# Modi Government Must Answer for India’s Historic Bank Loss of Rs 12 lakh crores

*We have it in a letter from the Finance Ministry that the sum total of the irrecoverable losses made by banks over the eight years and nine months of Modi’s tenure so far comes to a whopping Rs 12,09,606 crores. Why are regulators asleep at the wheel?*

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Five months ago, on January 16, 2023, The Wire published an article on How in First Eight Years of Modi Government, Nearly Rs 12 Lakh Crore ‘Disappeared'. The humongous amount of Rs 12 lakh crore was calculated partly on the basis of actual numbers revealed by the government in parliament for five of the ‘eight-year period’ and on extrapolations and estimates where actual figures were not available.

But now that we have just received a detailed letter dated June 15, 2023 from Dr Bhagwat Karad, Minister of State in Finance, there is no need to extrapolate. The letter has the exact numbers on the losses suffered by all categories of banks (public, private and foreign) for each year from 2013-2014 till December 31, 2022. Interestingly, the sum total of the irrecoverable losses made by banks over the eight years and nine months of Narendra Modi’s rule comes to Rs 12,09,606 crores. This vindicates what we carried in The Wire that Rs 12 lakh crore has disappeared. We now have it in writing from the Finance Ministry — for the first time.

*RBI’s bizarre circular*

But before we could get down to asking the next question about what action was being taken to punish those who embezzled or defrauded our banks — we find the Reserve Bank (RBI) has issued a very strange circular on June 8, 2023 inviting the bank defaulters to come over and to kiss and make up.

Obviously, there is a hue and cry from bank unions, financial observers and civil society — because the Modi government is not only blessing the malefactors, it is also going through the comic charade of retrieving one brick here and another there, while staring blankly at the huge gap left by the disappearance of Rs 12 lakh crore. This is among the largest figures of loss in independent India’s history. Until its recent controversial order of June 8, the RBI had given regular instructions to banks to blacklist and punish these wilful defaulters and frauds, the last order being DBR No.BP.BC 45/ 21.04.048/ 2018-19 dated 7.6.2019. Of all the categories of defaulters of bank loans, the RBI guideline considers this ‘wilful’ one as the most dangerous. This is because it includes one who did not repay despite his capacity to do so or “has diverted the funds for other purposes" or "has siphoned off the funds so that they are not available with the unit in the form of other assets" or has "disposed off or removed the movable fixed assets or immovable property" used as collateral.

With the RBI acting somewhat like a paper tiger, politicians in power more than indulgent (surely on a quid pro quo basis), the politically appointed watchdog institutions asleep and banks being bullied (with a section quite conniving), all this with 'corporate governance' comatose, it is no wonder that this unscrupulous class is getting even richer. The fat cats appear to excel in cooking accounts books and in cannibalising bank-funded assets — mainly for a luxurious life abroad. Of course, after having taken care of their benefactors. On the other hand, the banking system continues to hound genuine small entrepreneurs or farmers, when they are unable to repay a few thousand rupees.

*Quid pro-quo with runaway fraudsters?*

Let us refresh our minds and recall how scamsters, coincidentally from Gujarat, like Nirav Modi, Mehul Choksi, Nishant Modi and Ami Modi, all of whom were known to be very close to Narendra Modi at some point, looted Rs11,400 crore (this amount must have swelled to Rs 16,000 or more by now, with interest piling on) from Punjab National Bank and associated lenders. Jatin Mehta, another fraud, known for his proximity to the PM, absconded from India with his entire family in 2014 after it was revealed that his Winsome Diamonds had defrauded some Rs 7000 crores — which, again, has swelled up more than double in value by now. Then, we have yet another Gujarat-based company, a pharma one named Sterling Biotech Limited swindling Rs 8,100 crores. Exasperated bank managers are known to ask how they could not be impressed and overawed with the likes of Nirav Modi, Mehul Choksi or Jatin Mehta who are believed to have flaunted their proximity to Prime Minister Modi and had been photographed when travelling abroad with him on his visits.

It is not our case that frauds and bank defaulters were located only in Gujarat. We have the liquor baron and owner of Kingfisher Airlines, Vijay Mallya looting Rs 10,000 crore from the State Bank and several others. Then, there is ABG Shipyard Limited and its subsidiary owned by Rishi Kamlesh Agarwal and others that embezzled Rs 22,842 crores from the banking system. We can go on and on; the less we talk of the insolvency set-up and of Asset Management Companies the better.

*India has worst NPA ratio*

Besides, every default does not become a hopeless 'NPA', even though the term 'Non-Performing Asset' refers to bank over-dues for more than 90 days. In reality, banks go through various steps to retrieve the account, for years together, before classifying it as 'loss assets.' Banks usually try for four years or more to restructure loans and recover their principal loan and as much of the interest as possible, before going in for write-offs. While all defaults are not criminal in nature, and genuine market conditions lead to huge losses, the fact is that in India and a few other countries of the global South, the modus on how to fleece banks, is pretty well established. Political patronage, hoax or dolled-up project proposals, under-invoicing, over-invoicing and deliberate diversion of funds and assets are well known strategies employed to make the unit ‘become sick’.

