...because it's our money

The Best of Finance Matters
First Anniversary Issue

June 2018

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Preface

A year back when we started our weekly newsletter Finance Matters, what we intended was to bring together the news and analysis from the world of finance, in a form and language comprehensible to the common people.

Over the period, the articles and videos that we had carried have ranged from Ease of Doing Business and Rana Plaza tragedy; the Influence of IFIs on the economy; immunity of the IFIs to accountability and transparency of the IFIs to non-performing assets, FRDI, demonetisation, cash crunch, to the Universal Banking Income, India's investments abroad and many such. The newsletter has also opened up a unique opportunity to regularly intervene in the current affairs through the articles and public statements. This goes to a modest number of 3500 individuals and organisations every week. With 3-4 small articles / videos in each newsletter, we keep it 'manageable'.

The larger purpose behind this is to demystify the world of finance to common people. Whether in the realm of policies, or structures of finance/banking, or rights of the account holders, much is being changed in a rapid pace and if left unchecked, it could drastically impact the economy, touching all walks of life. Only an informed and engaged citizenry can stop this slide.

We received an overwhelming response from many quarters for the newsletter. Many friends contributed to the newsletter by writing for it as well as speaking on camera. We thank them all, as well as the ones who encouraged us and helped us improve it over a period of time.

This booklet is an attempt to capture the best of one year of Finance Matters. It is impossible for us to include all the articles due to the space constraint. However, the newsletter's archive, can be accessed at http://cenfa.org/newsletter-archive/

We seek your continued support, contributions, and suggestions to further improve this.

Ankit Agrawal
Media & Communication Associate
Centre for Financial Accountability

A False Debate on the Frauds and Regulations in Public Sector Banks

Priya Dharshini

March 30, 2018

The war of words between the Finance Minister and RBI governor has steamed up with the Arvind Subramanian, Chief Economic Advisor, jumping in the fray attacking the Urjit Patel, RBI Governor, who commented, among other things on the system of dual regulation by the finance ministry and RBI of the public sector banks.

It all started with the Arun Jaitley, Finance Minister, commenting last month on the PNB scam. He said, "We must always remember that regulators have a very important function. They ultimately decide the rules of the game, and they have to have a third eye kept perpetually open and turned towards the sector. But unfortunately, in (the) Indian system, we politicians are accountable, the regulators are not." Urjit Patel's Inaugural address titled "Banking Regulatory Powers Should be Ownership Neutral" at the National Law University, Gujarat seemed to be a retort to the Finance Minister.

This month-long dis-fest, which was played out in the background of the PNB scam, takes significance with calls for privatising public sector banks. What Patel is asking is not just more powers, as portrayed, to check frauds but some fundamental changes in the Banking Regulation Act to level the playing field between the public and private sector banks – another structural banking reforms. Some of those "lack of power" that Patel is unhappy is not being able to force merger, trigger liquidation or revoke banking licence from PSBs.

Hence, let us not fall for the false debates on who is right? Or whether the change in Banking Regulation Act is indispensable to prevent frauds in PSBs? For, those parts of Patel's speech that are relevant has not even come in public debate. For example, why the realisation now? The PNB scam is neither the first fraud not is Nirav Modi the first or even the biggest defaulter. So, why is Patel —who silently executed demonetisation, welcomed the amendment in Banking Regulation Act, and was "not opposed" to FRDI Bill, choose to make noise now?

The Crux of the matter

Patel started his speech at the National Law University, Gujarat by trying to dismiss questions raised on RBI's credibility as a supervisor by quoting paragraphs from the Financial Sector Assessment Programme (FSAP) report by IMF and World Bank. The FSAP gives RBI brownie points for "introducing risk-based supervision through its forward-looking Supervisory Program for Assessment of Risk and Capital (SPARC)", for phasing in Basel III framework, Asset Quality Review, and that it was satisfied with the overall system of audit, while suggesting that the task can be outsourced for allowing *additional expertise to be brought in.*

But the same FSAP report expresses displeasure, and according to the RBI

governor "laments at… the fact that the Reserve Bank's regulatory powers over banks are not neutral to bank ownership." Patel further quotes the FSAP in his speech by saying "*it (RBI) cannot remove PSB directors or management, who are appointed by the government of India (GoI), nor can it force a merger or trigger the liquidation of a PSB; it [RBI] has also limited legal authority to hold PSB Boards accountable regarding strategic direction, risk profiles, assessment of management, and compensation. Legal reforms are thus highly desirable to empower the RBI to fully exercise the same responsibilities for PSBs as now apply to private banks, and to ensure a level playing field in supervisory enforcement.*"

So, there we have it, the answer to the questions above; it is not the RBI governor who is saying that there need to be more powers to RBI to liquidate and merge PSBs. It is the IMF and World Bank that 'observes' the need for similar rules for the public and private sector banks and the RBI governor just agrees and relays it.

According to the RBI governor, "A private bank CEO's primary concern is whether s/he will be able to raise capital when the need arises or even whether s/he will still be running the bank the next day," and this market and regulatory discipline help in keeping the frauds in check. This is where he states that the public sector banks have a free reign as they have "implicitly a stronger perceived sovereign guarantee for all creditors of PSBs, and the principal shareholder – the government – has not so far been interested in fundamentally modifying the ownership structure."

But the crucial point that he made was to say that there is a link between the increased frauds and the stressed asset problem faced by the banks. Further quoting from the Financial Stability Report, he said that the issue of frauds has increased in the last five financial years. To quote FSR, June 2017, *"During this period, while the volume of frauds has increased by 19.6 percent from 4235 to 5064, the value (loss incurred) has increased by 72 percent from Rs. 97.5 billion (Rs. 9,750 crores) to Rs.167.7 billion (Rs. 16,770 crores). The share of frauds in [loan] advances portfolio continued to be high at 86 percent of the frauds reported during 2016-17 (in terms of the amount involved). Moreover,* ***almost all corporate loan related fraud cases get seasoned for 2 to 3 years as NPAs before they are reported as fraud***." This evidently is the more revealing than the shadow debate between the Finance minister and the RBI governor.

According to Patel, increasing number of frauds are linked to the large-scale loans given to the corporates and lackadaisical attitude towards a proper asset quality review. All of this has today put the banking sector in crisis, the magnitude of which is over 8.5 lakh crores of stressed assets on the balance sheets. But he couldn't think beyond having the regulatory mechanisms to control such frauds in PSBs is by using power to liquidate or merge failing banks and to fire the board and management members, similar to that of the private banks.

The Problem of perspective

At a juncture where the banking sector, especially the public sector banks, is in a historic crisis, created by stressed and non-performing assets, a demand like this seems to hold, which it is considering some news articles. But the fundamental problem with the demand and the RBI governor's perspective of the baking sector appears to lack an understanding of the socio-economic context in which the public sector banks are working. There are three fundamental problems:

First, agreed that the private sector banks have a more strict market disciple, but it is because they are profit-oriented and do not invest where they are no return. Whereas, the public sector banks, since nationalisations have been seen as agents of development and not profit-making machines. Further, considering the employment generated, providing service to the rural areas and credits to smaller businesses and working-class people, the public sector's profit far outweighs the private sector. Even from a balance sheet point of view, the public sector banks have been making a profit, till they were made to act like development banks. That was a policy decision made by the RBI in collusion with the finance ministry and a decision that the RBI till date stands by. The RBI should not try to absolve itself by claiming lack of powers when every large credit needs the approval of the board of which the RBI is a part. So it is not just the faults of the Managing Director and the Chairperson of the banks who must be held responsible for reckless lending, but the RBI too.

Secondly, the entire argument that there are better diligence and discipline in private sector banks against frauds is just a lie. In the last session of the parliament, the finance ministry said that as compared to the public sector banks and their total market share, the number of frauds in the private sector banks is more. Data shows that from 2014-15 to 2016-17 there were 1146 and 568 cases of frauds involving staffs in public and private sector banks respectively. We all know that during demonetisation, it was private banks that distributed money to certain people with political and money power. Hence the RBI governor is only using the issue of fraud as a pretext to push in the agenda of IMF and World Bank.

Thirdly, while the governor says that he and his colleagues at RBI are pained and angry with the loot of the country due to crony capitalism and the unbridled credit some corporates get during credit cycle and the evergreening of loans, the anger doesn't translate to stringent actions for the recovery of the money. Instead, he suggests "*as the Mandara mount or the churning rod in the Amrit Manthan or the Samudra Manthan of the modern day Indian economy. Until the churn is complete and the nectar of stability safely secured for the country's future, someone must consume the poison that emanates along the way.*" It is quite clear who is consuming poison and whom the nectar.

PSBs will be a History

Amidst calls for privatising banks coming from the ilks of Nandan Nilekani, Uday Kotak, it is unfortunate to see the RBI governor only wanting to pave a smoother road for privatisation. The issues of the merger, liquidation and hire and fire at will have been on the agenda of IMF and World Bank for decades. The recent FRDI bill seeks to give such powers to the Resolution Corporation, but it has been pushed back due to strong opposition from the public, civil society, and bank unions. Now, once again, the RBI governor is seeking such powers to 'deal' with the public sector banks. Having worked before at the IMF, Patel's stance is not surprising.

The last two decades has been a systematic destruction of the public sector banks. Now both the RBI and the Central Government are only trying to making public sector banks a history. While some policies like the large-scale lending and the orders for provisions have come to the public debate, we do not know the internal changes that are happening in the banks. Most of the public sector banks are understaffed and overworked, staff

benefits being clawed out in the name of increasing competition, encouraging and rewarding non-banking businesses like insurance, Aadhar etc.

What we can agree with the RBI governor, is that the banking sector is in need of restructuring and reforms, but there ends the agreement. What we need is a reform to reverse the malignancy of neo-liberal reforms in the banking sector. There are existing mechanisms to fight frauds, and we need to check on their implementations. Privatisation or mergers are not the solutions.

Priya Dharshini works with Centre for Financial Accountability (CFA).

The Privatisation of Public Sector Banks is not a Panacea

Moumita Datta

March 30, 2018

In the aftermath of the Rs. 12,000 crore fraud perpetrated by Nirav Modi, the critics of the Indian Banking system has launched into a fresh debate on the ownership structure of India's Public Sector banks. People like former Arvind Panagariya, NITI Aayog Vice-Chairman, Viral Acharya, Deputy Governor of RBI, and Urjit Patel, Governor of RBI has openly shown their apathy towards the country's banking system. Some sections of the media even have started advocating for de-nationalisation, as if reducing the government's stake in public sector banks and thereby privatising them would be the panacea of all problems being faced by the banking sector currently. Evidently, Non-Performing Assets (NPAs) have become the burning issue today. However, one question that is seldom asked is who is responsible for the creation of NPAs?

In India, 72 percent share of all assets created, is by the public sector banks. Despite that, India remained relatively unaffected by the global economic crisis of 2008. This could be possible because of the conservative lending practices followed by the public sector banks.

In the post-crisis years, Indian companies went on a debt-ridden expansion spree. Many private sector players borrowed heavily to invest in the power, steel, and infrastructure sectors. A report from 2015 says that the top 10 companies in terms of indebtedness were:

Sl. No.	Name	Indebtedness (in Rs.)
1	Reliance Group	1.25 lakh crores
2	Vedanta Group	1.03 lakh crores
3	Essar Group	1.01 lakh crores
4	Adani Group	96031 crores
5	Jaypee Group	75163 crores
6	JSW Group	58171 crores
7	GMR Group	47976 crores
8	Lanco Group	47102 crores
9	Videocon Group	45405 crores
10	GVK Group	33933 crores

In 2017, RBI has reported that just 12 companies are estimated to account for 25 percent of the total NPA in the banking sector. Among them are the Essar Steel, Lanco Infratech, Bhushan Steel, Jaypee group and many others. Most of these NPAs were caused because in 2013 the commodities market fell along with the global demand for power and steel. With the infrastructure sector failing to take off as expected, the companies could not service their debts and became NPAs. Interestingly, all the 12 companies named by RBI and currently being processed by National Company Law Tribunal are in the private sector.

During the same period, the public sector companies in the same sectors like NTPC, Coal India, NMDC, Nalco or NBCC, emerged with stronger balance sheets thereby proving that the futility of debate over ownership status of Indian companies including public sector banks.

Indian banking system has a chequered history. Between 1935 and 1947, nearly 900 banks failed followed by 665 banks in the period from 1947 to nationalisation in 1969. So much so, that in 1950 an elderly citizen from West Bengal wrote to prime minister Jawaharlal Nehru complaining that small depositors who lost their deposits in these banks "scheduled and affiliated [sic] by the Reserve Bank" had come to the conclusion that the central bank was "only meant for the Big Pandas who ... only know how to squeeze" the poor and who were "sleeping with oil in their noses" (RBI History 1951-67).

Herein it will be worthwhile to remember the Global Trust Bank (GTB) which was licensed and began operations in 1994. GTB was involved in the stock market scam of 2001, that the stockbroker Ketan Parekh ran. GTB lent heavily to individuals speculating in the stock market; when the market crashed the bank suffered extensive losses. One consequence was that merger talks with UTI Bank fell through. The Reserve Bank of India (RBI) forced Gelli to resign. Gelli's successor also quitted after six months, and Gelli's son joined the board of directors. In 2004, Gelli briefly returned to the bank in February 2004 before being again forced to resign. RBI examined GTB's accounts for 2001-2 and found that GTB's net worth had turned negative, but did not close the bank. GTB did not address its problems. Instead, and despite its dire straits, GTB continued to grow. It had 87 branches in 2002-2003 and grew to 103 branches before the RBI forced it to close. Oriental Bank of Commerce acquired GTB on 14 August 2004. Shareholders in GTB received nothing for their shares; depositors, however, suffered no loss.

Recently, while talking to the media, the former Governor of Reserve Bank of India Y.V Reddy said that the privatisation of the

banking sector is not healthy for a developing economy. Privatisation would lead to concentration of credit in the hands of the corporates. The R.K. Hazari committee report (1967) stated that to undertake proper credit planning in the country, it is necessary to snap the links between the banks and big business houses. Both the Vivian Bose Commission (1956) and the Mahalanobis Committee on Distribution of National Income in India (1960) exposed the nexus that existed wherein directors of banks used their position to finance the companies in which they had interests.

The anti-small borrower biases of banks were evident, and the banks generally ignored the farmers, women, students, small industrialists in respect of credit. Against this backdrop, 14 banks were nationalised in 1969, with a larger social purpose to sub-serve national priorities like rapid growth in agriculture, small industries and export, employment generation, and development of backward areas.

The privatisation of Indian PSBs cannot help in rectifying the current economic turmoil in the country. Moreover, there is no proof that private sector banks have been able to avert frauds entirely. The government must immediately implement the Parliamentary Standing Committee on Finance's recommendations on the stressed asset management (2016). The steps that can be taken to resolve the crisis include changing the NPA recognition norms and revival of the Development Financial Institutions in India. Conversion of IDBI, ICICI, IDFC into all-purpose banks was a historical blunder, because of which banks are required to engage in the financing of long-term projects thereby causing an asset-liability mismatch. The idea of Development Financial Institutions for investing in long-term projects is accepted worldwide. For example, in Germany: KFW, the government-owned development bank, is crucial in developing national infrastructure as well as the renewable energy revolution.

In today's world scenario when countries like Great Britain are mulling over the idea of nationalising its banks, the debate over ownership structures in Indian banks is rendered useless.

All India Bank Officers Confederation (AIBOC) has launched the 'Save Public Sector Campaign' with the singular aim to educate the customers and the general public so that the 'Nationalised' character of the public sector banks may be kept intact. In a recent press release, AIBOC has provided a detailed note on the steps that can be taken to combat the NPA menace. Indian policymakers should invite all stakeholders including the employee organisations and trade unions in the banking sector to discuss these issues, instead of trying to push 'privatisation agenda' through the back door.

