

Balance Sheet of a Decade!



Report Card 2014-24

NPAs + Write Offs + Wilfull Defaulters

The essence of democracy requires that we hold governments to account vis-a-vis their claims and promises. But one of the biggest casualties of the recent years has been the idea of accountability. The divisive and jingoist hyperboles in the media facilitate a collective amnesia. This report card (though not conclusive) is part of a series, by the Financial Accountability Network India, that attempts to glance through and highlight a few of the claims and reality of the government's performance across various sectors from a financial and economic lens.

Claims



NPAs have increased sharply over the past few years and the trend continues. BJP will take necessary steps to reduce NPAs in Banking sector: [BJP's 2014 Election Manifesto](#)



01



02

[Public sector banks](#) were earlier known for losses running into thousands of crores of rupees and non-performing assets (NPAs), but now they are known for record profits, the prime minister said addressing Rozgar Mela

In 2018, for instance, Prime Minister Narendra Modi boasted that his National Democratic Alliance had not granted even a single loan to parties who later defaulted on repayments. Taking a jibe at the Congress, he said, "Every penny of loans given at the behest of ['naamdaars'](#) [dynasts] will be recovered."



03



04

In an interview seven years ago, Modi said that he would give a taste of the law to [wilful loan defaulters](#) who, having defaulted on huge corporate loans, escape to foreign countries. "The public is sure that if anyone can do this, it is Narendra Modi," he said. "And I would certainly do it."

PM Modi in a Rozgar Mela recently said, "UPA alliance government destroyed the banking sector with scams, while my government has restored its financial health... Phone banking where loans are disbursed on the phone calls from powerful men has stopped"

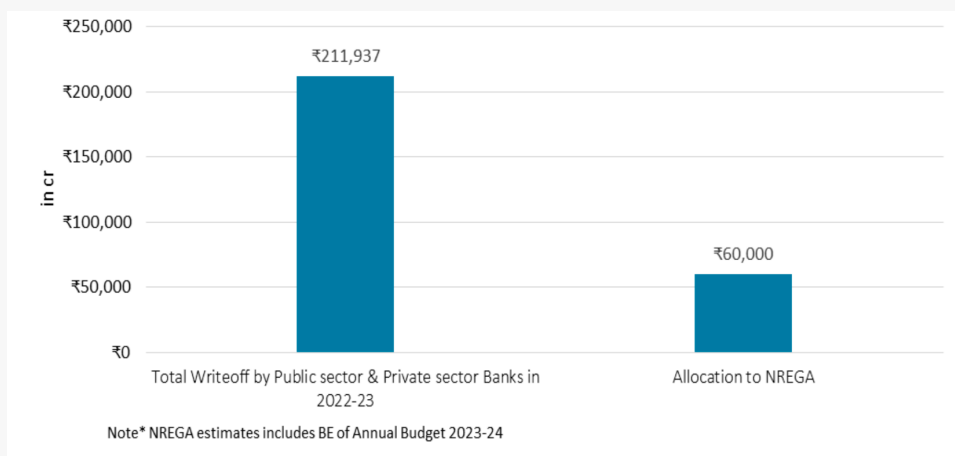


05



Reality

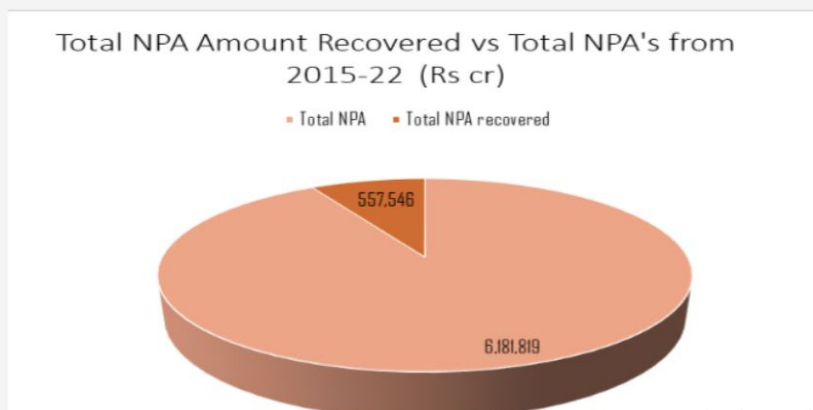
- However the numbers reveal, there is a **1.6 times** increase in the accumulation of Gross NPA across Public sector Banks at the 2014-15 level which sums to **54 lakhs cr** during the 1st & 2nd terms of Modi Gov
- So, the "Banking Miracle" has simply been the effect of the magic wand called write-offs. Banks have written off a cumulative of **14.56 lakhs cr** during the BJP-led NDA govt from 2014-2023, where write-off values saw an upsurge of about more than **3 times than in 2015**. The **write-off figure is 2.5 times** higher than the total spending of the Uttar Pradesh government in 2023-24.



