OPINION BANKING

Narendra Modi's Mammoth Bank Heist Over the Last 10 Years

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Over the last ten years, frauds and corporate sharks frittered away at least Rs 12 lakh crore of the Rs 16.11 lakh crore our banking system has written off.

Prime Minister Modi and finance minister Sitharaman against a rupee banknote background. Photos: Habib/Pexels; YouTube/Narendra Modi; Press Information Bureau.

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Now that the minister of state for finance has finally confirmed, in reply to one of the last letters written as MP before I resigned, that the Indian banking system has written off Rs 16.11 lakh crore during Prime Minister Narendra Modi's first 10 years – we have the full picture for the first time.

One has been tracking this sector for several years and has been vexed with cryptic and partial information, often concealing more than revealing.

In comparison, the United Progressive Alliance regime that began this rot, may, at the most, have wiped out Rs 2 lakh crore (or even less) – which is just one-eighth of this gargantuan Rs 16.11 lakh crore of write-off under NDA 1 and 2.

Come to think of it, the UPA 2 government was declared 'intolerably corrupt' by an orchestrated campaign, but now it is really time to wake up. Never before have frauds, cronies and oligarchs played havoc with our money while the lying lama smiled.

To put this vanished amount of Rs 16.11 lakh crore in perspective, one may compare it with the last pan-India farm loan waiver of only Rs 60,000 crore done by the UPA government in 2008, which the opposition and the pink economic newspapers had castigated as populist profligacy.

This time, however, the beneficiaries were not lakhs of burdened farmers, but big capital and fraudsters, several of whom were known to be close to Modi.

We could also compare the Rs 16.11 lakh crore that disappeared over ten years with the Union government budgets for education, where the total expenditure was 40% less than this, and for health, where it was less than half.

So, when such a massive amount is just written (wiped) off bank accounts to accommodate fraudsters and scheming cronies, it hurts.

But who gets hurt? Not the government, except in token bits when it recapitalises some banks in small doses – and that too, with public money, our money. Nor the banks, as they are basically money managers – though their balance sheets may look a little sad for a few years.

It is we, the customers of banks and depositors, who lose this money – without knowing it or being informed about the erosion of the bank's funds.

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To make up for this lost money, banks charge higher and higher user charges for every little 'service', often through obfuscating notifications and more often, quite surreptitiously. The rates for loans go up because banks have suffered at the hands of frauds and fund siphoning.

All this happens with complete impunity, and the criminal activities of fraudsters and fund-siphoning industrialists are just written off – as explained in my **three** **earlier** **articles**.

The short point is that bankers are bound by the existing rules that normalise and legitimise deliberate losses, even when they are through loot and scoot tactics and by pauperising industries through financial jugglery and then cannibalising them.

It is, indeed, strange that the same PM who probably holds the world record for passing Bills and amending Acts in rapid-fire minutes and has repealed **some 1,600** laws in the last ten or so years never considered amending or reconsidering the provisions that lead to automatic write-off – to criminalise cozy plunder.

Even the slew of amendments to banking laws that are being rushed through parliament right now do not focus on tackling these. Bankers are/were directed to concentrate on “keeping their books clean” by writing off loans, rather than go after those who filched their (and depositors’) money in a systematic manner, and there is no war-room or central monitoring cell.

The finance ministry’s statement (Annex 1 below) confirming that Rs 16.11 lakh crore were written off in Modi’s ten years also eliminates speculation and belies exaggerated news and headlines like “RTI by Activist Discloses Rs 25 Lakh Crore Loan Write-offs by NDA”. It was published recently in a well-known newspaper and is based on the erroneous double-counting of data.

Let us now discuss hard facts.

Annex-1

(Amounts in crore Rs.)