Moumita Dutta is Joint Secretary, All India Bank Officers Confederation (AIBOC).

RBI is an Accomplice in bringing the FRDI Bill

Madhavi Bansal

February 16, 2018

An article in Hindustan Times dated February 12, 2018, titled Reserve Bank Goes Back on its Opposition to the FRDI Bill claims that the Reserve Bank has retracted from its former position of three months back—which was the opposition to certain provisions of the Bill — and is now looking only for clarifications related to some provisions, especially the ones where the powers of the RBI and the proposed Resolution Corporation (RC) will overlap.

I just want to make one point: Let us not fall into the trap thinking that the RBI "can" have reservations about the Financial Resolution and Deposit Insurance Bill, 2017. No it cannot. Not when RBI itself contributed to bringing out this Bill.

It all started with the financial meltdown of 2008, wherein the governments of the developed countries, like the USA, had to step in to prevent the big banks from bankruptcy and thus, save their financial systems. The Financial Stability Board (FSB), an international body, was thus established by the G20 countries in April 2009 with a mandate to promote global financial stability.

Inspired from this, the Annual Policy Statement of April 2009 of the RBI proposed setting up a Financial Stability Unit (FSU) in the RBI "for carrying out periodic stress testing and for preparing financial stability reports." The FSU was finally constituted on July 17, 2009 and was to provide the Secretariat to the RBI's representative in the FSB.

Financial Stability Report (FSR) is a biannual publication of RBI's Financial Stability Unit (FSU). The the first issue of FSR was published in March 2010. This report is published after approval from Financial Stability & Development Council's (FSDC) Sub-Committee. It reviews "the nature, magnitude and implications of risks that may have a bearing on the macroeconomic environment, financial institutions, markets and infrastructure. These reports will also assess the resilience of the financial sector through stress tests."

FSDC is an apex Council constituted vide GOI notification dated December 30, 2010. Its objective is to strengthen and institutionalise the mechanism for maintaining financial stability and development. It is chaired by the Union Finance Minister and its members are Governor, Reserve Bank of India; Finance Secretary and/or Secretary, Department of Economic Affairs; Secretary, Department of Financial Services; Chief Economic Adviser, Ministry of Finance; Chairman, Securities and Exchange Board of India; Chairman, Insurance Regulatory and Development Authority; and Chairman, Pension Fund Regulatory and Development Authority. The Council has one Sub-Committee which is chaired by the Governor, RBI.

Let us go back to how the RBI insisted on the FRDI Bill. On the need for resolution of bad loans, FSR of December 2015 states in Section 3.11 that "...the establishment of a resolution corporation for the financial sector,

will also play an important role in this context." This shows the clear push of RBI in favour of RC.

The June 2016 FSR claimed in Section 3.13 that "The resolution mechanism for financial entities needs to be dealt with separately. Several steps have been taken towards achieving the desired objective in this regard, in line with broad guidelines laid down by the Financial Stability Board (FSB)." In RBI's FSR of December 2016, it is mentioned in Section 3.25 that "the setting up of Resolution Corporation would help India adhere to Financial Stability Board's Key Attributes (FSB-KAs) of Effective Resolution Regimes for Financial Institutions by addressing the gaps in the current resolution mechanism in India in terms of legal framework, resolution tools, liquidation, coverage of entities, cross border cooperation and oversight framework."

Clearly, the RBI agreed that the best way to deal with the non-performing assets (NPAs) included following the guidelines of the FSB. The FRDI Bill directly draws from the report of FSB titled "Key Attributes of Effective Resolution Regimes for Financial Institution" published in October 2014. It not just reproduces the models suggested by them but some sections of the FRDI Bill have been taken verbatim from the report. This includes the provisions of Resolution Corporation, bail in, and haircuts, to name a few. All of this was accepted without taking in consideration the uniqueness of Indian financial system. India's public sector banks (PSBs) form the bedrock of Indian banking and make it different from that of other countries.

In such a situation, blindly following the guidelines of FSB without understanding its desirability and practicality in Indian context was highly irresponsible of the concerned authorities, including the RBI. The aim of the FSB guidelines was ensure the survival of financial institutions without the need of the governments to bail them out. This was accomplished by shifting the burden on the people, who will lose their savings if the resolution tools such as bail in are implemented.

Irresponsible not just towards the people of this country, but it shows the apathy of the RBI towards itself. With one sweep, the Resolution Corporation is taking away the traditional powers of the RBI and here is this organisation, gladly giving away its powers, shirking from its responsibilities.

Madhavi Bansal was formerly with Centre for Financial Accountability.

Banking on Accountability and Transparency

Madhavi Bansal

January 19, 2018

Burdened with the ever-increasing non-performing assets (NPAs) and saddled with its provisioning, it is common knowledge now that Public Sector Banks (PSBs) have suffered enormous losses and thus, are in a crisis. The current banking crisis and its 'so-called' solutions — be it the emphasis on privatisation or disinvestment — are both linked with the general direction that our economy is taking towards neo-liberalisation. It is often said that the PSBs have not been successful because they are not making enough profits. However, PSBs are not just financial institutions. They have a broader mandate. Neither should they be aimed at only profit-maximisation, nor should their performance be judged solely based on that. Thus emerges the need for comprehensive banking policy.

A comprehensive banking policy needs to look at both the policies that govern the internal functioning of banks (such as the Human Resource policies) and the ones that encompass the external stakeholders who are impacted by the banks (like social and environmental due diligence while giving loan to a project).

This banking policy should be designed to cater to the need of our nation and its citizens. As India is a vast and diverse country, so are our needs from banking policies. There are four areas which need to be added to the banking policy to make it more comprehensive. These are a) Responsible Banking, b) Social and Environmental Safeguards, c) Transparency and Accountability, and d) Depositors' Rights.

The term Responsible Banking could have a different meaning for different people and in different contexts. Here, Responsible Banking means that banks and other financial institutions should operate on the basis of the values driven by upholding human rights and social and environmental responsibility.

On one hand, social responsibility means that a chunk of credit is given to selected sectors of the economy (such as farming, and small and medium enterprises) and certain classes of society, especially the poor and rural people who have difficulty in arranging collateral. For example, direct lending in priority sector comes under social responsibility. Here, Public Sector Banks have historically played a significant role in achieving 40% priority sector lending and in taking the bank branches to rural and remote areas, thus increasing financial inclusion.

On the other hand, social responsibility also means that banks' investments do not cause social upheavals. For this, banks should not invest in projects with large social and environmental ramifications. And in exceptional cases when they have to, they should ensure that mitigation measures are taken in full earnest. This means that banks should have mandatory policies and guidelines to ensure that they do not invest or finance those projects which forcibly displace people without any rehabilitation or deprive them of their livelihood, pollute their life-sustaining

resources like air and water, or threaten their environments. It also means that the banks do not invest in the firms which are involved in human rights abuses. Likewise, they should not invest in weapons, tobacco and other similar sectors. In this way, Social and Environmental Safeguards also become an essential part of Responsible Banking.

Responsible Banking also means that due diligence is undertaken before giving out loans to check if the borrower has the capability to return it. If this was done, and if there was no political interference, probably, NPAs would not have become so huge. Due diligence is also required to check if the costs – both the monetary costs as well as social & environmental costs – outweigh the benefits.

Next aspect is Transparency and Accountability. This means that banks should be transparent about where they are investing the depositors' money. This is important because what banks invest or lend is essentially peoples' money and not banks' money. Transparency at all levels ensures that there are inherent checks and balances on abuse of power and corruption. As the saying goes, sunlight is the best disinfectant.

Accountability would also mean that it should be laid out as to who within the bank can be held accountable for any "irresponsible decision." The people only get to know about the bad loans when the water has gone above their heads. Transparency and accountability will also help them to know about these loans much earlier and force banks to take corrective steps.

Transparency also promotes depositors' rights. It opens up avenues for citizens to engage, thus, ensuring that the banks adhere to policies. Depositors are not just sources of revenue; they should have a say in how their money is being invested. They should be able to protest if their money is being invested in sectors which they feel are unethical (e.g. bombs, tobacco etc) and take an informed decision on choosing a bank of their choice according to its investment. For instance, if as a depositor one knows that Bank A is investing in cluster bombs, then one may choose not to open her/his account in a bank which invests in instruments of killing people.

However, just having a policy does not help. This can be seen in the cases of World Bank, ADB, and other multilateral banks, which have policies on paper, but their implementation is bleak.

Yet, policies are a starting point.

When one doesn't even have policies, one cannot violate anything. Policies help an ordinary person to know the rights and obligations of both the parties and in that way it empowers them to take positions against violations, if any. Policies will help banks in becoming more transparent and assist citizens in holding banks accountable.

Policies are not hurdles in the way of banks' operations – they are good business too.

Banking policy is not just the issue of bank employees but of every citizen who is concerned about the economy of this country. Attempts to make reforms at banks, to make banks and their operations transparent and accountable, and to avoid making unethical investments will go a long way in bringing the people together to save the Public Sector Banks from going down.

Madhavi Bansal was formerly with Centre for Financial Accountability.

Financial Resolution and Deposit Insurance Bill is a Problem, Not a Solution

Joe Athialy

February 03, 2018

The Modi-led NDA government did not have to be on the defensive many a time, in its nearly four-year term. However, in the case of Financial Resolution and Deposit Insurance Bill, 2017 (FRDI Bill), it is not rightly so.

The FRDI Bill was introduced in haste in the monsoon session of Parliament, 2017 on the penultimate day of the session. It was sent to a joint committee without a discussion. Parliamentary Standing Committee on Finance is the one, where such matters are conventionally referred to. There wasn't much rhyme or reason why it was sent to a joint committee *instead*.

While it is projected as a radical step the Modi government took towards addressing the menace of non-performing assets (NPAs), it is based on the recommendations of a Financial Stability Board, formed post 2008 financial meltdown to ensure that governments would not end up bailing out such financial institutions, as done in the US then. As a part of G20 countries, India accepted the recommendations of the Board and it is manifested in the form of FRDI in India.

Hence, however loudly the government reiterates that depositors' money is safe, and in fact it is further secured by this Bill, the bail-in clause of the Bill, where depositors' money will be used to save a sinking bank (except a so-far undefined insured amount), converting their deposits to equity of that sinking bank is a pre-meditated move, with Bill's primary objective of securing the government in such situations.

But the bail-in clause is not all about the Bill. A Resolution Corporation (RC) formed under this Bill will have unrestricted powers to act once a bank is deemed 'critical' and can access any information, terminate, transfer, sell the institution at its discretion. The RC has under its purview banks, insurance companies, Non-Banking Financial Companies (NBFC), holding companies, financial market infrastructures, systemically important financial institutions (SIFIs) and any other entity which may be notified by the central government for the purpose of resolution.

Undermining the powers of Reserve Bank of India (RBI), RC will be the one to supervise the functioning of the banks and would reduce the RBI to fiscal policy implementation, currency and interest rates like central banks in many countries post 2008 recession.

It is interesting that response to the growing concerns of people with the provisions of the Bill came not from the government, but from BJP. In a post in social media titled 'Beware of Propaganda Being Spread Around FRDI Bill' with Prime Minister Modi's photo, it claimed that 'it (Bill) is strengthening the mechanism to protect depositors'. 'Right of depositor will be fully protected at the time of legislation' and 'over 180 crore people get insurance', it said. Far from the truth, these claims are hugely misleading.

"A Resolution Corporation (RC) formed under this Bill will have unrestricted powers to act once a bank is deemed 'critical' and can access any information, terminate, transfer, sell the institution at its discretion"

How would the Bill protect depositors when the Bill has provisions of bail-in (clause 52)? If the right of the depositor is fully protected, why is it not mentioned in the Bill? To ensure 180 crores, people, you do not need FRDI. The same number is already covered by Deposit Insurance and Credit Guarantee Corporation (DICGC) Act, 1961, which will be dissolved if FRDI Bill is enacted. In fact, DICGC has Rs. 7,16,322 million as investments. As on March 2017, the balance in Deposit Insurance Fund is Rs. 6,45,578.48 million and the balance in Credit Guarantee Fund is Rs.7,30,027.64 million. Except for few Cooperative Banks, no other banks have required claim from DICGC.

Why should DICGC be dissolved if it is functioning well?

A Bill of this nature, which in its current form could impact India's banking system in a detrimental way, cannot be passed without a public debate, a process of wide consultations with all stakeholders, including the common people followed by a genuine Parliamentary scrutiny. The country, particularly small traders and the informal sector, is yet to recover from the tragedies of demonetisation and GST. Another burden through this Bill will not only burden them but will also trample the bedrock of the public sector banks (PSBs).

PSBs need help to tackle the crisis they are facing – most of which is the result of misplaced priorities and policies of the successive governments. Provisions of FRDI Bill if enacted will be the final blow to the PSBs.

Joe Athialy works with Centre for Financial Accountability (CFA).

Will the RBI Solve the NPA Problem?

Thomas Franco

November 25, 2017

Five years ago, the All India Bank Officers' Association, presented a presentation to our Bank Management titled NPA-Never Permit an Avalanche. This helped a lot to reduce NPAs of smaller amount but the large Corporate NPAs had to be tackled at the top level. Over this period it is now accepted that large NPAs have increased and that they are the root cause of the problem. Today, just 50 biggest accounts constitute more than 50% of NPA.

Much hype was created about the ordinance to empower RBI before it was released and even after the ordinance was published as a Gazette Notification. Some newspapers have written editorials and articles like, "In Fire Fighting Mode," "War on NPAs to speed up

Capital raising by PSBs", "Getting the regulator to clean up the Bank's mess," "Is the Ordinance empowering RBI the last act in NPA resolution?," "Bank NPAs- Where is the mind without fear?," "Is RBI in the drivers seat?," "This time with feeling" etc.

Most of them laud the efforts whereas a few raise questions like "Will it not be seen as conflict of interest as the loans sanctioned by boards had RBI Directors?," "Will it not lead to removal of the autonomy of Banks?," "Will it not deprive the small Banks in the Joint Lenders Forum of their rights?," etc.

Nobody has really questioned what RBI was doing so far except Mr. R. Viswanathan, former DMD, SBI in Business Line. RBI introduced Asset Classification norms in 1992. We had Health Codes earlier too. There were NPAs earlier also but they were mostly small loans and manageable. There was a Credit Authorisation scheme requiring banks to obtain prior authorisation for granting fresh limits of Rs.10 million or over to a single party. RBI has changed Asset Classification norms so many times. The lending norms were also relaxed.

The RBI already powers to audit large advances under Section 35-A. For the same accounts audited by RBI officials, an Asset Quality Review was conducted and more accounts were declared as NPA. Was any action taken against the officials who had erred while conducting audit under Section 35-A? All the Public Sector Banks have RBI as well as Finance Ministry representatives in their boards, which took major decisions. Was any action taken against any of them and accountability fixed?

IN 2016, the Finance Standing Committee of Parliament in its report on NPA recommended, "Accountability of nominee Directors of RBI/ Ministry on the Boards as well as the CMDs/ MDs of Banks should also be fixed in the matter."

It also says, "RBI as a regulator should have its regulatory role well delineated and thus not have its Directors in the Boards of the Banks as part of their Management, as conflict of interest may lead to avoidable laxity."

It also adds, "RBI does not seem to have quite succeeded as regulator, in so far as implementation and enforcement in letter and spirit of its own guidelines on stressed loans is concerned."

