

A Study on Bankruptcy of Yes Bank

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Abstract- *Bankruptcy is the legal process by which the debts of firms, individuals, and occasionally governments in financial distress are resolved. Bankruptcy law always includes three components. First, it provides a collective framework for simultaneously resolving all debts of the bankrupt entity, including debts already due and those due in the present. Second, it provides rules for determining how the assets and earnings used to repay are divided among creditors. Third, bankruptcy law discourages debtors from defaulting and filing for bankruptcy by providing punishments. It is exclusively a case study on "YES bank"*

I. INTRODUCTION

Bankruptcy is a legal process through which people or other entities who cannot repay debts to creditors may seek relief from some or all of their debts. In most jurisdictions, bankruptcy is imposed by a court order, often initiated by the debtor. The word bankruptcy is derived from Italian "banca rotta", meaning "broken bench".

II. TYPES OF BANKRUPTCY

1. Voluntary bankruptcy

Voluntary bankruptcy is a type of bankruptcy where an insolvent debtor brings the petition to a court to declare bankruptcy because he or she (in the case of an individual) or it (in the case of a business entity) is unable to pay off debts. The bankruptcy is intended to create an orderly and equitable settlement of the debtor's obligations.

2. Involuntary bankruptcy

Involuntary Bankruptcy is a legal proceeding in which a person or business is requested to go into bankruptcy by creditors, rather than on the person's or business's own accord. Creditors seeking involuntary bankruptcy must petition the court to initiate the proceedings, and the indebted party can file an objection to force a case.

III. REASONS

1. Credit debt

Credit debt isn't just a result of irresponsible spending. It can also pile up due to catastrophes such as illness and disability, job loss, emergency expenses or unexpected income reduction.

2. Unexpected expenses

Emergencies can hover just around the corner, whether they involve a car breaking down, a tree falling on the roof or catastrophic storm damage. Just one of these events can quickly drain savings that took years to accumulate.

3. Bad budgeting/overspending

Managing money is harder than ever; and a combination of bad budgeting and uncontrolled spending can provide a shortcut to skyrocketing debt and bankruptcy.

4. Reduced income

Companies are cutting down on their expenses; and for many employees, this results in major pay cuts and reductions in bonuses. The end result to employees can include bankruptcy.

IV. MEASURES

1. Selling some of your assets

Sell whatever you can spare and use the money to pay off your debts. Take action immediately when you notice you can't afford to make payments. If you wait until you are behind on payments, it may be too late to get caught up and avoid further action from your creditors. You can sell your furniture, jewelry, and electronics on eBay, Craigslist, even in your front yard.

2. Cuts cost

We have to reduce the cost which we are incurring than the before. We need to manage our day to day expenses and reduce the spending. We should control our spending's to avoid bankruptcy.

3. Get help from family and friends

Carefully consider how much you’re able to contribute to your debt, then ask friends and family to help you make up the difference. Before you approach them with your wallets turned out, come up with a plan for how you will repay them once your financial situation has turned around.

4. Seek consumer credit counseling

Find a consumer credit counselor who has experience working with creditors to get your payment and interest rate reduced. A consumer credit counselor can work with you and your creditors to put together a debt management plan to repay your debts over three to five years.

V. OBJECTIVES

- To provide the theoretical framework of bankruptcy and types of bankruptcy can taken place value of yes bank.
- To study and analyze the share values of yes bank of three months of 2019-20 they are December, January and February.
- To analyze the peer comparisons of yes bank
- To provide the statistical information of ROE(Return on equity)

Scope of the study:

The information can be collected only through secondary data. It deals with only one bank i.e, yes bank which is recently proved as wrong. As there credits are more than the debts which means facing the bankruptcy.

Limitations:

This study is depended on the source from the internet. This study is limited to only YES bank from the banking industry.

