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Not Mere Defaulters but Hardcore Criminals

Prof. Arun Sahay

The congress party faced a piquant situation last Tuesday when plenty of people who came in Rahul Gandhi's khaatsabha in Deoriatook away cots. The opposition parties and media called it theft but Rahul Gandhi challenged the same stating that how can these people (congress loyalist) be branded as thieves when the liquor baron, Vijay Mallya, who fled with thousands of crore, is called a 'defaulter'. Now, of course, defaulter adjective of Vijay Mallya has been modified to '*wilful defaulter*'

Be that as it may, the public at large is paying through nose because of the indiscretion of political parties or may be because of their seeking favour from the businessman. Indian banks are struggling with mountain of bad debts as companies haven't recently had the growth they need to repay loans from a big borrowing spree years ago when business was better. According to an International Monetary Fund report released in May, bad loans made up 5.9% of the total loans. Though both public and private sector banks doled out such irrecoverable loan, the major portion is from public sector banks.

As a result, losses of state-run banks have mounted, totaling about 180 billion rupees, or \$2.7 billion, in the year ended March 31, 2016. To help these banks shore up capital, New Delhi has been giving money almost every year for the last decade totaling to about \$14 billion. In the latest tranche of \$3.4 billion, State Bank of India,

the country's biggest lender, got \$1.1 billion. Indian Overseas Bank and Punjab National Bank were the second- and third-largest recipients, getting \$462 million and \$419 million, according to a government announcement. The government, last year, estimated that state-run banks will need as much as 1.8 trillion rupees (\$26.8 billion) by March 2019. Of this, it will provide \$10.4 billion while the remaining money will have to be raised by banks from other sources.

The question is who pays this huge money? Obviously you and I. The government, ruled by a political party or parties robs us of our hard earned money through direct and indirect taxes. The government of the day is influenced by the business houses as they had helped them win the election. They continue blaming the previous government for all acts and inactions that had resulted in today's precarious condition. The taxpayers are helpless as they form a small minority who has no place in politics-business-bank nexus.

Businessmen contribute both accounted and unaccounted money handsomely for election campaigns of various political parties, besides giving them in kinds in term of guest houses, vehicles etc. The political parties, in turn, oblige them by using their clout in forcing the Public Sector Banks, where the government has majority stakes, by asking them to lend to the very

Better late than never.



generous donors who contributed to the campaign and helped them to form the government and twist the tail of PSU banks.

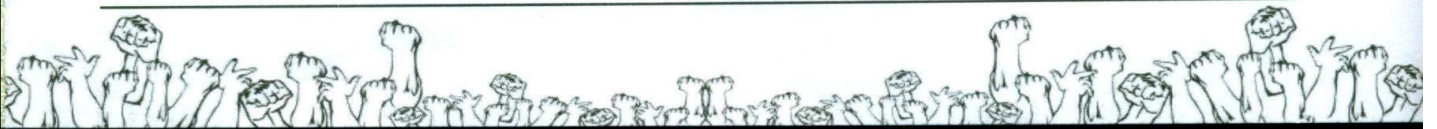
Banks' job is to lend money to businesses. Businessmen who are close to the ruling political class have never taken seriously to return the money they borrowed from public sector banks. The reason is that the businessmen, when they don't return the money, are usually made to go through a debt restructuring plan which would involve a generous reduction in interest rates or equity in the assets acquired from the borrowed money among other options. In addition, the government, with its majority stakes in Public sector banks, has to re-finance the banks if in the case of a downturn in fortunes of the PSBs. Refinancing of Banks incase of poor performance happens from tax payers' money. A third situation arises when the statutory authorities start questioning the actions and inactions of the political party concerned.

Take the case of businessman Vijay Mallya, who is also a RajyaSabhamember. MrMallya, who built a substantial part of his fortune on Kingfisher beer, launched Kingfisher Airlines in 2003. Its license was cancelled by the government 10 years later, amid financial distress that included not paying employees for months. He escaped from the country robbing the public of over Rs 9,000 crore. The consortium of banks went on giving him loan after loan which no sane banker would have given. The issue came to limelight when Reserve Bank governor RaghuramRajan urged the country to clean up the bad debt held by its banks, calling it key to achieve stronger economic growth. He, much to the embarrassment of the government of the day,

defended the actions taken by the central bank, including ordering state-run banks to conduct comprehensive asset quality reviews of their balance sheets. Rajan urged state-run banks and company promoters to deal with the problem, while calling on the government to act. When questioned, "What comes first, clean up or growth," I think the answer is unambiguously "Clean up!," Rajan said but the government got into mud-slinging game instead of realizing the public money and eased him out of RBI.

"Vijay Mallya is a 'Congress Baby', Banks forced to give him loans," said BJP, the ruling party. Retorted congress, "The BJP government made him escape." In turn the BJP government, in parliament, alleged, "When his company, Kingfisher Airline, was on the verge of closure, the then Prime Minister Manmohan Singh suggested such private companies should be helped." They, further stated, "What was the compulsion of Congress that it helped Mallya time and again? It should make it clear instead of trying to mislead the nation by blaming Modi government. Why did you open his frozen accounts? Why did State Bank of India give him loan of Rs 3,100 crore despite his poor finances?" Congress counter attacked the government stating that Mallya is not a small instrument like a needle, which cannot be seen from a far distance. Why was Vijay Mallya not arrested? Why was his passport not seized?" CBI, which has been investigating MrMallya's loans and the banks who sanctioned them since late last year, has admitted that after initially asking for him to be stopped at airports, it downgraded restrictions to seek only an alert if he boarded a foreign flight. Finance

Brevity is the soul of wit.





Minister, Arun Jaitley reminded the main opposition party that it was in power when Bofors accused Ottavio Quattrocchi left India. The blame game went on and on. While the businessmen and politicians made hay, the taxpayers paid through their nose.

The question is how to clean up the system. The Indian Public seeks Election Commission's and Judiciary's intervention in breaking the Politician - Businessmen - Bank nexus by bringing about drastic electoral reforms. It is recommended that the Public sector banks lend wisely and give high priority to lend to the poor, farmers and help them in making their way up in the economic ladder for a better life. The structure of businesses financing political parties for their campaigns

should come to an end. The campaign funding and spending are where the crux of the problem is. The election commission should create a common platform where political parties can showcase their ideas for a nation. Campaign funding is where corruption seems to begin in which common public gets sucked in. The outgoing RBI governor, Raghuram Rajan, is on the dot in asking the Banks to balance their books and reduce their NPAs so that there are growth and profits for banks in the medium term and long term. An independent RBI has been the last line of defense for a poor monetary policy. This independence of the institution is to be maintained if not strengthened.

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