Now what the Ordinance has done? With Section 35-A it has added 35-AA saying, "The Central Government may by order authorise the Reserve Bank to issue directions to any banking company to initiate insolvency resolution process in respect of default under the provisions of the Insolvency and Bankruptcy code 2016" and

35-AB(1) *without prejudice to the provisions of Section 35A, the Reserve Bank may from time to time issue directions to the Banking Companies for resolution of stressed assets.*

(2) The Reserve Bank may specify one or more authorities or committees with such members as the Reserve Bank may appoint or approve for appointment to advice banking companies on resolution of stressed Assets."

First, the Central *Government* has to order RBI to issue directions to use provisions of Insolvency and Bankruptcy code 2016. The code provides 180 days for deciding a case after which the Corporate Borrower can appeal to National Company Law appellate Tribunal for which no time line has been fixed to take decisions. Further the Corporate borrower is allowed to go to Supreme Court within 45 days of the decision of the Appellate tribunal.

Is this going to solve the Problem?

There is talk about removal of fear from the Executives of the Banks quoting the case of Mr. Yogesh Agarwal who misused his power to grant loans to Kingfisher violating all norms. Is it correct to say you have to safeguard people like Mr. Yogesh Agarwal, Ms. Archana Bhargava (Former MD of United Bank), Mr. Gopalakrishnan (Former MD Indian Bank) and their likes? Why they should not be bought under Vigilance, CBI and CAG?

Can anyone quote cases where Executives who are innocent and had no malafide suffering under these agencies except officials in Lower Cadre up to AGMs?

Likewise, there is talk of more overseeing committees. The only Committee, which already exists, has just two members: Mr. Janaki Vallabh who retired from SBI as Chairman in 2002 and Mr. Pradeep Kumar, former Chief Vigilance Commissioner who retired from regular service in 2011. Has anyone assessed what this committee has done so far?

Neither the Finance Ministry nor RBI has bothered to implement Sec 9(3) F of Banking Companies Act 1970/1980, which made it mandatory to appoint an officer director and an employee director in the Banks boards. No one is appointed in the last 20 months. Now, there is no Public Sector Bank Board, which has an Officer Director. The boards take crucial decisions, on lending, Restructuring and write off.

For transparency in taking the crucial decisions by the overseeing committee, the Government and RBI should include Officer & Employee representatives in these Overseeing Committees.

One must not forget that it is RBI, which gives lending norms. It is RBI, which supervises. We already have CDR mechanism, CDR standing Forum, CDR empowered group, CDR cell, Joint Lenders Forum, Corrective Action Plan, Central Reporting of Information on Large Credits, Board Level Monitoring, Sale to ARCs who just pay 15% of the loan outstanding etc. This is all done as per the directives of RBI. Despite of all these measures, if NPAs are increasing is it not the failure of RBI's actions too? Will the Government & RBI take quick actions on the recommendations of the Parliamentary standing Committees? Some of them, which are vital, are:

1. Accountability for Board of Directors & CMD / MDs
2. Revival of Develop Finance Institutions
3. Separate Asset Classification norms for Infrastructure Loans
4. Allow Infrastructure Finance Companies to purchase the Infrastructure Loans.
5. Publish top 30 wilful defaulters names of each bank
6. Take action on violation of lending norms / guidelines
7. Allow Banks to write off losses in a staggered manner.
8. Make borrower pay 50% of the amount & cost while going for an appeal against DRT order.
9. DRT presiding Officer should not have more than 1000 cases
10. Conduct an objective evaluation of different instruments/ schemes implemented by RBI so far including SDR, 5 by 25 scheme, ARC sales etc.

The Ordinance is only applying ointment to the cancer. We need surgery. We also need to implement the proposal of Mr. Raghuram

Rajan that banks would be allowed to lend up to 25% of their core capital, down from the present ceiling of 55% to a single borrower and limit total fund based exposure of the banking system to a Corporate to Rs.15000 crore in 2018-19.

This will prevent banks ever-greening of Corporate NPAs because of the fear of collapse of the Bank itself if big corporate like Ambani's, Adani's and Tatas are declared as NPAs. Ironically, Tata Group Chairman is a Board of Director in RBI. Anil Ambani group keeps getting restructuring again in spite of the group not doing well. Did this not require an Ordinance? Is RBI not aware of these companies? One major reason for RBI's deterioration could be drastic reduction of manpower. From 31,000 in 1998 it became 21,494 in Dec 2007 and in 2015 reduced to 15,854, whereas the responsibility keeps on increasing. Another reason could be the diminishing autonomy and yet another could be the constitution of the Board which has majority of people following the Chicago School of thought which has lead to massive increase in income inequality and has brought more problems than solutions.

It is time to wake up and reorient the lending policies to the majority in this country and take stringent action on wilful defaulters.

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Forget Lessons from the Past, Arun Jaitley's Bank Recapitalisation Even Buried A July Audit Report

Joe Athialy

November 04, 2017

Hailed as a "big-bang move" by bankers, the government's plan to recapitalise public sector banks with Rs 2.1 lakh crores is deemed to hold magical powers that will help turn around their financial situations. The announcement of the plan by Finance Minister Arun Jaitley on October 24 was a reiteration of what he had said in July 2014, just a few months after the Bharatiya Janata Party had come to power. He had said then that a capital infusion of Rs 2.4 lakh crores into state-run banks to help them meet Basel III norms was a top priority of the government. (The Basel III standards set a minimum capital cushion a bank must keep to absorb losses on loans).

So, what happened in the three years pursuant to that announcement in 2014?

Gross non-performing assets (or loans unpaid for more than nine months plus the "provisioned money" set aside by banks in case the loans turn bad) jumped from 4.4% in 2014 to 10.2% in 2017. Submitting the names of big loan defaulters to the Supreme Court in July, the Reserve Bank of India refused to make the names public, arguing that such a move would hurt their businesses. Vijay

Mallya, a poster boy for bad loans who owes banks more than Rs 9,000 crores loaned to his now defunct Kingfisher Airlines, had fled the country in March the previous year.

A month before submitting the list in the Supreme Court, the Reserve Bank sent banks a list of 12 defaulters, responsible for 25% of the bad loans in the banking system, with directions to initiate bankruptcy proceedings against them in the National Company Law Tribunal. The recovery from the first case filed in the tribunal under the Insolvency and Bankruptcy Code, that of Synergies-Dooray Automotive, was only 6%.

Importantly, no major policy decisions were taken in those three years to plug the leaks from public sector banks. Nor was there any demonstration of political will to recover bad loans from big defaulters. The 10 top defaulters are Reliance, Vedanta, Essar, Adani, Jaypee, JSW, GMR, Lanco, Videocon and GVK.

As three years were wasted, leakages continued to weaken the banking system, exposing it to high vulnerability. The promised capital infusion of Rs 2.1 lakh crores over the next two years is, therefore, a case of fixing the roof when the foundation is fast eroding.

According to the plan, Rs 1.3 lakh crores will be raised through recapitalisation bonds, the government will make a budgetary allocation of Rs 18,000 crores, and Rs 58,000 crores will come from the sale of shares. Recapitalisation bonds are instruments issued by the government that banks can buy. The government will, in turn, use the money raised through their sale to provide more capital to banks.

Auditor's warning

This is not the first time the present government has infused capital into public sector banks. In 2015, it injected Rs 70,000 crores, allocating from the budget, under the Indradhanush Plan. But that did not help the banks straighten their debt-laden backs and the government has now decided to put in three times more. While doing so, it does not seem to have investigated why the previous capital infusion did not work.

Also, last week's announcement has summarily buried the findings of a report by the Comptroller and Auditor General on the recapitalisation of public sector banks released in July. The auditor had looked at the period between 2008-2009 and 2016-2017 during which public sector banks received Rs 1.1 lakh crores from the government. The report said the State Bank of India received the biggest share of the recapitalisation at Rs 26,948 crores, or 22.7% of the total. The Central Bank of India, IDBI Bank, Indian Overseas Bank and Bank of India were the other significant beneficiaries, each receiving a little under 9% of the total amount.

According to the CARE Ratings, the bank-wise ratio of net non-performing assets to loans as of June 2017 stood at: State Bank of India 9.9%, IDBI Bank 24.1%, Central Bank of India 18.2%, Indian Overseas Bank 23.6% and Bank of India 13%.

Quoting responses from the Department of Financial Services under the Ministry of Finance, the Comptroller and Auditor General said that in 2015, the department shifted from need-based capital infusion to performance/profitability-based capital infusion. It pointed out that this shift had to be seen in the backdrop of the department's observation in October 2014 that the achievements of all banks "had been below

par and had directed all PSBs [public sector banks] to strengthen their internal processes and generate additional capital savings in the near-to-medium term". However, the auditor noted that in 2016, "as most of the banks fell short of the targets set, performance was not considered as the basis for capital infusion during the year".

Indicating the inability of the Department of Financial Services to guide state-run banks out of the mess, the report said that in March 2016, the department decided that 25% of the capital would be infused into the banks upfront and the remaining 75% on the basis of their performance. "It was specifically stated that banks which do not achieve the targets would not receive further funds," the report said. However, this was followed within months by an amended decision to pay 75% of the amount upfront. The auditor concluded that "this shift in upfront disbursement from the earlier intended 25% to 75% has impacted the DFS' objective to ensuring accountability for efficient and optimal use of capital".

No lessons from the past?

The report also seems to poke a hole in the finance minister's assumption that Rs 1.3 lakh crores of the latest recapitalisation amount would be raised through recapitalisation bonds. The Comptroller and Auditor General said in the report that when the government announced an infusion of Rs 70,000 crores under the Indiradhanush Plan, against an actual requirement of Rs 1.8 lakh crores, it was expected that public sector banks would raise Rs 1.1 lakh crores over 2015-2019 from the market. However, till March 2017, the banks had only managed to raise Rs 7,726 crores, or 7% of the total requirement, from the market, "which raises doubts on the possibility of raising the balance amounting to over a lakh crore from the market by 2019". What if the markets and bonds fail us this time too?

The Comptroller and Auditor General identified the gaps in previous recapitalisation plans. Not learning from them would not only amount to undermining the role of the auditor, the government would also risk committing the same mistakes, resulting in the banking sector going from bad to worse.

Infusing capital into banks – reeling under the weight of a combination of bad decisions, political pressure and the inability to recover money from powerful corporations – will only work well if accompanied by robust policies for due diligence processes before lending, a free hand to banks to recover bad loans from defaulters, and a process to make the decisions of banks transparent and accountable.

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FRDI: Robbing Savings to Pay Corporate Debts

Priya Dharshini

August 18, 2017

Financial Resolution and Deposit Insurance (FRDI) Bill, 2017 is supposedly the new weapon in the government's arsenal to 'solve' the bad loan crisis. This Bill's stated objective is to form a Resolution Corporation that would 'resolve' a financial institution through means of a merger, amalgamation, liquidation (by order of NCLT) and bail-in and creation of bridge service provider. It also aims to classify certain financial institutions as Systemically Important Financial Institutions (SIFI) and repeal Deposit Insurance and Credit Guarantee Corporation (DICGC) Act, 1961.

According to the Governor of the Reserve Bank of India (RBI), the government and the RBI will take a multipronged approach in-order to fight the alarming volume of bad loans incurred by big corporate institutions. In the 2016-17 budget speech, the Minister of Finance, Arun Jaitley announced the introduction of a comprehensive code for the resolution of financial firms. The Insolvency and Bankruptcy Code (IBC), 2016 was passed, along with some amendments in the Banking Regulation Act as part of the multi-pronged approach. FRDI bill is the other crucial element of this plan. In the very next month of his budget speech, in March 2016, a committee was formed under the chairpersonship of Ajay Tyagi, Additional Secretary of the Department of Economic Affairs to draft the FRDI Bill.

FRDI Bill was drafted in a year and passed by the cabinet on June 4, 2017. The draft heavily borrows and adheres to the prescriptions of Financial Stability Board's 'Key Attributes of Effective Resolution Regimes for Financial Institutions' released in October 2014. On August 10, 2017, it was introduced in the Lok Sabha and referred to a thirty member joint committee (20 Lok Sabha Members and 10 Rajya Sabha Members) on the very day. This joint committee has invited the views and opinions of all stakeholders and the public till September 29, 2017. The committee will be submitting its report to the Parliament on the first week of the next session. There is a high possibility that this Bill might get passed in the next session of the Parliament in November.

What is FRDI?

Resolution Corporation: The primary objective of the bill is the formation of a Resolution Corporation, which in its board would have *ex-officio* representatives from all financial sector regulators (the Reserve Bank of India, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority of India, and the Pension Fund Regulatory and Development Authority), the Ministry of Finance as well as independent members. All independent members will be appointed by the central government.

The Resolution Corporation (RC) would cover banks, insurance companies, Non-Banking Financial Companies (NBFC), holding companies, financial market

infrastructures, systemically important financial institutions (SIFIs) and any other entity which may be notified by the central government for the purpose of resolution. If enacted the RC would subsume the role of DICGC and would also ensure deposit insurance (covered only for banks). This part of the Bill has been highly welcomed by the mainstream media. Currently, only a maximum of 1 lakh per person is insured under the DICGC, but FRDI does not specify or indicate an increase in the deposit insurance. Further, the deposit insurance scheme is only for deposits in banks and does not extend to other financial institutions.

Assessing Health and Resolution: The Resolution Corporation assumes a supervisory role and would assess the health of the financial institution and categorise them as one of the five categories of the "risks to viability framework," which are (i) low, (ii) moderate, (iii) material, (iv) imminent, and (v) critical. For the first two categories, the Financial Resolution Deposit Insurance Corporation would act as a supervisory role and in consultation with the respective regulator. For those categorised as critical, the resolution corporation would take over the administration and only after classifying the firms as critical in writing. The RC would initiate a resolution process for critical sectors through various "tools" – a) the merger or sale of one institution to another, b) transfer of assets and liabilities to a bridge structure provider, c) bail-in, and d) liquidation.

Bail-in, Bridge Structure Providers and Run-offs: Lesser known and non-traditional, these tools are dubbed as novel methods in par with the international standards. While the Resolution Corporation provides deposit insurance, it also has provision to a bail-in amount above the limit covered by the deposit insurance. Bridge structure providers are temporary institutions that would take over the operations of a critical financial institution for a period of one year (maximum) by which time it would resolve or recommend liquidation. A run-off is a special tool for resolving insurance company, where the existing business is let to run off to its closure without taking new ones.

Need for Speed: The pride of the bill is its quick resolution plan. The resolution plan should be complete within a year of the institution being termed critical. An extension of one year may be given by the Corporation in writing. The time limit, however, will not apply for those under liquidation. The Resolution Corporation would come out with a specified time frame for various tools of resolution based on the specificity of the financial institution. But the general aim is to resolve the crisis as soon as possible with minimum capital infusement.

Why Should We Oppose FRDI:

So far the opposition to FRDI has been restricted to bank unions and employees and is also seen as a Bill that would impact the banking sector. But the Bill not only includes all banks (including State Bank of India), but also all financial institutions. The Bill, if enacted, would affect not just the survival of certain public sector banks, but also each citizen who holds an account in the banks. Hence, it is high time that the resistance to this bill has to be from the wider public.

1. The Resolution Corporation will be the one to supervise the functioning of the banks and would relegate the Reserve Bank of India to fiscal policy implementation, currency and interest rates like central banks in many countries post 2008 recession.
2. In case of liquidation of banks, only the amount protected by deposit

insurance will be given to the depositor. The FRDI has not increased or redefined the amount of deposit insurance from existing 1 lakh per person.

3. The provision to bail-in any amount of deposit beyond the insured amount is a blatant loot of the public money.
4. The Resolution Corporation will have discretionary powers once an institution is deemed critical and can access any information, terminate, transfer, sell the institution at its discretion. (Chapter XI)
5. No employee can question the decision of RC in case of termination or loss of job once the Corporation takes over the financial institution (Chapter XI, 58,3(c))
6. The bill clearly states that cash-calls and haircuts will be used as means to mitigate losses (Chapter VIII 44, 2(a), (b)). Cash call is when a central counterparty asks its participants to contribute to raising funds and haircut is nothing but write off.