VI. DATA ANALYSIS

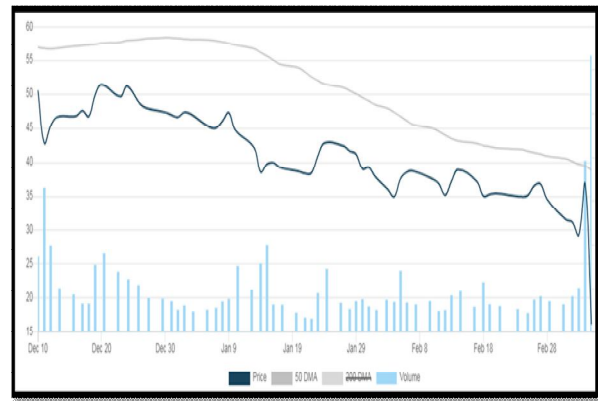
Share value:

Table1:
Shows the comparison between the three months of December, January and February.

Months and dates	Dec 10 th 2019	Dec 20 th 2019	Dec 30 th 2019	Jan 9 th 2020	Jan 19 th 2020	Jan 29 th 2020	Feb 8 th 2020	Feb 18 th 2020	Feb 28 th 2020
Price value of shares	42.80	51.50	47.35	44.35	39.25	39.05	38.70	35.05	34.60

Figure 1:

The below graph shows the fluctuations of the share value of Yes bank:



Interpretation:

If you absorb the table and graph shows the increasing of share value in the month of December and starts declining from December 30th 47.35 later it declined to least of 34.60 in the month of February 28th.

Peer comparison:

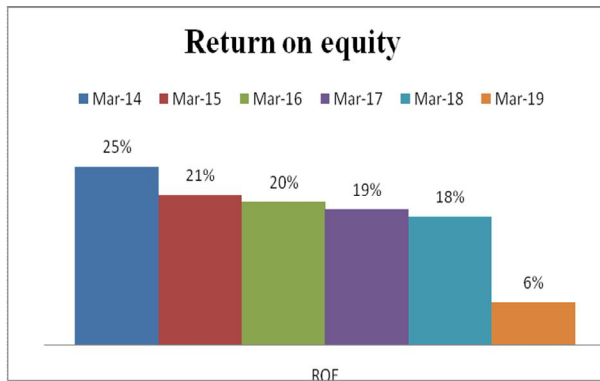
S.No	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	HDFC Bank	1107.30	23.10	607034.13	0.67	7659.65	29.81	31200.92	13.73	7.69
2.	Kotak Mah. Bank	1578.15	40.21	301526.42	0.05	2348.72	5.21	8331.98	7.95	7.92
3.	KICICI Bank	457.75	31.24	296320.71	0.22	4670.10	149.16	21622.94	16.78	4.82
4.	Axis Bank	623.55	36.73	175830.61	0.15	1875.72	6.10	15965.10	10.77	5.70
5.	IndusInd Bank	993.10	14.00	62663.16	0.72	1300.20	32.00	7284.53	26.39	7.62
6.	Barodhan Bank	374.30	19.09	60270.47	0.59	731.03	120.67	2717.63	64.75	10.48
7.	AU Small Finance	1063.05	48.16	32300.89	0.07	190.20	99.52	1111.62	40.99	8.97
8.	Yes Bank	21.25		5403.02	8.54	-628.09	-166.12	7382.72	2.10	6.67

Interpretation:

The above table which clearly shows the negative values and declined values when compared to the peers of the banking industry.

ROE(Return On Equity):

year	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019
ROE	25%	21%	20%	19%	18%	6%

**Interpretation:**

The above chart and table shows the decreasing of Return on Equity of Yes bank from 25% to 6% compared from 2014 to 2019.

Findings:

- The decreasing value of shares yes bank
- the return on equity of yes bank fall down from 25% to 6%
- The peer comparison is done with seven banks the yes bank has the negative values in net profits of quarter and year over year profits quarter growth.

VII. CONCLUSION

Bankruptcy is concerned of any organization on the basis of debts and assets of the organization. The YES bank became bankrupt by giving loans and unable to recover the loans and lost the trust of the investors by decreasing the return on equity. If the enquiry is done properly regarding the loan takers it may not effect much as bankrupted now. Every organization should maintain the quick or liquid ratio of 1:2 it preserves the organization from bankruptcy.