



Criminal cases for irregularities – Clean up of banking sector or witch hunt?

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On Wednesday, the CEO and director of the Bank of Maharashtra were booked in a Rs 3,000-crore default case involving real estate developer DSK Group. This is the most recent in a spate of arrests made by the CBI and other investigative agencies for alleged corruption.

The Indian Banks' Association has condemned the chargesheets and arrests of bankers and has called an emergency meeting in Mumbai Friday to discuss the matter.

The Print asks – **Criminal cases for irregularities – Clean up of banking sector or witch hunt?**

Fear psychosis won't work, banks need to lend



Vinod Rai

Former CAG and former BBB chairman

This witch hunt is not a good thing and will not help in resolving the situation. It is true that NPAs have risen to alarming levels and this needs to be addressed at the earliest. We need to have a clean banking system. It is absolutely critical to give a free hand to bankers to be able to resolve the situation.

Having said that, there are a few instances involving wilful defaulters and some pertaining to alleged collusion between bankers and borrowers.

Those cases need to be identified and handled separately and there should be zero tolerance there. The message needs to go out clear that culprits cannot and should not be allowed to go scot-free. That is equally important. The enforcement agencies need to handle these cases with utmost sincerity.

However, fear psychosis will not work. Banks will need to lend and carry out their regular banking activities. They need freedom and autonomy for the same. Bankers must be allowed to take prudent and timely decisions. They need to be trusted. They need to be given that confidence.

The IBA has asked the Department of Financial Services (DFS) to intervene. But I don't think the DFS can play a very large role in this issue.

It's a much-needed clean-up, but more needs to be done



C. H. Venkatachalam General Secretary, AIBEA

What the CBI is doing is not unexpected. If there is corruption, there will be such raids. However, bankers accepting bribes should not be the only target. This is just one step in cleaning the banking system.

There are sinners in banks, who must be weeded out, but let us also think about the need to punish those giving bribes. In the Syndicate Bank-Bhushan Steel scandal, the banking executive was punished. However, Bhushan Steel got off scot-free. We must consider the other side of the coin as well.

Also, why not clean up the political nexus too? Loans aren't just conferred because of bribes. Oftentimes, there are political pressures that necessitate them as well.

Then, there is laxity on part of the RBI. All loans are sanctioned with their knowledge and monitored by them. All four steps need to be monitored for proper reform.

The CBI must target corrupt people, but not selectively. Why not go after the likes of Nirav Modi and Vijay Mallya?

We need stern reforms to recover bad loans and strengthen the public banking system. That is the larger need of the hour. Priority must be given to the recovery of bad loans if we are to fix our banking system.

Corporate credit needs are growing, but the bankers' attention is on facing investigations instead



Ashvin Parekh

Banking expert and managing partner, consultancy firm APAS

It is very unfortunate that the banking system has to address so many issues all at the same time. There are signs of the economy reviving and the credit needs for the corporates are growing. But the banking management's attention has been drawn to facing investigations instead.

It certainly will have a devastating effect on the morale of the bankers. It may perhaps discourage them from making business decisions.

I wouldn't use the word witchhunt. To my mind, it is important to understand whether there is a pattern to the borrowers and their connection with the political system, or the government or, other influential elements.

Instead of the system directing its attention to investigate bankers, I suppose larger focus should be placed on recovering the defaulters' assets. They should launch investigations in areas where the funds are siphoned by the defaulters rather than focusing on punishing bankers.

Time and again, we have seen the management bandwidth of the banking system being diverted to areas including financial inclusion, Jan Dhan,

demonestisation, and then on recovery. Recovery has become the last priority whereas it should be the first.

I suppose it is important for the government and the regulators to perhaps strategise and channelize such efforts. Instead of opening up too many fronts, there should be a planned effort to utilize the management bandwidth in more effective manner.

Investigations may impact the direction of how the management bandwidth is to be utilized.

Government is clueless about dealing with financial crimes



Debashis Basu Co-founder, Moneylife.in

Opinions on such matters differ from case to case. However, in this case the actions taken by the government are out of hand. It has turned into a witch hunt. It is partly political since the 2019 elections are around the corner and the government wants to show that it is going after corrupt bankers.

This has repeatedly happened in India. First there is a complete failure of governance, and then the system comes to the rescue. If the government was divorced from the happenings in these banks it would be one thing, but the government is a major shareholder in most of these banks.