These are only a few points based on a very cursory glancing of the Bill. In the name of quick resolution of financial institutions, the government is orchestrating a very blatant and brutal robbery of public savings as handouts to corporate debt. When 88.4 percent of the bad loans is due to the corporate debts and top 12 accounts contribute to 25 percent of the bad loans, the government is reluctant to hold them accountable. When the government pushes the burden of bad loans to common citizens, it is reluctant to call wilful default criminal offence. Why should the people of this country be punished and the members of the board which sanctioned the loans and their subsequent restricting go scot free? When the government has money to spend on bullet trains, it can infuse capital into public sector banks as well.

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What is Threatening Public Sector Banks in India?

Priya Dharshini

August 18, 2017

It is an acknowledged fact that the Indian banking system is facing an unprecedented crisis. The problem of bad loans and the need for a capital infusion, drastic changes in financial policies, new legislation introduced in the name of saving the banking system, the slowdown in the economy, proposal to merge public sector banks (PSBs) and eventual disinvestments are collectively drowning public sector banking system. The estimated non-performing assets (NPAs) are around Rs 6 lakh crores, the interest not charged is around Rs 1 lakh crores, and the restructured loans are around Rs 4 lakh crores totalling Rs 11 lakh crores, out of which the contribution of the large borrowers with loan exposure of Rs 5 crores and above is approximately 90 percent. Even this does not reveal the

complete picture of total bad loans due to the refinancing of the loans to many big corporates. There are speculations that categorising some of the refinanced loans as NPAs might even bankrupt the lenders. To understand the crisis in its entirety, it is important to understand the various components that have together brought the public sector banking to its current predicament.

Legislative actions:

In the last couple of years, the government has passed a few legislations to address the NPA crisis. The Insolvency and Bankruptcy Code (IBC), 2016, the Banking Regulation (Amendment) Ordinance, 2017 and the Financial Resolution and Deposit Insurance (FRDI) Bill, 2017 are a few laws, which are hailed as solutions. Various legislations, that govern bankruptcy, have been brought into the fold of the IBC, governed by the Insolvency and Bankruptcy Board of India (IBBI), making the existing Board for Industrial and Financial Reconstruction (BIFR) redundant. It has been credited to be a solution that can timely deliver the wilful defaulters. However, a closer look does not instil much hope. The National Company Law Tribunal (NCLT), the adjudicating body, currently has 11 benches, 16 judicial members and seven technicians and it is this body that has to deal with over 4000 cases that are being filed annually! Not to mention the 4000 odd cases already existing in BIFR which will now be transferred to the NCLT for a fresh filing under the IBC. There is no provision from the government to strengthen the NCLT's infrastructure, as yet.

The banking ordinance is another much-needed action from the government which again has to be taken with a pinch of salt. The ordinance amended the Banking Regulation Act, 1949. Two new sections 35AA and 35AB have been added to the Act, which empowers the Government of India to authorise the Reserve Bank of India (RBI) to issue directions to the banks to initiate insolvency proceedings under IBC against a defaulter. So far, the RBI has directed initiation of insolvency against 12 companies. However, in an order dated June 13, 2017, RBI has also ordered the banks to set aside up to 100 percent provisions for bad loans, in a case of liquidation. Keeping provisions for over 100 cases of defaulted loans at a time when the banks are already in need of capital infusion, which is again due to NPAs and demonetisation policy of the government, will be a severe blow to the banks.

IBC has already been operational for more than a year and so far only three banks- Industrial Credit and Investment Corporation of India (ICICI), Ratnakar Bank Limited (RBL) and Bank of India (BoI)- have approached the NCLT for recovery of NPAs. In such a situation, will introducing an ordinance make any difference? Even if the bankers approach IBBI, will the over-burdened NCLT be able to deliver? Most of these companies are those that hold a political clout. Will the bankers be able to initiate insolvency against them?

The worst of all this is the Financial Resolution and Deposit Insurance Bill, 2017. According to the Bill, a Resolution Corporation with a government-nominated board will be set up, which would overtake the functions of the financial institutions in case there are proceedings against the same. The board would have sweeping powers to liquidate, acquire, merge, and amalgamate any national bank including State Bank of India (SBI), Regional Rural Banks (RRBs), Cooperatives, National Insurance Company and non-banking financial institutions. If

passed, this Bill could potentially end public sector, especially the public sector banking. This puts most of the PSBs under the threat of being liquidated. One might argue that if the banks go bankrupt, then the government has no other way out but to close them. However, it is a fact that 88.4 percent of the total NPAs was created by large borrowers, with the exposure of Rs 5 crores. The 12 large borrowers alone constitute 25 percent of NPAs. It has been more than two years since the Supreme Court directed the RBI to disclose the names of wilful defaulters but the RBI and the government are unwilling to reveal the names even today. Instead, there is a systematic effort to finish the public-sector banks.

Bank mergers:

The government has repeatedly talked about the reduction of the number of public banks from twenty-seven to five or six, with the aim of creating global sized ╚lender ╒. It was recently reported that the finance ministry had asked four more public sector banks to explore the possibility of a merger with other smaller banks. The likely candidates so far are Punjab National Bank (PNB), Canara Bank, Bank of Baroda, and Bank of India. The official timeline for these mergers has not been fixed, but the banks have already made a preliminary presentation to the finance ministry.

These mergers have been initiated citing the 'success' of State Bank of India ╒s merger with five of its associate banks and Bharatiya Mahila Bank on April 1, 2017. The merger has been portrayed as a smooth merger despite various protests by bank unions and disregarding many of their concerns. Secondly, it was claimed to be a 'success' that has catapulted SBI into top 50 global banks in terms of its assets, expanding its customer base to Rs 37 crores, with a deposit base of Rs 26 Lakh crore. SBI chairperson Arundhati Bhattacharya estimated a Rs 3000 crore boost in the annual profit in three years. What SBI and the finance ministry are silent about is the recent quarterly results on May this year, which saw the net profit of SBI group declining from Rs 10,965 crores in the third quarter of 2016 to Rs 3,219 crores in the same period for the year 2017. Following the quarterly disclosure, SBI's shares fell by 4.6 percent. At the end of December 2016, SBI's losses were estimated at Rs 4,550 crores. There has not been any explanation from SBI for the additional loss of Rs 5792 crores incurred after the merger. Very less has been covered by the media on how the associate banks' losses have slowed SBI's profit. Neither has there been any explanation by the Bank for such a huge loss nor has anyone been held accountable for the lack of due diligence. Despite this revelation, which invalidates the argument that merger will increase the assets of a bank, the government is hell-bent on more mergers, when even rating agencies have shown scepticism of its effectiveness in fighting NPAs.

Bad Loans:

The debate on NPAs has mostly been limited to the enormity of the amount, but the question of why and how we got there is conveniently brushed aside in the one-liner of faulty lending practices. It is a fact that the banks have been increasing lending to big businesses in the last few decades, which has landed them on this minefield of their making. Six sectors, 'infrastructure, textiles, metals, chemicals, engineering and mining,' all non-priority sector, contribute to 36 percent of the total bad loans. Hence, a debate on the problem of NPAs without accounting for the changes in the lending practices over the last

few decades would be to miss the wood for the trees.

A few significant shifts in the lending practices are worth noting to understand how banks have systematically moved away from a social welfare model to the one that caters to big corporate. Earlier, there was a focus on priority sector lending, under which close to 90 percent were given for small-scale lending. However, this has reduced drastically. Even out of the 18 percent loans being given to agriculture now, most of them are appropriated by the big agro-industries, which have benefited from RBI Fs removal of the distinction between direct and indirect agriculture. A mere 8 percent goes to small and marginal farmers.

Similar trends are seen in industrial lending as well. According to the news reports, the share of small and micro industries in total bank credit to industry went down from 15.5 percent in 2007-08 to 13.6 percent in 2015-16. Likewise, the proportion of medium-scale industry fell from 12.9 percent to 4.2 percent over the same period, whereas the share of large industries went up from 71.6 percent to 82.2 percent. In 2015-16, 55 percent of the increase in bank loans to industry went to the infrastructure sector and 38 percent to the iron and steel industry. It is these two sectors that have today contributed to the maximum NPAs. Disproportionate to the lending, the industrial sector has been under stagnation for the last three decades. Hence, the problem of NPAs is a result of the neo-liberal policies of the government.

Privatising Public-Sector Banks:

Attempts to privatise the public sector banks have been ongoing since the economic reforms of 1991, but due to stiff resistance from the banking sector, the government has not been able to succeed. However, this crisis is today being used as an opportunity to overhaul the banking system as we know it. The strategy of merging small banks to create a few 'lending giants' along with the introduction of payment banks is a perfect way to end brick and mortar branches. The changes in legislations are not promising when the RBI, on one hand, directs banks to file bankruptcy proceedings against companies and on the other orders them to keep 100 percent provisions for bad loans in case of liquidation! The proposals of 'haircuts' (a fancy term for write-offs), the policy of demonetisation, evergreening of loans, and selling bad loans at a pittance to asset reconstruction companies are all measures that would further weaken the public sector banks, but bring in private financial institutions. With years of propaganda of an inefficient public sector, a climate of disinvestment is only perfect for a bill that can liquidate any public sector financial institution!

Conclusion

While the public sector has many challenges that need to be addressed, one cannot undermine the role that PSBs played in the development of rural economy. In 1977 the government passed a regulation requiring banks to open four branches in rural (unbanked) areas for every branch opened in banked areas to ensure banking accessibility across the spectrum. India Policy Forum's 2004 report corroborates that for every 1 percent increase in banks public-sector, there is a 0.42 percent decrease in poverty and 0.32 percent increase in per capita output. However, this policy was repealed in 1990 by RBI, resulting in a reduction of rural branches from 33,004 to 32,082 between 1995 and 2005. Despite RBI's claims of financial inclusion, there is seen a steady decline in the number of rural branches. So much so that

even till now it is the money lenders and other informal sources that are the primary lending sources in the rural areas, resulting in, among many other things, increase in farmer's suicides. Hence, withdrawal of public sector from rural and priority sector would only harm the marginal sections of the society.

Banks apart, almost all public sector institutions have helped in laying the backbone of this country. The sorry state in which they are today is partly also the result of directionless policy making of successive market-oriented governments, lack of political will and their capitulation to neo-liberal policies. What is being witnessed in the case of banks is symptomatic of a larger malice of privatisation of the public sector, whether industries, railways, or the latest Air India.

Hence, what we are facing today in the banking sector is not just an NPA crisis, but also a conscious effort to reverse the nationalisation of banks and to end public sector. This is not a problem limited to banking sector alone, but one that is going to marginalise the disadvantaged sections of the society further. In the times of jobless growth, these policies would retrench hundreds of people. There is no alternative to resistance for this attack on the fundamental structure of our economy.

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US Supreme Court to Hear Case on Immunity of IFIs

Ankit Agrawal

May 25, 2018

The U.S. Supreme Court announced on yesterday that it would hear the landmark lawsuit, filed by the villagers of Mundra, challenging the absolute immunity of powerful institutions like the International Finance Corporation (IFC). The villagers were affected by the coal-fired Tata Mundra Ultra Mega Project, which was partially funded by the IFC.

Welcoming the US Supreme Court's decision, Dr Bharat Patel, General Secretary, Machimar Adhikar Sangharsh Sangathan, one of the petitioners in the case, said "This is a victory of our relentless struggle to bring to justice the crimes committed by the Tata against the fishing community. IFC aided the process by turning a blind eye to it."

The case, Jam v. IFC, filed in 2015 by the fishing communities and farmers affected by IFC-funded Tata's Mundra Ultra Mega Project, challenged the absolute immunity enjoyed so far by international organisations like IFC, the private lending arm of the World Bank Group.

The key legal question before the court is whether the International Organizations Immunities Act—which affords international organisations the "same immunity" from the suit that foreign governments have— confers the same immunity on such organisations as foreign governments have under the Foreign Sovereign Immunities Act.

The Supreme Court's decision to hear their case will ensure that the Court will dwell upon the immunity of international organisations for the first time, and decide whether international organisations can be held accountable for their harmful conduct, or whether they enjoy the special status above the law that they claim.

"International organisations like the IFC are not above the law and must be held accountable when their projects harm communities. The notion of 'absolute immunity' is inconsistent with Supreme Court precedent, and it is contrary to the IFC's mission as an anti-poverty institution. We are glad the Supreme Court has agreed to hear this case and hope it will correct this error," said Richard Herz, Senior Litigation Attorney at EarthRights International (ERI) in a release.

Budha Jam, the main petitioner, said that the decision on this case would be keenly awaited by not only by the villagers but also across the world by the communities that are fighting the crimes of the international financial institutions. He said that he is hopeful that the US Supreme Court will not let them down.

Last year, the U.S. Court of Appeals for the D.C. Circuit had ruled that IFC had "absolute immunity" and could not be sued for its role in the controversial Tata Mundra coal-fired power plant that has devastated communities in Gujarat. The D.C. Circuit recognised the "dismal" situation the plant has created for the complainants, including the destruction of their livelihoods and property and the serious threats to their health, and noted that the IFC had not denied those harms. The court found the IFC could not be sued based on prior D.C. Circuit decisions. One of the judges, however, expressed strong disagreement with IFC immunity and noted that another federal court had rejected the prior D.C. Circuit immunity cases, which she thought were "wrongly decided."

Ankit Agrawal works with Centre for Financial Accountability (CFA).

Ease of Doing Business and Rana Plaza Tragedy

Soumya Dutta

May 12, 2018

Five years ago, on April 24, 2013, a tragedy in neighbouring Bangladesh shook up everyone. Rana Plaza, a five-storied commercial building, that housed several "sweatshop" clothing factories, a bank and few shops, collapsed and killed 1134 people and injured over 2500. As the ready-made garment industry in Bangladesh employs mostly women, it is no surprise that women formed a significant part of those killed or wounded. The tragedy is considered as the worst garment industry accident in history, and was probably the worst industrial disaster in Bangladesh, in terms of human lives lost.

The industrial disaster was attributed to the 'structural failure' of the Plaza. However, the real and hidden reasons are far more important for us to understand and learn from. That is why, in this age of cut-throat competition to attract global capital and to capture market share— which the Modi government is hell-bent upon by bringing in deregulations and promoting Make in India to improve India's ranking in the Ease of Doing Business Index — Rana Plaza disaster holds great lessons. In that sense, Rana Plaza is an almost forgotten, classic lesson of what pursuing Ease of Doing Business, and the insane pursuit of competitiveness to capture market share, can do to workers, and how dehumanised a whole industry, nay, an entire nation can become!

How did this tragedy take place? To understand that, let's get back a little into the reasons Bangladesh is so wedded to garment exports. In 2013, when Rana Plaza happened, the global garment retail market size stood at approximately USD 1137 billion, and this is projected to grow to USD 1657 billion by 2020 (projection by Marketline 2017). Four of the largest clothing/ready-made garment exporting countries are China, Bangladesh, Vietnam, and India. What is common between them is that they operate with low labour costs, and lax labour and industrial regulations. Bangladesh is the poorest of these four, with a total GDP of only USD 150 billion, as of 2013.

The total export earnings of Bangladesh, in 2013, was about USD 27-28 billion, of which textiles and garments contributed about USD 21.5 billion, or about 80%! The garment industry earned a whopping 18% of the national GDP! The industry was 'showing promise' of expanding further. One can easily understand the importance and influence of the garment industry in Bangladesh. Because of its cheapest labour, Bangladesh has increased its market share in the global garment/clothing industry rapidly since 2010. By 2013, Bangladesh had about 5000 garment industries, employing over 40 lakh people of which over 85% were women. It is by far the largest employer of women in the country. "You cannot bite the hand that feeds you", is an untold and unwritten, but strong principle.