Financial Year	Bank Group	Gross NPAs (as at the end of the FY)	Loans written off (during the FY)	Recovery from written off loans (during the FY)	Net write-off during the FY	Gross Advances	Gross NPAs to Gross Advances (%)
2014-15	Public Sector Banks	2,79,016	49,018	5,461	43,557	56,15,793	4.97
	Private Sector Banks	33,690	7,126	1,437	5,689	16,07,329	2.10
	Foreign Banks	10,758	2,642	70	2,572	3,36,638	3.20
	Sub-total	3,23,464	58,786	6,968	51,818	75,59,760	4.30
2015-16	Public Sector Banks	5,39,968	57,585	8,096	49,489	58,23,907	9.27
	Private Sector Banks	55,853	11,675	1,531	10,144	19,72,608	2.83
	Foreign Banks	15,798	1,153	90	1,063	3,76,607	4.19
	Sub-total	6,11,619	70,413	9,717	60,696	81,73,122	7.48
2016-17	Public Sector Banks	6,84,732	81,683	8,680	73,002	58,74,849	11.66
	Private Sector Banks	91,915	21,519	1,560	19,959	22,66,721	4.05
	Foreign Banks	13,621	5,144	161	4,983	3,43,822	3.96
	Sub-total	7,90,268	1,08,346	10,401	97,944	84,85,392	9.31
2017-18	Public Sector Banks	8,95,601	1,28,229	10,456	1,17,773	61,41,698	14.58
	Private Sector Banks	1,25,863	30,594	2,174	28,419	27,25,891	4.62
	Foreign Banks	13,830	2,097	208	1,890	3,63,305	3.81
	Sub-total	10,35,294	1,60,920	12,838	1,48,082	92,30,894	11.22
2018-19	Public Sector Banks	7,39,541	1,83,202	19,067	1,64,135	63,82,461	11.59
	Private Sector Banks	1,80,872	48,614	6,046	42,568	34,42,347	5.25
	Foreign Banks	12,243	4,028	331	3,697	4,06,881	3.01
	Sub-total	9,32,656	2,35,844	25,444	2,10,400	1,02,31,689	9.11
2019-20	Public Sector Banks	6,78,317	1,75,877	24,002	1,51,875	66,15,112	10.25
	Private Sector Banks	2,05,848	52,633	5,534	47,099	37,76,231	5.45
	Foreign Banks	10,208	4,991	250	4,740	4,36,066	2.34
	Sub-total	8,94,373	2,33,501	29,786	2,03,715	1,08,27,409	8.26
2020-21	Public Sector Banks	6,16,616	1,31,894	24,781	1,07,113	67,70,363	9.11
	Private Sector Banks	2,02,266	66,863	5,023	61,840	40,97,040	4.94
	Foreign Banks	10,199	3,198	222	2,976	4,20,617	2.42
	Sub-total	8,29,081	2,01,955	30,026	1,71,929	1,12,88,020	7.34
2021-22	Public Sector Banks	5,40,958	1,15,536	24,739	90,797	74,33,006	7.28
	Private Sector Banks	1,80,742	53,098	8,170	44,928	47,00,912	3.84
	Foreign Banks	13,786	3,435	508	2,927	4,76,085	2.90
	Sub-total	7,35,486	1,72,069	33,417	1,38,652	1,26,10,003	5.83
2022-23	Public Sector Banks	4,28,197	1,18,950	35,378	83,572	86,10,115	4.97
	Private Sector Banks	1,25,212	83,248	9,445	73,803	54,62,976	2.29
	Foreign Banks	9,526	2,033	466	1,567	4,98,738	1.91
	Sub-total	5,62,935	2,04,231	45,289	1,58,942	1,45,71,829	3.86
2023-24*	Public Sector Banks	3,39,541	1,14,622	37,369	77,253	97,73,488	3.47
	Private Sector Banks	1,29,039	47,410	8,078	39,332	69,54,334	1.85
	Foreign Banks	6,518	2,695	323	2,372	3,76,010	1.73
	Sub-total	4,75,098	1,64,727	45,770	1,18,957	1,71,03,832	2.78

*Source: RBI (*provisional data for FY 2023-24)*

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Data provided by the finance minister of state on loans given and written off by the Indian banking system since 2014-15.

India’s scandalous gross NPAs-to-total advances ratio

If these write-offs are all legitimate and part of normal banking practices, why are we getting hyper about them? To understand the enormity of India’s non-performing asset (NPA) game, we need to compare it with global standards of bank losses, i.e., percentages of gross NPAs to total advances.

This percentage represents how much of the total bank loans (advances) became bad/irretrievable and are classed as NPAs. The IMF has cited transparent (non-wheeling-dealing) economies as the ideal – where bad loans account for anywhere between 0.5% to 2% of the total bank loans. This percentage of irretrievable loans appears unavoidable, for many unforeseen reasons.