The 1992 scam comes to my mind wherein a lot of excesses were reported. Innocent people were allegedly targeted. Even today, courts that were set up to resolve a 26-year-old issue are functional. Bankers are behind bars and several innocent people took a hit.

Today, there is a collapse of governance. After having failed to efficiently run these banks and punish or reward participants, the government is mindlessly targeting people. The present CEO of Maharashtra bank isn't the one who sanctioned the loan. Why has he been picked up?

It just goes to show that the government is clueless on how to deal with financial crimes. There is no in-built system of checks and balances. They are just doing this to show that they are taking some action. This is lawlessness.

We have managed to corrupt every single institution and every single process. The long-term solution is privatisation but it must be done thoughtfully. Also, experts like P. J. Nayak have elaborated on what needs to be done. If don't implement what experts suggest, we will see more of the same.

(As told to Deeksha Bhardwaj)

Witch hunt will prompt bankers to not disclose fresh NPAs



Mahua Venkatesh Associate Editor

The aggression by the CBI and other enforcement authorities in dealing with bankers is leading to an unprecedented crisis-like situation instead of resolving matters. The spate of arrests and chargesheets in the last few months has only given rise to an environment of utter fear, discount and anger among bankers.

Banks have to increase lending to ensure growth, and the business of lending will always come with an element of risk. If the government

wanted to give full autonomy to bankers in carrying out their operations, they need to be allowed to take calculated risks.

True, there has been a surge in the NPA level and there have been instances where borrowers such as Vijay Mallya and Nirav Modi have played foul, but to believe each defaulter is a fraudster is a cardinal mistake.

Often an account can become non-performing for genuine reasons too, and this needs to be taken into account. The witch hunt will also prompt bankers to not disclose fresh NPAs, which will lead to further complications.

A banker has to be trusted and s/he needs to be given a fair amount of freedom to take decisions without fear. With this witch hunt, loans will not come easy and low credit would eventually impact economic growth. At a time, when the government needs to take all measures to boost growth and economic activity in the country, banks' aversion to lend could have far-reaching consequences.

The Indian Banks' Association (IBA) has already registered its concern over the matter, but it is time for the government to intervene. It needs to act fast before the situation goes out of control.

Why target BoM chief, but no action against Amit Shah, asks Raj Thackeray



Why target BoM chief, but no action against Amit Shah, asks Raj Thackeray

Mumbai June 26 (IANS)

Maharashtra Navnirman Sena (MNS) President Raj Thackeray on Tuesday attacked the ruling BJP-Shiv Sena combine for arresting Bank Of Maharashtra (BoM) Chairman and Managing Director Ravindra Marathe but taking no action against BJP chief Amit Shah and other bank officials.

"Why has Marathe been targeted like this but you have no courage to act against Amit Shah?" Thackeray demanded before mediapersons.

He was referring to the arrest of Marathe and other BoM officials in connection with a Rs 2000 crore plus scam allegedly perpetrated by the DSK Group of Pune and the recent exposes on how the Ahmedabad District Cooperative Bank in which Shah is a Director collected the maximum deposits of demonetized Rs 500-Rs 1 000 notes in five days in November 2016.

Calling Chief Minister Devendra Fadnavis "a liar" Thackeray said how could he claim he had no knowledge of Marathe's arrest by the Pune police.

He said the public sector BoM chief (Marathe) was being victimized for the bank's refusal to cooperate actively in the farm loans waiver and related issues.

"It is a conspiracy to merge the BoM with the Bank of Baroda. This is what I have heard and it is scary " Thackeray said.

He sought to know that if Marathe can be put behind bars like this then why the ICICI Bank chief Chanda Kochhar and Punjab National Bank top executives were still roaming freely.

His comments came at a media conference called to denounce a statewide ban on single-use plastic bags imposed by the state government which has caused huge inconvenience to many.

FinMin terms Bank of Maharashtra officials' arrests as 'aberration', not hounding bankers

Press Trust of India Jun 25, 2018



Mumbai: A senior finance ministry official on Monday described the arrests of top officials of state-run Bank of Maharashtra (BoM) last week as an "aberration" and said it should not be construed that "bankers are being hounded".

The economic offences wing of the Pune police last Wednesday arrested BoM's managing director Ravindra Marathe, executive director Rajendra Gupta, zonal manager Nityanand Deshpande, former chairman Sushil Muhnot and three other officials in a cheating case lodged against real estate developer DS Kulkarni and his wife.