There are reasons behind employing women in such large numbers. The women in our traditionally male-dominated south-Asian societies are supposed to be more 'disciplined' as they take no or little breaks for smoking, do work for hours without complaint, and are more likely to follow instructions without questioning. In a desperately poor and underemployed society, women as carers of the households and unable to easily migrate in search of other work, are also more likely to work for much less money. So, they are more 'Easy to Do Business' with.

I have seen droves of young and middle-aged women workers while passing by Savar a few times. They enter the factory in the morning only to exit in the evening. They earn a paltry Bangladesh Taka 5000 – 6500 per month for working 10-12 hours a day, often with no off days, and in chokingly congested conditions. This amount is hardly enough for ensuring two square meals a day for a family of four or five! In the pursuit of earning precious foreign exchange by this impoverished country, and to capture a market share by easing doing business, millions of women were put into conditions of semi-slavery.

Who would have listened to their occasional feeble complaints? After all, Bangladesh's ready-made garment/clothing industry – apart from being the nation's largest export earner,

also exports to global brands like Levi's, Zara, H&M, Walmart, C&A, Gap, Target, Tesco, Carrefour, JcPenny etc. You cannot inconvenience the supply chains of the global who's who of garment industries, can you?

The collapse of Rana Plaza in Dhaka did not come unannounced. On April 23, cracks were clearly visible in the building, and the bank and shops were closed. This was also shown in at least one television channel. There were also media reports which stated that the upper floors were built illegally. Furthermore, there were no fire safety clearance and hardly any escape routes in a building where around 4500 people were working!

It is important to note here that the all-powerful garment industry, Bangladesh's biggest export earner due to its heavily exploited 'cheap labour' and global competitiveness, could not be put to "Difficulties" of doing business by forcing to follow the rules and regulations. The owners of the garment factories ordered the workers, mostly young and middle-aged women from the surrounding rural areas and slums, back to work. Around 4500 workers returned to work in spite of the visible cracks! It might have helped that the owner of Rana Plaza, Sohel Rana, was an important member of the youth wing of Awami League, the ruling party. In the morning rush hour, the cracks widened, and the building collapsed. As mentioned earlier, over 1130 people, mostly poor women, often the only bread earners of their families, lost their lives. Well over double that number were wounded, to various degrees.

It might be interesting to note that, Bangladesh's Ease of Doing Business ranking fell from 115 in 2008 to 130 in 2013 as a result of some regulations introduced in the garment and other industries. Clearly, the World Bank does not like regulations — either on labour rights or working conditions, or wages — as they can make doing business more "difficult"!

The regulations were being resisted by the powerful garment industry. Consequently, after the government eased regulations a little bit, the ranking "improved" from 132 in 2012 to 130 in 2013, and then Rana Plaza happened. In the months after the tragedy, the global media's attention and the outcry across the western world forced the Bangladesh government to introduce several stricter safety measures like workplace inspection program, established under the 2013 Accord on Fire and Building Safety; National Minimum Wage for Bangladesh's Workers: Rational Standard and Rationality of National Minimum a higher minimum wage etc. As a result, the country's "Ease of Doing Business" ranking tanked from 130 in 2013 to 172 in 2014! What a fall in just one year! Clearly, the World Bank did not learn anything from this horrible industrial disaster.

All the learnings (and there were quite a few) are now being attempted to be discarded to expand their GDP. A 'poor' country has to earn those USD 27 (30+ now) billions a year at any cost! So, the 'inconvenient' safety and labour norms— all of which increases the cost & difficulty of doing business— need to be liberalised!

Our own Modi government in India is also pushing harder to 'liberalise' hundreds of such labour, safety and environmental rules and regulations. In the first three years of the Modi government, India's Ease of Doing Business ranking improved marginally, from 134 to 130. Desperate to show his worth to the big global capital, hundreds of regulations and norms had been done away in the last few years. Keeping these deregulations in view, the World Bank also upgraded India's Ease of

Doing Business ranking from 130 to 100 in the year 2017! And just in last few months, the Govt of India has permitted fixed contract jobs, thus allowing easier hiring and firing of workers— a requirement for improving Ease of Doing Business index. Wait for the consequences that are soon to unfold.

In a country that has witnessed the Bhopal gas tragedy, one of the world's worst ever industrial disasters, should we just wait and watch? Or, should we learn the necessary lessons from Rana Plaza tragedy and show the mirror to the pushers of Ease of Doing Business? Would our worker comrades rise to the monumental challenge of overthrowing this monstrous profit-maximising system? And, what would be the roles of those who stand by the margin?

Soumya Dutta works with Beyond Copenhagen Collective.

IFC Failed to Follow its Performance Standards in Vizhinjam: CAO

Anuradha Munshi

March 23, 2018

International Finance Corporation's (IFC) grievance redressal body Compliance Advisor Ombudsman (CAO) in its compliance investigation report has indicted IFC for not following its Performance Standards in Vizhinjam International Seaport Limited (VISL), a special purpose company wholly owned by the State Government of Kerala.

Flagging inconsistencies with the Performance Standards, CAO scathingly observed that IFC took on the role of lead transaction advisor without a reasonable assurance of the VISL's commitment to the Performance Standards; and that the Environmental and Social Impact Assessment (ESIA) was inconsistent with the Performance Standards, particularly in relation to land acquisition and project impacts on livelihoods.

The Report further made many startling findings regarding IFC Advisory Services. Some of these include deliberately not advising the VISL to suspend its land acquisition till the completion of ESIA; narrowing its environmental and social mandate to facilitate the project thus ignoring a few essential components during ESIA which would have a detrimental impact of the project on tourism and fishing communities situated along the coast of the area. Another important finding was that the ESIA did not go through a process of consultation and participation.

The Corporation's ombudsman's report came in the context of the development of a multi-purpose seaport at Vizhinjam, 16 kilometres south of the state capital, Trivandrum (Thiruvananthapuram), for which IFC was hired as the Transaction Advisor to strategically assist VISL in structuring and implementing the project, and seeking private sector partners to implement the plan in collaboration with the State Government Ports Department.

As a lead transaction advisor, the IFC' role was to supervise the work of technical and environmental consultants, and to market the project to potential investors. As part of its mandate, IFC had also agreed to coordinate

and supervise the preparation of environmental studies needed for submission to the relevant government agency.

The investigative report came in response to the complaint filed in August 2012 by local tourism workers/businesses and other residents with the support of the Kerala Swathantra Malsya Thozhilali Federation (Kerala Independent Fish Workers Federation), Kerala branch of Exnora International, the Kerala Hotels and Restaurants Association, and the People's Resistance Committee in Vizhinjam.

In their complaint, the complainants raised concerns about the potential environmental and social impacts of the port and its associated infrastructure. They raised concerns about how the project would impact the livelihoods of people who depend on tourism and fisheries. They also raised concerns regarding the impact on farmland related to the construction of infrastructure associated with the port development.

IFC's in its response to the CAO's report brushed aside its responsibility by pointing that this case is of investment and advisory services regarding assessment and monitoring with the Performance Standards.

Anuradha Munshi works with Centre for Financial Accountability (CFA).

Sacrificing Labour Rights at the Altar of Ease of Doing Business

Maju Varghese

March 02, 2018

The call for reforms in the labour laws in the country became strong with the liberalisation of the economy in the 90's. The Second National Commission on labour was set up in 1999 which recommended among many other things consolidation of various laws on labour. India strict labour laws and regulatory business environment have been a point of critique by the business as they are subject to 50 central government laws and regulations dealing with wages, industrial relations, social security, employment condition and the like.

International Finance Institutions like IMF and World Bank[1] have criticized the country for a large number of labour laws which according to them increase the difficulty for employers to adhere with regulations and have demanded rationalization and simplification of its labour laws. The International Monitory Fund[2] has also urged India to introduce policies to reduce labour and product market rigidities. The World Economic Outlook 2017 has identified simplifying and easing labour market regulations and land acquisition procedures as long-standing requirements for improving the business climate.

The argument that removing legal protection to labour and allowing business to function according to market laws can also be seen in other documents of World Bank including the World Development Report 1995. When the Ease of doing business was first brought out in 2003, it had a chapter on Hiring and Firing workers. Various indicators such as ease of hiring, firing and conditions of employment were part of the index. These indicators will look into easy to contract (part-time contracts), fixed minimum wage, premiums

for overtime work, severance pay etc. The less you pay as minimum wage, the easy it to hire with little severance pay will place you high in the index. Countries who do away with regulations can improve the rank in ease of doing business. India has been criticized in the report for having one of the most regulated labour markets

What is changing?

The National Democratic Alliance who won in 2014 had emphasized economic development as a core agenda of their manifesto. The government wanted to simplify the regulatory environment and reduce the number of laws.

The Ministry of labour administers 44 labour laws which are enforced by central and enforcement agencies. The Ministry wants to consolidate these laws and consolidate it into four codes namely, the labour code on wages, Industrial relations, Social Security & Welfare and labour code on Safety and Working Conditions. Apart from consolidation, the move is to do away with the inspection process towards self-certification and third-party certification. However, the reforms which came from the perspective of simplification and consolidation as suggested by the commission on labour to include provisions which will reduce labour bargaining power and hard-earned labour rights.

The central government has brought about a new bill in Lok Sabha which will (a) enhance the limit of overtime hours from the present limit of fifty hours per quarter to one hundred hours per quarter (b) further increase the limit of overtime hours to maximum of one hundred and twenty-five hours per quarter in public interest (c) empower the Central Government, in addition to the State Governments, to make exempting rules and exempting orders in respect of total number of hours of work on overtime in a quarter, which would ensure uniformity in its application by various State Governments and Union territories.

The central trade unions have earlier questioned the government proposal to change the definition of the factory and to increase the threshold limit for coverage of factories under the Factories Act.

Exceptions from Inspection

Likewise, the labour ministry has expressed its intention to make amendments in the labour laws and to reduce the numbers of laws (40 of them now) to four codes which dwell on wages, Industrial relations, social security and welfare, and labour code on safety and working conditions. The ministry has also notified a compliance regime based on self-certification for startups where they will be exempted from inspection from 9 labour laws in the first year and from second year onwards, they are expected to give self-certification up to 3 years and there will be no inspection until a credible and verifiable complaint of violation is filed. These measures give absolute authority to bypass labour laws and rights in the name of avoiding harassment. In liberalising labour inspection systems India has violated the ILO Labour Inspection Convention (081) which it has ratified — the convention states that the establishment should be inspected as often as possible and at any time even without prior intimation.

Penalties on strikes

The proposed code on Industrial relations attempts to consolidate and amend the law relating to registration of trade unions, conditions of employment, investigation and settlement of disputes. The new act raises the

threshold of a number of workers needed to register a trade union and has prescribed penalties of minimum Rs 20000/- up to Rs 50000/- per worker for an illegal strike while the management gets only a collective punishment of the same amount in case of the industrial lockout. The workers are bound to loose their wages in case of both lockout and strike and more than proportionality penalises workers for their rights on collective bargaining. These punishments have been extended not just to workers but also to trade union leaders and people who provide monitory support to the struggling workers.

Rajasthan experience on easing labour relations

Rajasthan was the first to legislate on the line of proposals from the central government. The industrial disputes act was amended to raise the cap to at least 30% of the workforce to form a union from the existing 15%. The amendment is aimed at making labour unions difficult. The amendment also allows companies for retrenching, laying off or shutting down of units for factories if they employ less than 300 workers. The earlier the threshold was 100 workers and required government permission. The rise in the cap is intended to provide relief to companies to easily exit a business. The Rajasthan government also amended the factor act to change the definition of a factor to that of a unit which employs more than 40 people (earlier it was 10) thus allowing easing of compliances. Many other states including Madhya Pradesh, Andhra Pradesh and five other states.

Trade Unions in the warpath

The trade unions in the country have been extremely critical of the changes which are being brought in the labour laws. They have gone on massive strikes and marches against the proposed amendment and privatization push of the government. About 150 million workers went on strike in 2016 against the government policies to retract labour laws. This was followed by a massive three-day protest in the national capital by all the central trade unions from all sectors which are seeing a massive push for neo-liberal policies.

The labour code on wages was introduced in parliament on the last day of the monsoon session through a supplementary list of business. The bill, which is intended to codify 45 existing labour laws, was circulated only on the last day and that too at 9.00 am in the morning denying the opportunity for members to question the constitutional validity of the introduction of the bill. The code bill on wages is now before the parliament and discussions will happen when it is taken up for passing. The code was subsequently sent to the parliamentary standing committee on labour for further deliberation.

At a global level, the ease of doing business and labour indicators was challenged both by trade unions and also by independent evaluations. The International Confederation of Trade Unions has said that the Doing Business indicators are being used to drive a one-sided and harmful approach to labour market reform in developing and transition economies ignoring its costs and had demanded the topic of labour regulations should be removed from the preview of Doing Business Report.

The Employing workers indicator was discontinued in 2009 after global criticism. The Independent panel condemned the indicator particularly for assigning higher rankings to countries with less stringent labour regulations, thereby encouraging a

"race to the bottom" in the area of worker protection in contravention of International Labour Organisation (ILO) standards. However, the indicator is still used in the doing business report as an annexe. The Doing Business report 2017 flagged the number of labour laws in our country as something which regulates business and lauded the reforms being proposed in the country for reforming labour laws.

What does doing business indicator on labour market regulations measure?

Hiring

(i) whether fixed-term contracts are prohibited for permanent tasks; (ii) maximum cumulative duration of fixed-term contracts; (iii) length of the probationary period; (iv) minimum wage.

Working hours

(i) maximum number of working days allowed per week; (ii) premiums for work: at night, on a weekly rest day and overtime; (iii) whether there are restrictions on work at night, work on a weekly rest day and for overtime work; (iv) whether non-pregnant and non-nursing women can work same night hours as men; (v) length of the paid annual leave.

Redundancy rules

(i) whether redundancy can be a basis for terminating workers; (ii) whether the employer needs to notify

[1] http://blogs.worldbank.org/endpovertyinsouthasia/labour-regulation-and-job-creation-india

[2] http://www.imf.org/en/Publications/REO/APAC/Issues/2017/10/09/areo1013

Maju Varghese works with Centre for Financial Accountability (CFA).

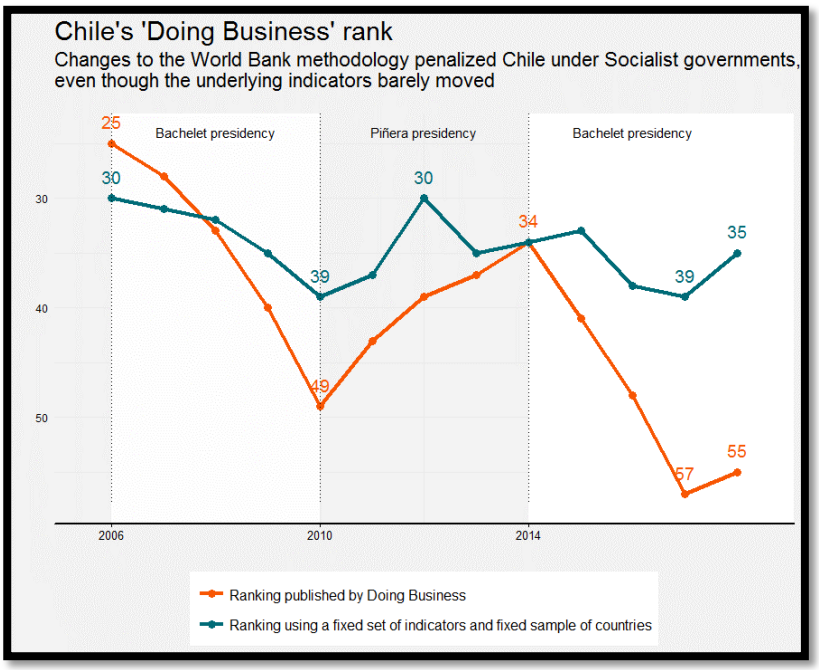
The Murky Business of Ease of Doing Business Ranking

Maju Varghese

January 19, 2018

In a major revelation, Paul Romer, the chief economist of World Bank apologized to Chile for changes to the Ease of Doing reports methodology which conveyed the wrong impression of the business environment under the socialist regime of President Michelle Bachelet. Chile's overall ranking fluctuated between 25th and 57th between the capitalist and socialist regimes. Chile scored poorly on a newly introduced index in paying taxes which resulted in slipping of their ranking from 33rd in the world to 120th for that index.