Write offs by banks in 2022-23 is 3.5 times the allocation for MGNREGA

- Yearly **write-off amounts** by public sector banks have increased **17 times** by 2023 from what it was in 2013. From 7,187 crores to 1.27 lakh crore!
- Among the **public sector banks**, the State Bank of India has in the last 10 years cumulatively written off the highest total amount of nearly **3 lakh crores by 2023**.
- Yearly write-off amounts by **private sector banks** have increased **20 times** by 2023 from what it was in 2013. From 4115 crores to nearly 84 thousand crores!
- Recovery from written-off loans has increased from 8 % to 19 %, however, the total **recovery from written-off loans** through different channels is merely **14%** from 2017-18 to 2021-22 which shows there exists a large gap between the written-off amount and recovery from it.

The total NPA amount recovered through different channels is just **9 % of the total Gross NPA** of Banks from 2015 - 2022



Who is a wilful defaulter?

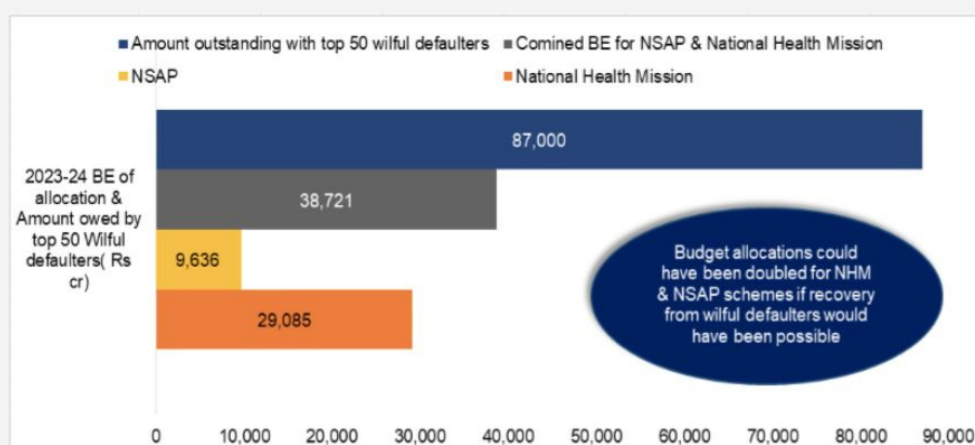
A wilful defaulter is a borrower who refuses to repay loans despite having the capacity to pay up

A fraudster is one who intentionally cheats the bank with false documents/information and misappropriates the money

Who is a fraudster?



- The number of Cases of wilful defaulters increased to about **1.6** times that in 2014, with **9,249 cases** of accounts defaulting wilfully 25 lakhs and above is **1,96,930 cr** as of November 2023.
- The top 50 wilful defaulters owe around **87 thousand cr of rupees** including Mehul Choksi, Rishi Agarwal and others.