A compilation made by the IMF on the basis of available bank performance records (that ranged from five to seven years old to over fifteen years old) of different countries showed South Korea, the Scandinavian nations and Canada at below 0.3%, i.e., that this tiny percentage of loans turned bad, as NPAs.

Switzerland, the USA, Australia and Hong Kong had NPAs below 1.0%, while Germany and Japan were at 1.25%. Most European countries were below 2% (Italy was a shame at 2.8%), while China had 1.66%, Malaysia 1.72%, Indonesia 2.15%, Vietnam 2.32%, Brazil 2.64% and Thailand at 2.84%.

Then come the 'bad economies', where either the supervision of banks is poor (or politically influenced) or lenders are 'user-friendly' for a price. These are usually African, Latin American and Eastern European ones, and somewhere down this gallery is India, with close to 5%.

But this is not the truth, as the years covered for India in the IMF study are between 2005 and 2022. If we knock off the UPA years till 2014, and focus only on the Modi regime, i.e., 2014-22 (given in the minister of state's statement), then India's gross NPAs as a percentage of 'total advances' comes to a scandalous 7.85%. Details of year-wise percentages may be seen in the last column of the minister of state's statement.

This 7.85% is not only the highest percentage of bad bank loans among big and medium economies in the world, but also indicates that the Indian regime has misused the standard banking practice of writing off most irretrievable losses – to enrich friends and dupe depositors. And, the latter still had no clue.

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One uses the past tense 'had', because after the eighth year of Modi's rule, the quantum of NPAs started coming down, as the cat was getting out of the bag. There were numerous alarms and eruptions in parliament, and international financial and investment agencies also raised embarrassing questions. And, anyway, by 2022, whoever had to loot and scoot had already gone – and had bought atrociously expensive mansions in London and elsewhere.

As the statement reveals, gross NPAs came down from the high of Rs 10.35 lakh crore in 2017-18 to Rs 4.75 lakh crore in 2023-2024. If we move from the first eight years to Modi's first ten, NPAs tot up to an incredible high of Rs 72 lakh crore – which is 6.53% of the total loans given.

No respectable country in the world can match this record. In India, where as per provisional data for 2023-24 bank advances totalled to Rs 171 lakh crore, a 1% rise or fall in this figure means Rs 1.71 lakh crore – which is more than the annual budget of many states put together.

The fact that corrupt ruling elites have bled Bangladesh and the Maldives explains why their NPA-to-advance ratios dance around a dangerous 9%. In India, the domesticated media (including the wise pink papers) kept mum about all this and fell for the narrative of "oh, but, this is what it should be!"

When one grilled the most aggressive finance minister in our history about India's poor NPA-to-advance ratio, she became even more belligerent than usual, as she was caught on the wrong foot.

Banks, lenders forced to take ridiculous haircuts

One has indicated in earlier articles that frauds and corporate losses (or siphoning out) account for the lion's share of these NPA and write-off numbers. To one's pointed question of how much of the NPAs (and write-offs that follow in most cases) are due to the corporate sector, the minister has given the year-wise amounts of loans written off for "large industries and services". This accounts for a staggering Rs 9.25 lakh crore out of the Rs 16.11 lakh crore of the total write-off.

Though a part of this is surely due to market factors, even a child knows how most unscrupulous businesses in third world countries under-invoice receipts and over-invoice expenses and purchases from 'day one' – as probity, transparency and checks or punishments are low or non-existent.

Besides, bank officials and politicians have to be rewarded for helping obtain the loans, and these 'skimmings' are necessary for such payments. This huge heist has surely strengthened the political setup in the past decade – ever so quietly and effectively, under the radar.

There are other killings that are made through another route, namely, the insolvency process, where enterprises are bled to death, or almost so.

While Modi-Jaitley's insolvency resolution process is better than the old route through the Board for Industrial and Financial Reconstruction, it stinks of collusion. There is excessive leniency towards resolution professionals, many of whom are highly questionable. Banks and lenders are made to take ridiculous haircuts (sacrifices) by forgoing almost everything, just to close the chapter.