According to Romer, Chile's drop was driven almost entirely by adding new metrics to the index and not by changes to standing measures of Chile's Business Environment. The World Bank Chief Economist announced that he will correct and recalculate national ranking of ease of doing business report going back to at least four years. In a rare acknowledgement, the bank conceded that this may be due to the political motivation of the World Bank staff.



Justin Sandefur and Divyanshi Wadhwa of the Centre for Global Development have re-created rankings using a consistent sample of countries and methodology from 2006 through 2018. Here is what Chile index look like:

The Socialist government of Chile had introduced a progressive tax and labour reforms and the dip in the Ease of Doing Business Report was also used by the opposition led by billionaire

Sebastian Pinera who is a follower of free-market policies to show business suffered and investments hit. President Bachelet lost the election which was also fought on promises to boost investment. The Chilian government said the actions were immoral and called for a complete investigation from the World Bank. The President also tweeted "Rankings provided by international institutions should be trustworthy because they have an impact on a country's' investment and development."

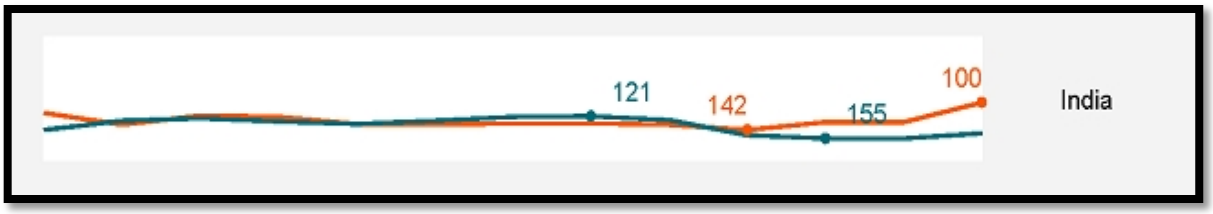
This is not the first time the Ease of Doing Business and their methodologies are being questioned. World Bank appointed an independent review panel under the chairmanship of South African Planning Minister Mr Trevor Manuel after the report was criticized by countries like India and China after the 2013 report. The panel recommended reforms to the report including doing away with the ranking of countries and recommended the change of name from Doing Business to Doing Business: Understanding Regulations as the former gives an impression of measuring business environment rather than business regulation. The 'hiring and firing index' and the indicators on labour market regulation was exempted from the ranking since 2011 following criticism from International Trade Union Confederation.

On the other hand, the government in India was jubilant after jumping 30 points in the 2018 doing business report committing itself to further reforms. In a short time, the country witnessed industrial disasters, fire tragedies which some attribute to changes in regulatory mechanisms and

putting the onus on the responsibility back to the business. If the World Bank recreates the ranking based on the consistant index, there could be the notable impact on India's ranking too.

The Ease of Doing business has been the subject of criticism from civil society and trade unions as it promotes private business over other rights. The World Bank legal unit has criticized the 'embedded policy preferences' under indicators in the ease of doing business indicators which favours the business. The legal unit has also criticized the methodology and has accused the report of having biases ignoring the positive effect of regulations. The image of the economy articulated in the Doing Business report thus represents regulation as a burden on business and a constraint on economic growth, which should be reduced to a minimum.

The recent events once again point out to the limitation of the global indexing and benchmarking as it gets associated with political values and policy reform preferences. Ease of Doing Business report is one such way of influencing policies of government different from loan conditionalities or through technical advice the traditional methods by which International Financial Institutions influence policy. The influence which is being exerted by the Ease of Doing business becomes clear as it has recorded 3,188 business related reforms since it started 15 years ago. The Ease of Doing



Rankings Published by Doing Business vs Rankings using a Fixed Set of Indicators. Source: Centre for Global Development

Business report 2018 observed that governments in 119 countries carried out 264 reforms, just in 2016-17, to attract investment and become more competitive.

The Ease of Doing Business Index and Doing Business Report has become a tool to promote private business and deregulation of all kinds to move towards economic liberalization and used as a means to assert the authority of the World Bank Group within a neoliberal policy paradigm. It will be in the best interest of all to look for national policy alternatives rather than fall in line with the World Bank vision of society. It is not a matter for one more independent panel but for dismantling of the index altogether.

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Ease of Doing Business or Ease of Diluting Labour Safety?

Maju Varghese

December 25, 2017

On November 1st, 2017 India witnessed one of the largest boiler accidents in recent times. An NTPC plant originally supported by Asian Development Bank met with an accident in their newly built unit. As per reports, about 42 people died in the accident but workers believed there would be more. About 350 workers were working in the area and many of them contract workers and it is suspected that more than 150 people would have lost their lives buried under the coal ashes.

Many believe that the safety norms were bypassed which resulted in the major tragedy. A preliminary report by Delhi Solidarity Forum identified the violation of safety norms and tearing hurry shown in commissioning the plant as responsible for the tragedy.

Is this a one-off incident or are there any systemic issues behind them. India has been trying its best to improve the business climate for the last three years. World Bank along with International Finance Corporation which is the private arm of World Bank Group produces the Doing Business Report which ranks the nations based on ease of doing business.

It measures the regulations that have an impact on the business and calls for reforms to make the business easier to start, operate and exit, with no, or least costs on the operator. The International Financial Institutions like IMF and World Bank have been demanding simplification of labour market regulations and improving the business climate. The government of India has been toeing this line of International Business and Institutions.

The Department of Industrial Policy and Promotion has identified about 400 plus reforms some of them have an adverse impact on industrial safety and labour protection. The government as part of the reforms is dismantling the inspection system, which overlooked regulations to a self-certification system or third-party certification. A revamping of the laws related to labour and consolidation of all the existing laws into four labour codes are in the offing, one of which was introduced in the Parliament recently.

The Labour Ministry has notified a compliance regime based on self-certification for startups where they will be exempted from inspection from 9 labour laws in the first year and from second year onwards they are expected to give self-certification up to 3 years and there will be no external inspection until a credible and verifiable complaint of violation is filed. These measures give absolute authority to bypass labour laws and rights in the name of avoiding harassment. In liberalising labour inspection systems India has violated the ILO Labour Inspection Convention (081), which it has ratified. The convention states that the establishment should be inspected as often as possible and at any time even without prior intimation.

Liberal inspection systems and self-certification is an invitation to more disasters. The country has seen the worst of industrial disasters leaving hundreds dead in Bhopal and

continuing mainly due to side-tracking of safety measures for more and more profit. The recent disaster at Unchahar should again be an eye opener to all of us that business left to its own will not be able to deliver on its social obligations. It needs a great deal of transparency and, check and balances to deliver the social good. Ease of doing business need not be ease of diluting labour safety.

Maju Varghese works with Centre for Financial Accountability (CFA).

World Bank Reviewing Inspection Panel's Mandate

Tani Alex

November 11, 2017

A recent article on the much-acclaimed accountability mechanism of World Bank, the Inspection Panel (IP), indicates that all is not well with it and it could get its wings clipped. The discussion on the review of the Panel happened at the Bank's Spring Annual meetings in Washington during the second week of October this year.

Accordingly, the Board promptly instituted a review of Panel by the Committee on Development Effectiveness to "ascertain the boundaries of the Inspection Panel," identify potential "accountability gaps," and also address specific questions around the panel's mandate, eligibility criteria, and other issues." The news report further mentions that the review will provide guidance on whether or not panel members should play a role in monitoring, and evaluate whether bank staff are in fact implementing the management plan, which some say would create a conflict of interests.

The World Bank's Inspection Panel was the first accountability mechanism (1993) of its kind for the development finance institutions, which was established as a result of people's struggles against the Sardar Sarovar Dam Project on river Narmada. The tenacious campaign around this project led to the formation of the Morse Commission, which strongly criticized the World Bank's performance in the areas of environment and resettlement of people displaced by the construction of energy projects. Over the years, the Panel has played a major role in trying to adhere to accountability at the Bank and attempting to secure redress of grievances in some cases. Though established as an independent mechanism from the Bank management, the Panel reports the eligibility of the complaint to the Board of Directors of the Bank and do not possess strong recommendatory powers.

It would be interesting to link this with a couple of recent developments which took place after the Panel's visit to India during mid-September this year, following the registration of a complaint filed by farmers from Andhra Pradesh, stating their grievances in the development of the Bank funded Amaravati Capital City Project. This project had garnered much attention in the country owing to the massive land acquisition and

'voluntary land pooling'. The farmers alleged harm to their livelihoods, environment, and food security, along with lack of consultation and participation of affected people. Media reports from Andhra Pradesh narrated various versions of the Panel's visits.

Soon after, in the first week of October, the Bank's website published the Inspection Panel's report — which was taken down within few days — with recommendations for investigation into the grievances of the complainants against forced land pooling, coercion and intimidation, lack of sufficient public consultations, grave threat to food security and loss of fertile floodplains to establish Amaravati. The Panel concluded that there are indeed "issues of potential harm and policy non-compliance." It further observed that the people "raised issues of a serious character that can only be fully ascertained in the context of an investigation." The Panel recommended "carrying out an investigation," which "will primarily focus on the resettlement aspects of the Bank's proposed project, as well as environmental concerns, and issues related to consultation, participation and disclosure of information as they pertain to the Bank's financing, policies and procedures."

The Bank promptly responded by issuing a press statement saying that the Panel's report was inadvertently published before being reviewed by the Bank's Board of Executive Directors. All the affected groups, the communities, supportive CSOs and media are now watching Board's decision closely, which will decide on the further investigation into Bank's non-compliance with its operating policies. The independence of the Inspection Panel, the commitment of the Board on following its procedures and the influence of the Indian Government will be tested once the Panel's report is published on the Bank website again.

In October, as part of its 'Emerging Lessons Series', the Inspection Panel published its fourth report on the public consultation, participation, and disclosure of information. 106 out of the total 120 cases received by the Panel were interconnected issues on the public participation, and 30 out of 34 cases investigated by the Panel involved this area specifically. Emerging lessons series is an attempt to examine few crucial cases to highlight the lessons, which could guide Bank for the better engagement with the communities. Towards this end, the Panel previously published documents on involuntary resettlement, indigenous peoples, and environmental assessment.

Especially, now that the international climate is conducive for development banks and lenders to thrust funds in the guise of mega infrastructure financing, it is likely that the Bank would witness a large number of objections as well since it involves significant displacement of land, loss of natural resources and livelihoods. Disregard of national and state laws, violation of environmental and social safeguards and hiding of critical information to affected communities will still continue. Earlier this year, there were calls by the CSOs for greater 'independence' and 'legitimacy' of the Panel by including external stakeholders in its Panel, which could be from the academia or CSOs. Not to deviate from the point of attention here, the development banks harp regularly about strengthening their accountability, but their actions seem to weaken their mandate by limiting the role of their complaint handling mechanisms. This, in turn, reflects their undermining of the systems and responsibilities they uphold. Similarly, vested interests of the Panel should also be perceived against the backdrop of the Bank

pursuing massive private capital for public ends.

While the Bank is now considering revising the directives of its accountability mechanism, the affected communities, the CSOs and the rest of the developing world would keenly call forth to bolster the mandate of the Panel and not to weaken it. It would be interesting to wait and watch until next year.

Tani Alex works with Centre for Financial Accountability (CFA).

Debunking World Bank's Argument on Large-Scale Infrastructure Investment

Leo Saldanah

October 28, 2017

World Bank's Chief Economist Ejaz Ghani recently advocated for the large-scale infrastructure investment mentioning that Golden Quadrilateral project has given a massive boost to manufacturing activity and productivity in districts located within 10km of the network and improved allocative efficiency in India.

This fallacious argument has been promoted by the Bank world over with devastating results. But we won't hear about that in this kind of an article, which appears to be written to pave the way for massive investment in road building, and road building alone.

No one is arguing against good roads. But the idea that this kind of wide carriageways are the modes of "adequate" infrastructure presupposes that there is no other way to industrialise and develop. As a consequence, local planning agencies heavily indoctrinated by the Bank's thinking, believe (not rationalise) and promote massive expansion in highway networks. These also are lovely legacy projects for building political careers and fortunes, and the cost overruns are easily supplying tax monies And loan burdens serviced by the citizenry to advantage corrupt politics.

Across America, now China and in most countries that embraced this model, including India, cities linked by such patterns of road building have turned into suburbanised disaster zones. There was no incentive for compact and liveable cities, even when they were advanced as eminently viable options. Big is better it was proclaimed. The private vehicle, as a result, has become essential. And the consequences are disastrous, as can be experienced globally, especially around any million plus city.

What if we had thought of building industrial corridors around the thousands of Railway stations that India has, which are located near small and medium towns. These stations could easily be industrial hubs where they could receive a steady supply of labour and skills, from local towns. That way we could have energised the Development of hundreds of such small and medium towns, without disrupting permanently their organic growth prospects, and of their hinterland, that this road building does. And in that manner, we may not have had to go down this

monstrously expensive multi-lane road building mania too.

With excellent automated logistical systems already available, moving resources to, and taking produce out, from industrial hubs, through our extensive rail network, would be possible. It would not have cost us the massive disruption of existing life, and living patterns, particularly of low-cost massive livelihood creators and sustainers -farming and pastoral, which I don¹t know if the Bank considers anymore are livelihood options still. These multi-lane corridors cause a pattern of development that is unsustainable and divisive, and also contribute substantially to climate change. If only economists cared to really comprehended all the impacts, they would notice.

Evidently, this article clearly does not at all speak for, or take into account, the extensive social and environmental costs that such road technologies produce. It¹s the same old eyewash exercise the Bank has done before - of pushing infrastructure that the Bank says is right for us, and that without any transparent and critical review. It did back then with dams. Now it¹s roads.

Recall the way in which the World Bank devastated the Almatti area of Karnataka by advancing the Upper KRISHNA dam. There was no looking for alternatives, even when several were available. Dam building was dogmatism from the West. No review follows. And so one can never say they were wrong. And that same dogmatic approach is now pushed to promote road building. I shudder to imagine the disruption that such roads will cause in the North East and the Himalayan terrain, not to speak of thickly forested central India, the Western Ghats and the sensitive coastal areas.

What's next? A massive WB loan package for road building in India? Given what Jaitely has announced - Bharatmala? Last I read about the economic viability of many road projects promoted as part of the Golden Quadrilateral, most developers had folded.

If India has to have a long shot at securing its future, it's best not to swallow - hook, line and sinker, what is being dished out in such soppy articles. A Mala is used to venerate on auspicious and celebratory occasions. And it is also used to venerate someone who has passed on.

Leo Saldanha is the Coordinator of Environment Support Group (ESG), Bengaluru

Does World Bank's Country Partnership Framework Provide the Real Analysis of the Challenges India Faces?