This is so clear from the fact that all over the world, lending institutions factor in just 1 to 2 percent limit for their gross lending becoming NPAs. Even then, attempts and pursuits continue — to retrieve funds lent by squeezing the assets available.

The International Monetary Fund (IMF) endorses this and its report indicates that the gross NPA ratio in the USA, the UK and most European Community countries is around 1.1 percent, going up to a maximum of 1.2 percent. Regulators are strict in these countries; public consciousness high and political patronage is far less. Canada’s gross NPA is just 0.4 percent, South Korea is at 0.5 percent and Switzerland at 0.6 percent. China uses harsh tactics to deal with those who siphon bank funds and can maintain an NPA ratio of 1.8 percent and most progressive Asian countries do equally well or better. It is when we come to Russia, infamous for the criminal nexus between politics and oligarchs/cronies, that we see the NPA ratio shoot up to 8.3 percent. But, it is India that beats them all in fleecing banks, and as government data confirms — especially during the Modi period.

The Finance Minister has publicly stated that gross NPAs had shot up “from a ratio of 4.1 percent on 31.3.2014 (when UPA 2 was on its way out) to peak at 11.46 percent as on 31.3.2018”. The MoS mentioned in another reply that the peak was actually “12.17% in the last seven years”. Though the MoS informs in his latest letter to me (as the FM appears to be too imperious to respond) that the percentage of NPAs has come down to 4.41 percent on 31-12-2022, the RBI’s Financial Stability Report of end-December 2022 is not so sure. It predicts that the gross NPA ratios of public sector banks may swell to 9.4 percent in September 2023, while that for private banks may reach 5.8 percent.It is true that the NPA situation has shown some improvement recently, but we are still two to three times worse than other developed and developing countries where probity is high and regimes less indulgent to the super-rich.

The fact that India holds the world record in NPAs and write-offs is brushed aside as inevitable and explained with grave sounding financial terms and principles. Money is hardly ever ‘destroyed’ — it flies from those who are lax or are outwitted to those who can seize it, whatever be the means.

*Gross amount of NPAs is Rs 67.66 lakh crore since 2014*

What bothers us more than the percentage of NPAs to total lending is the amount that we have lost in these nine years under Narendra Modi — actually eight years and nine months, for which data has finally been given by Finance Ministry. The gross amount of NPAs is staggeringly high, at Rs 67.66 lakh crore rupees, in which the public sector banks for Rs 54.33 lakh crore, while the rest is covered by private and foreign banks. But these are still “under procedures” to retrieve, it is the amount actually ‘written off’ that is critical. Again, to be fair, even this is not absolute as a portion of the written off amounts, does come back to the banks. But the irretrievably lost write-offs, from the Rs 67.66 lakh crore, “gone with the wind”, is Rs 12.10 lakh crores in Modi’s nine years — the world’s highest!

*Crony capitalism rules in India*

While some genuine entrepreneurs have been devastated, this colossal lost-for-ever amount has surely enriched a large section of borrowers and their political patrons. India is in a league by itself and twisted banking and penal codes govern the domain. But, as demonstrated before,! China and the rest of the developed world’s total losses from the banking sector are just a fraction of India’s.

The chief submission we make is that the ‘gone away’ amount of Rs 12.10 lakh crores is basically your savings and my savings and a part of the banks’ earnings. Government does ‘re-capitalise’ banks at occasional intervals but these amounts come from funds that are drawn from our taxes paid and are a pittance. So, either way, the public stands to lose.

Money laundering is on, in mind boggling proportions, but our Enforcement Directorate can hardly find time for these stinking rich embezzlers — as all its energies are directed to prosecute and arrest those primitive-state political operatives who still deal in cash. Their appetites and capacities of cash-dealers are relatively small or medium, while the commandants of cashless transactions soar far above, with the honed skills of slick west-coast entrepreneurs in politics. They operate from the cockpit, gently gliding through clouds of rules and regulations, changing and altering those that stand in the way. It is this dexterity that permitted partnerships with ‘big capital’ on a scale that no regime has ever achieved in the past. It has the alacrity to get away with it all, with a cultivated air of righteousness.

Nothing comes free and no favour goes unrewarded, and the siphoning of our bank deposits by corporates and cronies will continue unabated until we wake up to the issue and demand accountability. Economics is dry as twigs and it takes a Hindenburg report to pump real-life adrenaline to make the subject alarming enough to take notice and sexy enough to retain attention. Unless public consciousness increases and we have an ability to discern and breakdown clearly what is unavoidable and what is planned ‘losses’ in order to abuse the banking system and fatten personal profits, our hard-earned bank deposits will continue to be devoured with impunity by these felons.