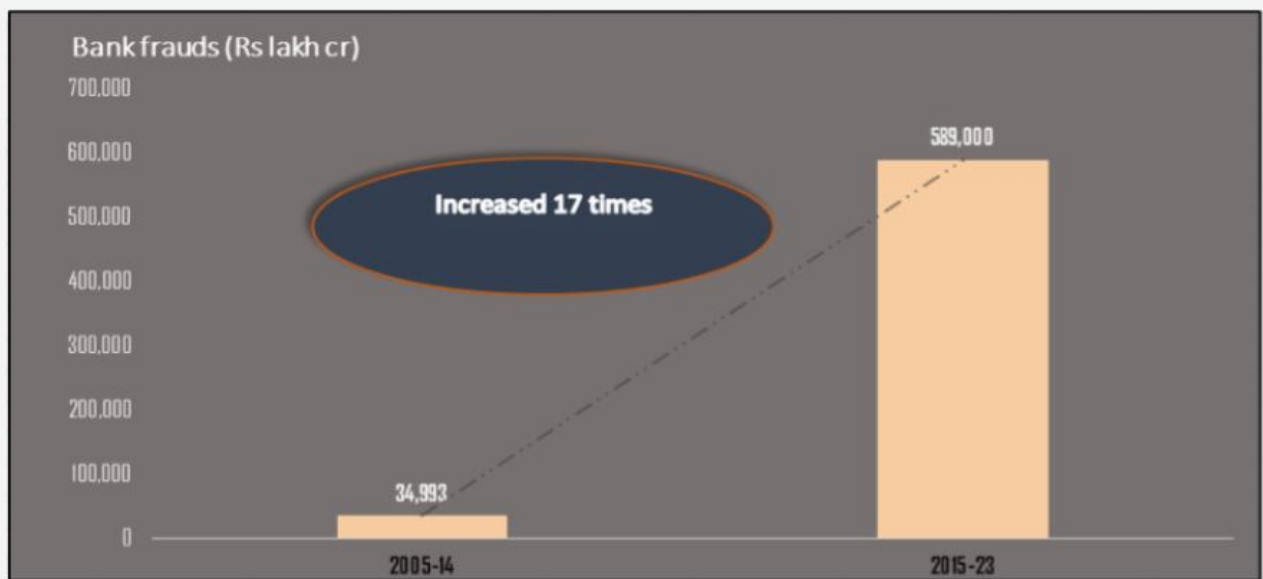


- The RBI has recently even allowed "[compromise settlements](#)" or "technical write-offs" for those categorised as wilful defaulters or fraud without prejudice to the criminal proceedings underway against such debtors. This was of course opposed tooth and nail by the public sector bank unions. Such directions will allow corporate defaulters and fraudsters to enjoy settlements and be ready to yet again start borrowing.

The super salons

- The NCLT process that was envisaged as a mechanism to tackle the rising NPAs has been turned into one that is benefitting the corporates through huge haircuts. Haircuts are defined as the losses incurred by creditors or banks on resolving bad debts or stressed assets of companies.
- Some of these stood like Electrosteel was sold off after a 60% haircut and was bought by Vedanta at 40% of its price. Again, Alok Industries got an 83% haircut. Reliance bought it at 17% of its original value! Recently, for instance, the NCLT approved a resolution plan in respect of Reliance Communications Infrastructure Limited (RCIL) wholly owned subsidiary of RCom owned by Anil Ambani in which against the claims made from the debtors totalling Rs.49668 Cr, the NCLT admitted only Rs.47251 Cr and the settlement is Rs. 455.92 Cr which is 0.92% of the debt
- Harsh Goenka, Chairman, RPG Enterprise has stated, "Promoters slash away on the side, take the company to cleaners, get an 80% to 90% haircut from Bankers/ NCLT. That's the new game in town".
- Such whooping haircuts, or loan waivers, are over and above the massive loan write-offs by PSBs to address the massive bad loans which are funded by the people's exchequer. The parliamentary panel had in fact recommended that it is "imperative to have a benchmark for quantum of haircut" which is comparable to global standards.

- To obtain a fuller picture of the government's record on defaulters, it is worth noting that the total number of suits filed by November 30 this year for parties who have defaulted on loans of **Rs 1 crore and above is 23,707**. Their total outstanding are **Rs 5,63,850 crore**.
- The trend is apparent in [bank fraud](#). They rose nearly 17-fold from Rs 34,993 crore in the 2005-'14 period to **Rs 5.89 lakh crore** in the 2015-'23 period. That is nearly a 17-fold increase.



Hall of Shame



- **Vijay Malaya** who owed Rs.10000 crores left the country in 2016. The FM promised that he would be brought back. Why hasn't it happened yet, despite their claims of having a good relationship with the UK?
- Didn't the 11400 crore loot, **The Nirav Modi, Meher Chokshi and PNB scam**, happen during Mr Modi's tenure? What action has been taken so far?
- **Jatin Mehta of Winsome Diamonds** left the country in 2014 when he owed Rs. 7000 crores to banks here. He and his family are still abroad, living in style and pomp. Newspapers reported that he is close to Mr. Gautam Adani.
- **Rishi Kamlesh Agarwal of ABG shipyard** has cheated the banks to the tune of Rs. 22842 crore and the fraud was reported in 2019 but nothing substantial has happened.
- **Kanish Gold Pvt. Ltd** cheated banks to the tune of Rs. 824 crores in 2017.
- **Gujarat-based Sterling Biotech Ltd.** defrauded the Andhra Bank lead consortium of Rs. 8100 crores in 2017.
- **Vikram Kothari of Rotomac pen** had an outstanding of Rs. 2919 cr. when he was arrested for fraud in 2018. He got bail on health grounds, and he is no more. The fraud was reported in 2015.
- In the **Videocon fraud**, ICICI had loaned the company Rs. 3250 Cr and the CEO of ICICI Bank Chanda Kochar was involved. Till the fraud came to light, she was accompanying the group which travelled with the PM on his foreign trips.
- **The RP Info system fraud** came to light in 2018 and the amount involved is Rs. 515.15 crores.
- In the **Aircel fraud** which came to light in 2018; its founder C. Sivasankaran has defrauded IDBI alone for Rs. 600 crores and is living abroad [happily](#).