Anuradha Munshi

September 30, 2017

The World Bank Group is in the process of formulating its first Country Partnership Framework (CPF) for India for which consultations are in process to come out with Systematic Country Diagnostic (SCD), which will provide analysis of the principal challenges facing India today. The SCD will provide the analytical base for the WBG's roadmap to determine the Group's engagement with India in the next four years (2018-2021).

Prior to this, the World Bank investments were based on Country Partnership Strategy (CPS). The last CPS for India is for the period FY2013-17. The objective of the CPS was to support poverty reduction. That goal was closely aligned with the vision for development in the 12th Five-Year Plan (FY2013-17). In the past, the five-year plans have heavily borrowed and shaped by the CPS's analysis and plans for the country.

For formulating the SCD, the WBG has scheduled a series of consultations in Delhi[, Mumbai, and Bhubaneswar with a broad range of stakeholders. In spite of claiming to bring together a wide range of stakeholders for these consultations, there was hardly any representation of all stakeholders. The already conducted Delhi consultations saw representation from policy think tanks. Mumbai consultation was exclusively for the private sector. Till now there has been no consultation with civil society organisations and grassroots organisations. The inputs, ideas, and comments received as part of these consultations will feed into the WBG's final CPF for India.

The Systematic Country Diagnostic finding till now which is based on the limited stakeholders' consultations raises some serious concerns. The findings do not echo the view some of the most important stakeholders like civil society organisations and grassroots movements and present a superficial, flawed understanding of the challenges facing India. This understanding almost feeds the private sectors narrative for development challenges in India.

The SCD suggests that India faces three principal challenges to its goal of attaining middle class, middle-income status. They are moving to a more resource-efficient growth path, accelerating inclusion by creating good jobs, building human capital and by strengthening the public sector. The SCD findings suggest that "India's agriculture uses too much water and too much land, and occupies too many people for too little output which implies it as resource intensive. It also suggests that "Land being a scarce resource - will need to be used more productively, harnessing the benefits of agglomeration in urban areas, and increasing the productivity of agriculture in rural areas where poverty is often concentrated." This analysis ignores the problems of current development model and emphasises agriculture being resource intensive. It rules out the role resource-

intensive industries. A resource efficient growth path is necessary, but in a predominantly agricultural country analysing agricultural sector as resource intensive and occupying too many people is inherently flawed.

The SCD findings again fall into the trap of envisioning deregulation as a way forward for Indian firms to grow to medium and large scale. It sums that reforms will be needed across four broadly connected policy areas – addressing obstacles in the major factor markets (land and labour); easing access to domestic and global markets; increasing the availability of finance, and creating a skilled workforce that can provide the backbone for productive modern industries. Issues of protection of local markets, small and medium scale industries, self-employed and protectionism for local industry have completely been side-lined in the findings which essentially form the backbone of the Indian economy. Finally, the SCD finding emphasised strengthening the public sector. But, this is looked at primarily from the narrow perspective of efficiency and effectiveness. It also states that the public sector must be adequately resourced and 'right-sized'. The sector being right-sized is a very ambiguous and uncertain finding.

The SCD findings process at this point of time hardly looks an inclusive process with very little presence of broad stakeholders. It is not a surprise then that, the findings till now are hardly reflective of the current challenges facing India today. If this remains the narrative for CPF, this could have grave consequences for our national planning and policies.

Anuradha Munshi works with Centre for Financial Accountability (CFA).

India Paid Over 600 Crores between 2009-2015 to the IFIs for Not Using Their Loans

Maju Varghese

August 04, 2017

Every year, India pays an enormous amount of money as commitment charges to the multilateral institutions for not utilising the loans sanctioned by them. Investopedia defines commitment charges as the fee charged by the lender to a borrower for an unused or un-disbursed loan since it has set aside the funds for the borrower and cannot yet charge interest.

According to the CAG, between 2009-2015 India paid commitment charges up to 602 crores to the external lenders. In 2014-15 itself, India was holding Rs. 2,10,099 crores of unutilised funds thus inviting a commitment charge of Rs. 110 crores. Finance Ministry had found that between 1991 and 2009, the government had paid approximately Rs 1,400 crores as the commitment charges for loans not utilised.

The commitment charges are coupled with interest while reporting by the ministry of finance which makes it difficult to understand the charges paid to different agencies in a fiscal year. The CAG observed that putting commitment charges under the head "interest obligation" is misleading as it does not reflect the nature of expenses.

Arun Jaitley, the Indian Finance Minister, has been raising the issue of commitment charges. In the 94th development committee of the World Bank, he raised the issue of commitment charges which is highest among multilateral development Banks and demanded its withdrawal. This was again repeated when the demand when the CEO of World Bank visited the country and met the Finance Minister. India is among the countries which are graduating from a low-income country to lower middle-income country resulting in loss of concessional finance from IDA loans.

World Bank charges a commitment charge of 0.25 per cent per annum on un-disbursed loans even if they are committed to be drawn in subsequent years. This is in addition to a front-end fee, a fee paid by the borrower to the lender before the loan offtakes, of 0.25 per cent on loan agreement amount (applicable on current loans). These commitment charges begin accruing 60 days after the loan agreement is signed. Despite resistance from the countries, the World Bank has stated that it will not be able to remove commitment charges due to its cost recovery guidelines.

According to the CAG, India had a total outstanding debt of 51,04,675 crores as on March 31, 2015. This increased to around 57,021,582 crores on August 15, 2016, which means a per capita debt of Rs 44,032. This comes to around 41 per cent of the GDP. To service this massive debt, India pays about 36,318 crores as interest payment every year. CAG further reports that in 2014-15, 77 per cent of the long-term internal borrowings and 73 per cent of the external borrowings were utilised for debt servicing, implying that a larger percentage of debt was being used for paying the existing debts. This, in turn, meant the lower percentage of debt was available for meeting developmental expenditure to promote growth.

Swachh Bharat and Commitment Charges

The World Bank had approved a US$1.5 billion loan for Swachh Bharat Mission-Gramin (SBM-G), Modi government's much-hyped flag-ship campaign on Sanitation to support the government's efforts to ensure all citizens in rural areas have access to improved sanitation. The loan sanctioned in 2015 is the Bank's biggest lending in the social sector.

The mission has provision for incentivizing states on their performance in the Swachh Bharat Mission. The performance of the States will be gauged through an independent survey based measurement of certain performance indicators, called the Disbursement-Linked Indicators (DLIs). However, due to lack of independent verification of results, India missed the first disbursement of the loan. According to the media reports, India is likely to miss the second tranche too. Despite not receiving a single paisa, India has paid the commitment charge, interest, and front-end fees of USD 15.40 million so far.

The payment of commitment charges to the multilateral agencies because of governmental inability to plan and implement shows a lack of seriousness in using public money. CAG has mapped and pointed out the inefficiency of governments in utilising funds. The money that we pay as fine and commitment charges

are a waste of public resources as pointed out by CAG in the reports from time to time. The proposal to set up a public debt and management agency for proper planning of external debt is still pending in spite of various statements by the finance minister.

Multiple CAG reports on debt need to be taken on a priority basis, and an oversight mechanism should be created within the parliament of India through a standing committee to look into external debt and also its investments abroad and making it transparent and accountable to the citizens of the country.

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Budgeting for Losses – NPAs, Recapitalisation and Budgetary Allocations

Nishank

February 09, 2018

Recapitalization or capital infusion of Public Sector Banks from budgetary allocations has been making news for the past few years on a regular basis. In August 2015, the government under its Indradhanush framework announced that Public Sector Banks would be provided Rs 70,000 crores from budgetary allocations spread over four years between FY 2015-16 and FY 2018-19.[1] By December 2017, Finance Ministry intimated that they had so far infused Rs 51,858 crores in Public Sector Banks under the Indradhanush plan[2]. The step towards recapitalization has been taken basically to bail-out the banks from the NPA crisis, where most of the Public Sector Banks have been unable to keep a check on it, along with ensuring that Public Sector Banks adequately meet the Basel III norms by March 2019. With stressing further the need of recapitalization, the government came up with a mega-plan of recapitalization of Public Sector Banks in October last year, which sent the stock markets soaring.[3] The government had announced a recapitalization plan of Rs 2.11 lakh crores where it would infuse Rs 18,000 crores from the budget, Rs 58,000 crores would be raised by the banks by selling shares and Rs 1.35 lakh crores would be raised through Recapitalization Bonds. Even though the government is coming up with different instruments for implementing its recapitalization plan, the matter of concern is that public money is being used to meet these ends. Even the interest payments for the Recapitalization Bonds would have to be paid through budgetary allocations. Taking the step forward in implementing its plan, the government announced on January 24 this year that government would infuse Rs 88,139 crores in Public Sector Banks where Rs 8,139 crores would be direct infusion from budgetary allocations and Rs 88,000 from Recapitalization Bonds.[4]

While this may sound like a much-needed step from the government towards providing some relief to the ailing Public Sector Banks deeply saddled by the NPA crisis, the citizens should ask the question as why the government is not prioritizing improving the recovery of NPAs than resorting

to recapitalization from budgetary allocations adding further strain on the fiscal deficit. While a slew of measures had been announced over the last couple of years to address the NPA woes of Public Sector Banks, but no concrete steps have been taken to recover the loans from the defaulters. With the government being the promoter of Public Sector Banks, the onus lies on the government to take firm actions for addressing any crisis faced by these banks. However, the responsibility of the government should not kick-in only at the time of the crisis, but a larger question looms that whether there is enough monitoring of Public Sector Banks by the government and the RBI, especially in cases of loans extended to corporate accounts. There have also been various instances of political interference in extending loans favouring the corporate borrowers. According to RBI, by end of September 2017, NPAs of Public Sector Banks had reached a mammoth figure of Rs 7.34 lakh crores and 77 percent of these NPAs belong to corporate accounts.[5] The NPA figures of Rs 7.34 lakh crores should be seen in the context of our budgetary spending on key social sectors such as education and health. Given below is a glimpse of Union Government's budgetary allocation to some of the key sectors for 2018-19, which can be compared with the Gross NPA figures:

Key Sectors	**Budgetary Allocation**
Education	~~ Rs 85,000 crores
Health	~~ Rs 54,600 crores
NREGA	~~ Rs 55,000 crores
Women and Child Development	~~ Rs 24,700 crores
Agriculture and Farmers Welfare	~~ Rs 57,600 crores
Rural Development	~~ Rs 1,15,00 crores
Allocations under Tribal Sub Plan	~~ Rs 39,100 crores
Allocations under Scheduled Castes Sub Plan	~~ Rs 56,600 crores

(Source: Union Budget Full Speech 2018-19 - http://www.indiabudget.gov.in/ub2018-19/bs/bs.pdf)

Even though the government, the RBI and the banks have blamed the external economic conditions as one of the key reasons for the humongous rise in the NPAs of Indian banks, the scrutiny on the day-to-day functioning of the banks goes unnoticed. Banks are custodians of depositors' money and they carry huge responsibilities in taking financially sound decisions while extending the loans to their borrowers. Doling out easy loans to companies with poor balance sheets and then blaming the external economic condition as the guise for lack of due diligence does not sound like responsible banking. If the bankers at Public Sector Banks admit that they are bowing under the pressure of cronyism to extend loans under the pressure from the government then it is a serious case of moral hazard. On the other hand, if banks claim that they are exercising absolute due diligence before

extending the loans to the corporates and despite that, the loans are turning into NPAs, then this raises stark questions on the ability of the bankers to safeguard the depositors' hard-earned money.

One is not arguing that government should not pitch in for rescuing the banks when they are hit by a crisis. It is government's duty to do that, especially as healthy functioning of Public Sector Banks is crucial for the stability of Indian economy, which showed its resilience during the 2008 global economic recession. However, as the old saying goes that prevention is better than cure and government should also find ways to stem the NPA crisis from its origin, i.e. addressing the poor lending practices of the banks. This should be clubbed with the government showing the political will to recover loans and taking punitive actions against the defaulters. A frequent use of the bank recapitalization tool sends the signal to the borrowers that they have a free hand in taking huge value loans from the Public Sector Banks and that later on, they can default on their loans without any severe penalties.

In order to reduce the need for recapitalization, in the long run, Public Sector Banks should be strengthened. The need of the hour is to bring transparency policies in the functioning of the Public Sector Banks, especially as they are public institutions. There should be Due Diligence and Social & Environmental Safeguards policies in place, which the public can use to monitor the large-scale lending by Public Sector Banks in high-risk sectors. A large number of NPAs of corporate accounts have arisen primarily because lending by Public Sector Banks has escaped any scrutiny of the public. Moreover, there should be clearly defined accountability to fix responsibilities of bank officials if their poor decision-making leads to large-scale NPAs. The decision-making of Public Sector banks should also be free from any political interference in lending to corporations having close ties with the regime in power. Privatizing the banks cannot be a panacea for addressing the NPA crisis or obviating the need for recapitalization. Privatizing the Public Sector Banks is something which India economy cannot afford as still a large section of the population is under-banked and financially excluded, especially in rural areas. The budgetary allocations made for recapitalization comes from the taxpayers' money, which should instead be used for strengthening our spending on the social sector such as education, healthcare or rural employment. If the government takes some of the steps suggested above then the need for recapitalization would be lessened and we would have more robust Public Sector Banks.

[1] For Some Years, Banks Are Facing Challenging Time But No Cause Of Panic – Press Information Bureau – August 14, 2015 -
http://pib.nic.in/newsite/PrintRelease.aspx?relid=126074
[2] Nearly Rs. 52,000 crore capital infused in PSBs under Indra Dhanush plan - Press Information Bureau – December 20, 2017 -
http://pib.nic.in/newsite/PrintRelease.aspx?relid=174573
[3] - Govt announces mega Rs 2.11 lakh crore bank recapitalisation and Rs 7 lakh crore road plan - The Economic Times - October 25, 2017 -
https://economictimes.indiatimes.com/industry/banking/finance/modi-govt-announces-mega-rs-2-lakh-11-thousand-crore-bank-recapitalisation-and-rs-7-lakh-crore-road-plan/articleshow/61202075.cms

[4] - Govt kicks off banking reforms, to infuse Rs88,000 crore in PSU banks by March - Livemint - January 24, 2018 - http://www.livemint.com/Industry/3HbxxnbDhmB4P1g83OBXII/Govt-to-infuse-over-Rs8800-crore-in-20-PSU-banks-as-part-of.html
[5] Lok Sabha Unstarred Question No: 1291, Answered on: 22.12.2017 - http://164.100.47.194/Loksabha/Questions/QResult15.aspx?qref=59322&lsno=16

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कोयला सेक्टर में भारतीय बैंकों का कर्ज

राजेश कुमार

जनवरी 13, 2018

भारत दुनिया का तीसरा सबसे अधिक ग्रीनहाउस गैंस उत्सर्जक है। इसलिये भारत के लिये और भी महत्वपूर्ण हो जाता है कि वह जलवायु परिवर्तन के मुद्दो संबोधित करने मे महत्वपूर्ण भूमिका निभानी चाहिए। हालाकि जलवायु परिवर्तन के पेरिस समझौते पर संयुक्त राष्ट्र फ्रेमवर्क कनवेन्शन मे भारत ने एक पार्टी तौर पर जलवायु परिवर्तन के प्रभावों को कम करने हेतु आपनी एक सार्वजनिक घोषणा प्रस्तुत की। इसी दौरान भारत ने आपनी राष्ट्रीय स्तर पर निर्धारण योगदान मे अपनी कुल बिजली उत्पादन का 40 प्रतिशत तक ऊर्जा के नवीनीकरण संसाधनो से 2030 तक उत्पादन की प्रतिज्ञा ली है।