These have been explained earlier and recently, the Congress said that data from the All India Bank Employees Association exposed how public banks were **made to accept Rs 16,000 crore** from ten financially stressed companies after they were taken over by Adani, against their claim of Rs 62,000 crore.

Banks lost 74% of their dues in this case – comprising our money – through this very legitimate 'transaction'.

There are dozens of such largesse given to people close to the regime – at the industrial morgue, through this post-mortem path.

We have **cited** earlier of how 'friend' Anil Agarwal of Vedanta bought Videocon by paying 6% of its claim-burden of Rs 46,000 crore and how ABG Shipyard was taken over at 5% of its Rs 22,800 crore debt. Anil Ambani's Reliance Communications owed Rs 49,000 crore to 53 banks, but the National Company Law Tribunal admitted only Rs 47,000 crore and settled for just Rs 455 crore – which is a ridiculous 0.92% of the total debt.

This insolvency process not only forces banks to accept anything from 5% to 25-30% of their claims and get out, but, as we have seen, somehow the ailing units go to the companies close to the regime.

This is how certain corporates gained immensely under the existing (unchanged) laws and rules – all while the banks were impoverished, our deposits squandered and our self righteous FM raves, rants and almost hurls invectives at whoever dares raise any question.

Fraud and write-offs for 'large industries and services' account for at least Rs 12 lakh crore

The other major query one asked of the finance minister was about frauds who have fleeced the banks. To this, the minister was cagey and gave a bland statement, the sum and substance of which is that frauds accounted for Rs 92,193 crore of losses in ten years “based on the date of reporting”.

This is obviously an understatement, hiding under banking terminology, as the combined loot of Modi’s former associates, Nirav Modi, Mehul Choksi, Nishant Modi, Ami Modi, Neeshal Modi, Lalit Modi, Jatin Mehta, Chetan and Nitin Sandesara and Gujarat-based ABG Shipyard would be larger than this amount.

Then, there are historic frauds carried out by Vijay Mallya, DHFL, Yes Bank, PMC Bank and so many other cheats.

On July 10, 2023, *Moneycontrol* **reported** that the RBI had responded to an RTI query saying that banks had lost Rs 4.69 lakh crore on account of frauds between June 1, 2014 and March 31, 2023. This report was sent to the finance minister to confirm or rebut, but an otherwise verbose FM went silent. She did not even clarify whether there is any overlap between ‘corporate losses’ and ‘frauds’ – which, one suspects, there is.

Overlap or no, frauds and corporate sharks together frittered away at least Rs 12 lakh crore of the Rs 16.11 lakh crore written off.

One comes to the Rs 12 lakh crore ballpark figure by adding the amount banks **lost** to fraud between June 2014 and March 2023 (Rs 4.69 lakh crore) to 80% of the amount that banks have written off for “large industries and services” in the Modi government’s first ten years (80% of Rs 9.25 lakh crore, i.e. Rs 7.45 lakh crore).

It is assumed that 20% of the Rs 9.25 lakh crore was lost due to genuine reasons.

If the FM or the RBI contest this Rs 12 lakh crore estimate, let them submit hard facts.

The minister of state’s statement also gives the ‘recovery’ figure, which is around Rs 2.5 lakh crore, and thus the actual hit (net NPA) by the banks would come down to Rs 13.62 lakh crore. We have no idea how much of the recovery was from cases that were being pursued or relate to those that are already ‘written off’. What is lost matters the most to us, as it is our money.

Apart from not changing the rules to stop this legitimate loot of bank funds, viz, our money (the government does not compensate) and allowing fugitives to escape to better climes (by not issuing lookout notices), this regime has not seized properties made from ill-gotten gains, unless they are company properties.

The UPA sent Satyam's Ramalinga Raju to jail, but which rogue has been jailed by Modi to stop this plunder, though he has sent to prison countless political opponents?

The stupefying increase in the wealth of the favoured five top-most cronies through favours, rule-tweaking and the low-value sale of high-value national assets during Modi's rule has been discussed extensively.

But this estimated Rs 12 lakh crore wipeout by banks may help us understand how the next tier of cronies and beneficiaries gained from the regime. After all, our money in banks did not really disappear – they just hopped on to line the pockets of those who knew their way around in very complex and corrupt times.

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