}{\text{Total assets}}$

YEAR	DATA (Cr.)	FINAL ANSWER
2018-19	$\frac{241499.60}{380826.17}$	63.4
2017-18	$\frac{203533.86}{312445.60}$	65.14
2016-17	$\frac{13226268}{215059.92}$	61.50
2015-16	$\frac{98209.93}{165263.41}$	59.42
2014-15	$\frac{75549.82}{136170.41}$	55.48

INTERPRETATION:

The advance to total assets ratio gives the ratio of the year 2014-15 is 55.48%, 2015-16 is 59.42%, 2016-17 is 61.50, 2017-18 is 65.14, and 2018-19 is 63.4. This is the ratio of the total advances to total asset. Higher ratio of advances of bank deposits (assets) is preferred to a lower one. Total advances also include receivables. The value of total assets is excluding the revolution of all the assets.

1. MANAGEMENT:

1. TOTAL ADVANCE TO TOTAL DEPOSIT RATIO :

TOTAL ADVANCE TO TOTAL DEPOSIT RATIO = $\frac{\text{TOTAL ADVANCE}}{\text{TOTAL DEPOSITS}}$

YEAR	DATA (Cr.)	FINAL ANSWER
2018-19	$\frac{241499.60}{227610}$	1.06
2017-18	$\frac{203533.86}{200738}$	1.01
2016-17	$\frac{13226268}{142874}$	0.93
2015-16	$\frac{98209.93}{111720}$	0.88
2014-15	$\frac{75549.82}{91176}$	0.83

INTERPRETATION:

The total advance to total deposit ratio give the ratio of the year 2014-15 is 0.83%, 2015-16 is 0.88%, 2016-17 is 0.93%, 2017-18 is 1.01% and 2018-19 is 1.06%. This ratio measures the efficiency and ability of the banks.

2. BUSINESS PER EMPLOYEE::

$$\text{BUSINESS PER EMPLOYEE} = \frac{\text{TOTAL INCOME}}{\text{NO.OF EMPLOYEE}}$$

YEAR	DATA (Cr.)	FINAL ANSWER
2018-19	$\frac{34214.90}{21136}$	1.62
2017-18	$\frac{25491.26}{18238}$	1.40
2016-17	$\frac{20581.40}{20125}$	1.02
2015-16	$\frac{16245.59}{15000}$	1.08
2014-15	$\frac{13618.46}{9275}$	1.47

INTERPRETATION:

The business per employee ratio of the year 2014-15 is 1.47%, 2015-16 is 1.08%, 2016-17 is 1.02%, 2017-18 is 1.40% and 2018-19 is 1.62%. The Revenue per employee is a measure of how efficiently a particular bank is utilizing its employees.

3.EARNING AND PROFITABILITY:

1. RETURN ON ASSEST

Return on assets= net profit

Total assets

YEAR	DATA (Cr.)	FINAL ANSWER
2018-19	$\frac{1720.28}{380826.17}$	4.52
2017-18	$\frac{4224.56}{312445.60}$	0.01
2016-17	$\frac{3330.10}{215059.92}$	0.02
2015-16	$\frac{2539.45}{165263.41}$	0.02
2014-15	$\frac{2005.36}{136170.42}$	0.01

INTERPRETATION:

The return on assets ratio give the ratio of the year is 2014-15 is 0.01%, 2015-16 is 0.02%, 2016-17 is 0.02%, 2017-18 is 0.01%, and 2018-19 is 4.52%. The net profit to total asset indicates the efficiency of the banks in utilizing their assets in generating profits.

2. Other income to total income

Other income to total income = $\frac{\text{Other income}}{\text{Total income}} \times 100$

Total income

YEAR	DATA (Cr.)	FINAL ANSWER
2018-19	$\frac{4590.15}{34214.90}$	13.42
2017-18	$\frac{5223.83}{25491.26}$	20.49
2016-17	$\frac{4156.76}{20581.40}$	20.20
2015-16	$\frac{2712.15}{16245.59}$	16.69
2014-15	$\frac{2046.46}{13618.46}$	15.03

INTERPRETATION:

The other income to total income ratio give the ratio of the year is 2014-15 is 15.03%, 2015- 16 is 16.69%, 2016-17 is 20.20%, 2017-18 is 20.49%, and 2018-19 is 13.42%. The Fee based income account for a major portion of the bank's other income.

CONCLUSIONS:

- The debt equity ratio of the year 2014-15 is 2.24% and than it is increased in year 2015-16 is 2.30 % than it is decreased in 2016-17 it is 1.75% and again it is increased in the year of 2017-18 it is 2.90% and again it is increased in the year of 2018-19 it is 4.03.
- Total advance to total assets ratio of the year 2014-15 is 55.48% and than it is increased in year 2015-16 is 59.42%, in year 2016-17 it is 61.50% and again it is increased in the year of 2017-18 it is 65.14% and than it is decrease in the year of 2018-19 it is 63.4.

- Total advance to total deposit ratio of the year 2014-15 is 0.83% and then it is increased in year 2015-16 is 0.88% , in year 2016-17 it is 0.93% , in the year of 2017-18 it is 1.01% and again it is increase in the year of 2018-19 it is 1.06%.
- Business per employee of the year 2014-15 is 1.47% and then it is decrease in year 2015-16 is 1.08% again it is decrease in year 2016-17 it is 1.02% and then it is increased in the year of 2017-18 it is 1.40% and increase in the year of 2018-19 it is 1.62%.
- Return on assets ratio of the year 2014-15 is 0.01% and then it is increase in year 2015-16 is 0.02% and year 2016-17 it is 0.02% same ratio and then it is decreased in the year of 2017-18 it is 0.01% and then it is increase in the year of 2018-19 it is 4.52%.
- Other income to total income ratio of the year is 2014-15 is 15.03% and then it is increase in year 2015-16 is 16.69% , in year of 2016-17 it is 20.20% and again it is increased in the year of 2017-18 it is 20.49% and then it is decrease in the year of 2018-19 it is 13.42%.
- It is found that yes bank has improved its performance on criterion and the performance is not improved for the criterion.

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