Highlights

- **One may think how does the rising NPAs owing to bad loans to the ultra-rich affect the common people?** Well, it does because it affects the availability of credit for the poor and also higher interest rates.
- **The public sector banks are made to bear the brunt of NPAs.** The severity of the NPA problem was largely borne by the public sector banks. While the NPA ratio for the public sector banks remained lower than the private banks during the end of the 2000s, the former registered a phenomenal rise during the 2010s and ended up registering the NPA ratio at a level which is 6% higher than that of the private banks. So the brunt of the corporate and willful defaulters are borne by the public. The mantra being privatization of profits and nationalization of losses.
- **Who pays for reckless lending to corporates?** The sharp rise in NPA has come at the cost of decline in net of profits of public sector banks during the 2010s. What is noteworthy is that the public sector banks registered losses during this period despite a rise in their operating profits. This was because of the higher NPAs.
- **The poor are the least responsible for the mounting NPAs.** Historically, the key contributor to the banks' NPAs used to be the priority sector, as banks are required to give credit to agriculture and MSMEs. This was the trend till 1990s and 2000s. The decade of 2010s has seen the share of priority sector in NPA of the public sector banks far outstrip the pace of increase of NPAs in non-priority sector. While the non-priority sector comprised around 50 per cent of the NPA of PSBs during the 2000s, its share drastically increased to about 80 per cent by 2019. What it shows is also shifting priorities of our economic policy.
- **The NPAs have nothing to do with business cycle.** One may argue that the high NPAs are a reflection of investments that will bear fruits eventually as output picks up. But since 2013 we witnessed a jump in NPAs despite a rise in output growth rate. So the NPAs have nothing to do with business cycle, it has to do with government policy that is favourable to big business even as it shies away from supporting the small.
- **Big sharks are driving the NPAs, not the small fishes.** It was the large corporates which registered the sharpest rise in their NPA ratio during the recent period. For the small and medium firms and micro and small firms, the NPA ratio remained at a far lower level than that of the large corporates.
- **The NPAs caused by the ultra rich harms the chances of credits available for the poor.** The losses incurred by banks due to the high NPAs adversely affects credit disbursement capacity of banks. The public sector banks registered a sharp decline in their share in total credit disbursement of scheduled commercial banks during this period. PSBs could meet a lower proportion of the credit requirement of the MSMEs during the period of rising NPAs. So it is the poor who are at the receiving end of the credit rationing caused by the bad loans to the rich.
- Total [write-offs by public sector banks](#) and private sector banks in the 2021-'22 financial year stands at **Rs 1,72,800 crore, which is much higher than the amount allocated to NREAGA, Health and Education in 2023-'24.**

- The tragic train accident at Balasore that left at least 292 people dead brought the question of spending on safety to the foreground. As per the CAG report, the combined shortfall in the money needed for the renewal of tracks amounts to [Rs 103,395 crore](#). By comparison, the write-offs that year by public sector banks alone amounted to **Rs 133,945 crore**.
- **Write-offs can destabilise the banking system:** It is the depositors from the middle class whose deposits will be used for writing off loans with a small recovery. It is the humble depositors who will bear the cost as the bank will shift the burden onto them. They will get lesser interest rates on their deposits, they will have to pay higher interest rates for their loans compared to the corporates, and they will pay more bank charges. The banks will also try to make up for the loss by reducing their overhead costs by reducing staffing. Such write-offs will allow the criminals to once again avail of loans! Their ratings will improve as their data will be cleansed. Naturally, the good borrowers who are promptly repaying will start defaulting. This will affect the banks. Except for the borrowers who have given strong collateral, others will tend to default and expect to [write off](#).
- In 2018, it was reported that out of **5,600 wilful defaulters, 15% were from Gujarat**.
- ABG Shipyard (Rishi Agarwal), Winsome diamonds (Jatin Mehta), and many of the other wilful defaulters are close to the corridors of power. Some are already abroad.



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fanindia.info@gmail.com

