



Breaking the banker-borrower nexus

Why in news?

\n\n

\n

- The **CBI arrested former IDBI Bank Chairman** and four of his erstwhile colleagues, besides the then Kingfisher Airlines CFO and three other former functionaries of the airline, in connection with the Rs 900-crore loan default case.

\n

- The arrests by the CBI are worth noting for timing, intent and implications. The agency is investigating these officials on charges of facilitating a Rs 900-crore loan **without due diligence**.

\n

\n\n

What did Mr.Mallya do?

\n\n

\n

- **Mr. Mallya owes banks close to Rs 9,000 crore** and has been in exile in the U.K. for nearly a year, even as his lenders have scrambled to recover their dues, with little success.

\n

- Last week, after a three-year-long trial, the Debt Recovery Tribunal allowed a consortium of 17 banks to recover from Mr. Mallya and his companies outstanding dues of Rs 6,200-odd crore plus interest related to the airline's operations.

\n

\n\n

What is the current status of NPAs?

\n\n

\n

- Amidst the rising pile of non-performing assets (NPAs) in government-owned banks, **wilful defaulters were said to be responsible for around Rs 77,000 crore of bad debts** by July 2016.

\n

\n\n

What needs to be done?

\n\n

\n

- Breaking the banker-borrower nexus is just as critical for safeguarding public money as is acting against corrupt administrators, but a timely and transparent system is needed to ensure that bankers don't turn wary of extending credit at the slightest hint of risk.

\n

- The fear of investigative agencies and adverse audit reports was blamed for the so-called policy paralysis in the UPA's second term.

\n

- PM Modi had, early in his term, urged officers to take bold decisions without fear of retribution and promised to stand by them for decisions taken in good earnest.

\n

- That promise requires making some necessary amendments to the Prevention of Corruption Act, particularly the much-too-broad and subjective **Section 13(1)(d) that has resulted in many an honest officer being chargesheeted** for the corruption of others.

\n

- If there is malfeasance involved in the IDBI loan, action must be swift and exemplary — but to ensure circulation of credit, systems must also be put in place to reassure bankers against random witch-hunts.

\n

\n\n

\n\n

Category: Mains | GS - II & IV | Corporate Governance

\n\n

Source: The Hindu

\n



IAS PARLIAMENT

Information is Empowering

A Shankar IAS Academy Initiative