The arrests had riled the entire banking sector so much that national bankers' lobby IBA held an emergency meeting last Friday here and called for setting up an external panel to give clearance to arrest senior bankers. It also had decided to make a representation to the government.

Stating that the BoM incident should not be taken as bankers are being hounded, the official said the state police action is not fair as well.

"It seems to be a bit of an aberration. It should be set right; there is a proper mechanism in place. In the normal course, the state police do not have any jurisdiction on Central government employees," the official said.

The official who was addressing the media on the sidelines of the AIIB annual summit, also underlined that "whether bankers are being hounded, I disagree with that."

The financial ministry official further said being a large country such aberrations do happen but they only help make the system better for the future.

The official pointed out that under the country's federal structure, if any action has to be taken against a central government employee, the state concerned has to refer it to the CBI. Similarly, if the Centre wants to take action against a state government official, it need to take the permission of the state concerned.

On the IBA proposal to set up an external committee to give permission to arrest senior bankers for alleged wrongdoings, the official said, "One aberration should not become sensational news. Sometimes, over sensationalising something is harmful."

The official also said the IBA did not protest but only highlighted their concerns.

"They did not protest. They have told us in a very dignified way about what is the wrong happening. They have highlighted their concerns, which is not the same thing as a protest," the finance ministry official said.

The arrests came a day ahead of the annual general meeting of the bank, wherein the entire shareholders backed the management.

The move also drew the ire of the bank unions, which wrote to the banking secretary protesting against the arrests.

BoM's managing director Marathe was arrested in spite of the fact that the around Rs 100 crore loan was extended when he was not heading the bank at all and that the Rs 94.52 crore outstanding amount is fully secured.

Vijay Mallya, poster boy of bad loans, offers to settle dues by selling assets worth Rs13,900 crore

Moneylife Digital Team 26 June 2018

Vijay Mallya, Chairman of UB Group, who has been declared 'fugitive' by Indian investigative agencies, has offered to settle dues he owes to public sector banks (PSBs) by selling available assets worth Rs.13,900 crore.

Mallya, in his five-page statement released on Twitter, says, "After two years of silence, I have decided to issue a comprehensive press statement. United Breweries Holding Ltd (UBHL) and myself have filed an application before the Karnataka High Court on 22 June 2018 setting out available assets of about Rs13,900 crore. We have requested the Courts permission to allow us to sell these assets under judicial supervision and repay creditors, including PSBs such amounts as may be directed and determined by the Court".

Last week the Enforcement Directorate (ED) moved a special court in Mumbai seeking to declare Mallya, chairman of defunct Kingfisher Airlines, a fugitive economic offender. This would give ED powers to confiscate Mallya's assets worth about Rs12,500 crore, including those in foreign countries. The ED had already attached assets worth over Rs 8,000 crore and filed two charge sheets besides obtaining non-bailable arrest warrants against Mallya. An extradition request against him is currently pending at courts in UK where he is staying since 2 March 2016.

This move may be one of the reason for Mallya to come out and issue an offer for settlement with banks in India.

Terming Central Bureau of Investigation (CBI) and Enforcement Directorate (ED) as 'criminal agencies', Mallya says, "I am tired of this relentless pursuit of me by the Government and its criminal agencies...Recovery of loans is a civil matter, which has been criminalised

in my case. The CBI and ED moving aggressively to recover bank loans is unprecedented despite my best intentions to settle with the banks."

Claiming that the bulk of the dues were on account of interest, Mallya said owing to injunctions, attachments and refusal to grant permission to sell the assets, it (interest) had kept mounting.

"Consequently, the bloated figure of outstanding dues to the banks is largely on account of these mala fide actions. If CBI or ED object to my proposal and sale of assets, it will demonstrate that there is an agenda against me beyond recovery of dues to the banks," the statement pointed out.

A consortium of 17 banks, led by the State Bank of India (SBI), gave loans of Rs5,500 crore to Mallya's now defunct Kingfisher Airlines since over a decade.

"Over Rs 600 crore has been recovered through sale of pledged assets and Rs1,280 crore was deposited with the Karnataka High Court since 2013," Mallya said.

AIBEA THIS DAY JUNE 27	
1966	XIV Conference of AIBEA at Delhi. Com. S A Dange inaugurates.
2000	AIBEA Central Committee meets at Chennai.
2002	Strike in Allahabad bank on Recruitment, Outsourcing, Promotions and other issues.

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