लेकिन, बैंकट्रेक की रिर्पोट बैंक बनाम पेरिस समझौते के आकडें ठीक उसके उलट ही परिदृश्य बता रहे हैं। पूरी दुनिया की 120 कोयला प्लाटं बनाने या उसको मदद करने वाली कम्पनियो की 1600 नई पावर यूनिट्स बनाने की योजना है। भारत मे 2,12,562 मेगावाट परिचालन मे है और 1,74,773 मेगावाट का विस्तार हो रहा या होना है। विद्युत् उत्पादन करने में भारत की महारत्न कम्पनी नेशलन थर्मल पावर कार्पोरेशन (एनटीपीसी) 38,000 मेगावाट क्षमता का उत्पादन भारत और बांग्लादेश मे करने जा रही है। इससे यह स्पष्ट होता है कि भारत भले ही नवीनीकरण मे 40 प्रतिशत तक अपनी क्षमता बढाने की बात कर रहा हो लेकिन तापविधुत परियोजना क्षमता के निमार्ण में कोई असर नही पडेगा।

बैंकट्रेक की रिर्पोट के अनुसार, पूरी दुनिया के व्यवसायिक बैंकों ने जनवरी 2014 से सितंबर 2017 के बीच लगभग 600 बिलीयन डॉलर (डॉलर का मूल्य 11 जनवरी 2018 के अनुसार) का लोन व बॉण्ड या अडरराइटिगं के माध्यम से दिया या एकत्रित कर इन्ही 120 कम्पनियो को कर्ज के रूप मे दिया है।रिर्पोट का कहना है कि इसका आधा कर्ज, लगभग 275 बिलीयन डालर, पेरिस समझौते के बाद से ही कम्पनियो को दिया गया है। कुल वित्त का 82 प्रतिशत इन कोयला आधारित परियोजनाओ को बॉण्ड और शेयर के माध्यम से दिया जा रहा हैं। शेष 18 प्रतिशत मे से 5 प्रतिशत परियोजना फाइनेंस और 13 प्रतिशत कार्पोरेट फाइनेंस के माध्यम से आ रहा है।

इन कम्पनियो को जनवरी 2014 से सितंबर 2017 के बीच जो वित्त मिला उसका 60 प्रतिशत चीनी बैकों से आ रहा है। दुसरे नम्बर पर जापान के बैंक जो कुल वित्त का 8 प्रतिशत इन कम्पनियो को दे रही है।

तीसरे नम्बर पर भारतीय बैंक है, जिन्होने कुल वित्त का 7 प्रतिशत इन कोयला आधारित कम्पनियो पर लगाया हुआ है।

कम्पनी को मिला कर्ज या वित्त (आकडें मिलीयन डालर में)

कम्पनी	**लोन**	**बॉण्ड या शेयर**
अडानी पावर	4,852	2,362
बीएसपीएचसीएल	0	132
एस्सार एनर्जी	1,737	0
जेएसपीएल	1,685	180
जेएसडब्ल्यू	1,010	466
लंको इन्फ्रा	2,218	0
एनएलसी इंडिया	213	0
एनटीपीसी	3,219	9,239
पीएफसी	1,146	24,550
आरआरवीएनएल	0	48
टेनजेडको	0	592
टाटा पावर	3,963	1,835
आएलएफएस	26	0
कुल	**20,069**	**39,404**

तापविधुत परियोजनाओ का निमार्ण करने वाली दस भारतीय कंपनियां जिनमें एनटीपीसी, पावर फाइनेंस कार्पोरेशन, एस्सार, जिन्दल पावर, जेएसडब्ल्यू, लंको इन्फ्रा, एनएलसी इडिया, तमिलनाडु जनरेशन और वितरण कार्पोरेशन, टाटा पावर, एवं अडानी पावर शामिल है। जनवरी 2014 और सितंबर 2017 के बीच, कुल वित्त का 9 प्रतिशत, लगभग 3,79,056.724 करोड रूपये, भारत की दस कम्पनियो को भारतीय और विदेशी बैंकों से लोन व बॉण्ड के माध्यम से मिला है। भारतीय कोयला आधारित कम्पनियों मे कुल कर्ज का सर्वाधिक 43 प्रतिशत पावर फाइनेंस कापोरेशन को गया है, दुसरे नम्बर पर एनटीपीसी है जिसे 21 प्रतिशत प्राप्त हुआ। ये दोनो ही संस्थायें केंद्र सरकार के आधीन है जिन्हे कुल कर्ज का 63 प्रतिशत मिला है। इससे स्पष्ट होता है कि सरकार भले ही अक्षय बिजली की क्षमता बढा रही हो लेकिन कोयला–आधारित विद्युत् की क्षमता घटेगी नही। उसी प्रकार, केद्र के नक्शे कदम पर अडानी पावर और टाटा पावर भी चल रहे है। अडानी कर्ज लेनें मे तीसरे नम्बर पर है जिन्हे कुल कर्ज का 12 प्रतिशत मिला है, और चौथे नम्बर पर टाटा पावर है जिसे लगभग 10 प्रतिशत कुल कर्ज का लोन और बॉण्ड के माध्यम से मिला है। इन चारों ही कंपनियों ने कुल वित्त या कर्ज का 86 प्रतिशत लोन और बॉण्ड के माध्यम से लिया है।

सार्वजनिक बैंकों का कर्ज जनवरी 2014 से सितम्बर 2017 के बीच (आकडें मिलीयन डालर में)

बैंक	परियोजनाओ की संख्या	लोन	बॉण्ड या शेयर
इलाहबाद बैंक	5	382	
आन्ध्रा बैंक	2	134	
बैंक आफ बडोदा	3	147	
बैंक आफ इडिया	3	175	
बैंक आफ महाराष्ट्रा	4	190	
केनरा बैंक	3	333	
कपोरेशन बैंक	5	224	
देना बैंक	2	150	
आईडीबीआई	2	460	
आईडीएफसी	4	1,153	1,137
इडियन बैंक	2	0	49
इडियन ओवरसीज बैंक	3	105	
कर्नाटका बैंक	1	8	
जे एण्ड के बैंक	3	209	
भारतीय जीवन बीमा निगम	2	138	
पजाब एण्ड सिधं बैंक	2	148	
पजाब नेशनल बैंक	6	592	
भारतीय स्टेट बैंक	9	7,231	2,627
सिंडीकेट बैंक	4	397	
यूको बैंक	2	144	
यूनियन बैंक आफ इडिया	5	228	
यूनाइटेड बैंक आफ इडिया	2	59	
विजया बैंक	2	110	

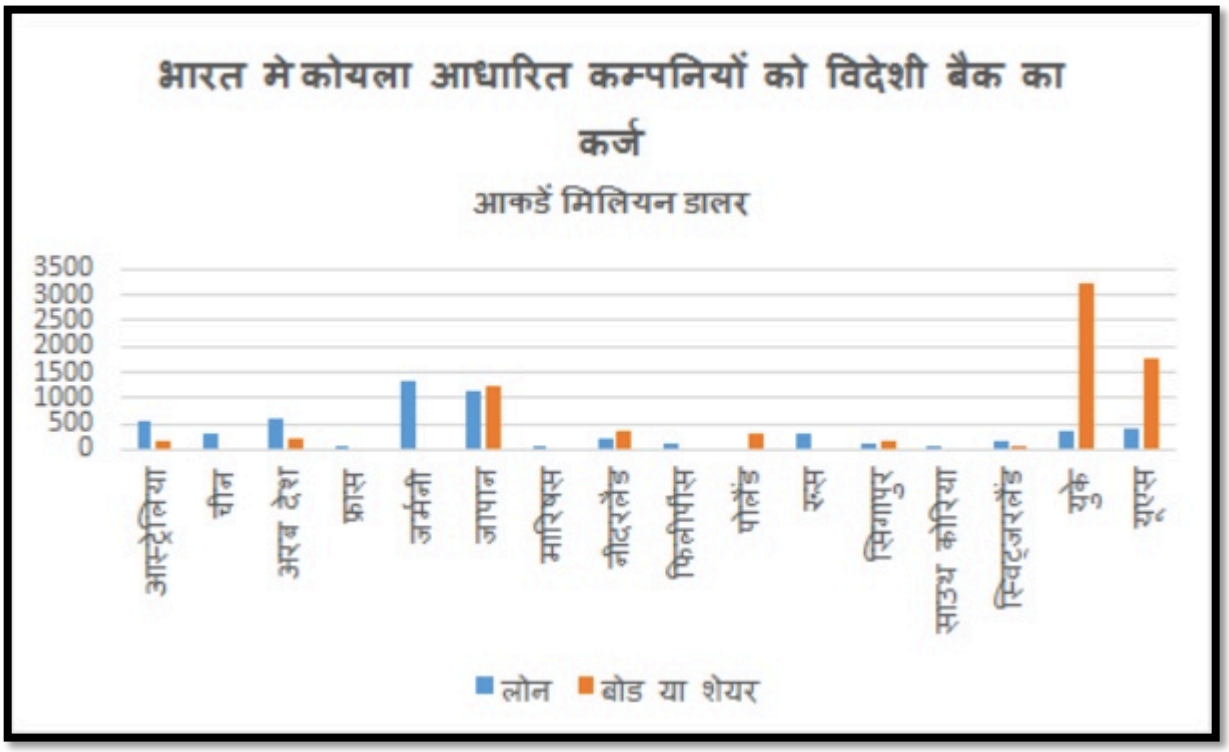
भारत के 23 सार्वजनिक बैंकों ने 80,860 करोड रूपये लोन और 24,302.10 करोड रूपये बॉण्ड और शेयर के माध्यम से कोयला–आधारित कंपनियों को दिये है। इसमें भारतीय स्टेट बैंक ने 40,086.67 करोड रूपये लोन और 16,743.14 करोड रूपये बॉण्ड एवं शेयर के माध्यम से दिये है।

दुसरी ओर, केवल 8 निजी बैकों के साथ अन्य फाइनेंसिंग कम्पनियों ने 1,70,548.11 करोड रूपये इन कंपनियों को बॉण्ड ओर शेयर के माध्यम से दिये है। जबकि लोन के रूप मे केवल 19,145.95 करोड रूपये लगाया है। आईसीआईसीआई बैक ने सबसे अधिक 41,440 करोड रूपये कोयला–आधारित कम्पनियो पर लगाया है।

उपरोक्त दोनो चार्ट से यह भी स्पष्ट हो रहा है कि सार्वजनिक बैंक अधिकतर वित्त लोन के रूप मे ही कर्ज या वित्त दे रहीं है, जबकि निजी बैंक पूंजी अधिकतर बॉण्ड या शेयर मे लगा रही है।

निजी बैंकों का कर्ज जनवरी 2014 से सितम्बर 2017 के बीच (आकडें मिलीयन डालर में)

बैंक	परियोजनाओ की संख्या	लोन	बॉण्ड या शेयर
यस बैंक	4	0	2,284
तमिलनाड मर्केंटाइल बैंक	2	93	0
साउथ इडियन बैंक	2	38	0
रत्नाकर बैंक	1	0	22
कोटेक महीन्द्रा बैंक	3	0	1,731
आईसीआईसीआई बैंक	9	1,264	5,238
एचडीएफसी बैंक	7	721	2,440
एक्सिस बैंक	8	759	3,883
अन्य फाइनेंस कम्पनियो	7	129	11,161



भारतीय कोयला–आधारित कंपनियों को इसी अवधि (जनवरी 2014 से सितंबर 2017) के दौरान 16 अन्य देशो के व्यवसायिक बैंकों ने भी लगभग 84,206.497 करोड रूपये का ऋण दिया है। इसमे भी यह स्पष्ट होता है कि कोयला–आधारित परियोजनाओं मे गैर–सार्वजनिक बैंक अधिकतम बॉण्ड और शेयर के रूप मे बैकें पैसा लगा रही है। ब्रिटैन, अमेरिका, जर्मनी और जापान ने कुल विदेशी बैकों के कर्ज या वित्त का 72 प्रतिशत कोयला–आधारित कम्पनियों को बॉण्ड और लोन के माध्यम से दिया है।

उपरोक्त सभी आकडें आखें खोलने वाले है। एक ओर, सरकार बैंकों को गैर–निष्पादित परिसंपत्ति अर्थात नॉन परफॉर्मिंग एसेट (एनपीए) के संकट से उभारने के लिये बाजार से पूजी एकत्र कर बैकों मे पूजी लगाने की बात कर रही है वहीँ दुसरी ओर इन परियोजनाओं मे बैंकों का निवेश आसमान छू रहा है। इस स्थिति का कारण अधिकाँश कंपनियों का कर्ज न चुका पाना है जिसके चलते यह कर्ज एनपीए के रूप में उभर रहा है। यह एनपीए आज बढकर चालू वित्त वर्ष की दूसरी तिमाही के अंत तक 7.34 लाख करोड़ रुपये तक पहुंच गया है।

भारतीय स्टेट बैंक, जिसका एनपीए 1.86 लाख करोड़ रुपये है, उसने 56,000 करोड रुपये से भी अधिक इन कम्पनियों मे जनवरी 2014 से सितंबर 2017 के बीच लोन, बॉण्ड, व शेयर के रूप मे लगा दिए हैं। देश की निजी बैंके भी इससे पिछें नही है देश सबसे बडी निजी आईसीआईसीआई बैंक जिसका एनपीए निजी बैको के कुल एनपीए का लगभग 44,237 करोंड रूपयें है वह भी उसी अवधी के दौरान 41,440 करोड लगभग जितना पहले दिये हुये कर्ज का एनपीए है उसका लगभग 90 प्रतिशत ओर कोयला बिजली कम्पनियों को लोन और बोडं या शेयर के रूप में कर्ज दिया है।

बैंक रोज नई नीतियां बना रहें है, जिसके सीधा असर आम लोगो पर हो रहा है। यह एक विरोधाभास को जन्म दे रहा है। एक ओर बैंक लोगों से बैंक द्वारा निर्धारित न्यूनतम मासिक राशि ना रख पाने के कारण जूर्माना वसूल रहा है, वहीँ दूसरी ओर कार्पोरेटस को दिये गये हजारों करोड़ के कर्ज को वो वसूल नही कर पा रहे हैं। और तो और, उनको कर्ज ना चुका पाने के चलते करोडों रुपयों की छूट और कर्ज देने की समयावधी को बढ़ाया जा रहा है। वित्त मंत्रालय ने भी कहा है की इसमें करीब 77 प्रतिशत हिस्सेदारी शीर्ष औद्योगिक घरानों के पास फंसे कर्ज का है। एक तरह से नोटबंदी और एनपीए के चलते बैंकों की आमदनी में भारी गिरावट आई है जिसकी भरपाई वे अब उन गरीब लोगों से वसूल कर पूरी कर रही है जिनकी आमदनी भी इतनी नही है कि वे बैंक मे न्यूनतम राशि रख पाये। पिछले चार सालों मे भारतीय बैंकों के कोयला कम्पनियों को दिये गये कर्ज के उपरोक्त आकडें दशार्ते है कि सरकार और बैंक जलवायु परिर्वतन और जनमानस के प्रति कितने चितिंत है।

राजेश कुमार सेण्टर फॉर फाइनन्शियल एकाउंटेबिलिटी (सीएफए) के साथ काम करते है

Is Universal Basic Income the Next 'Big Surprise'?

Madhavi Bansal

November 19, 2017

In the times of big surprises in the economic and political decisions of the country, is Universal Basic Income (UBI) the next big surprise? A series of statements by key policymakers of late seem to be indicating that.

In the Economic Survey 2016-17, the Chief Economic Advisor (CEA) Arvind

Subramanian has put forward his version of a minimum universal basic income (UBI) for India, introducing UBI as an idea whose time has come to start contemplation on, if not for implementation. However, as Jean Dreze has said, UBI is not suitable for India, and especially in the form envisioned in the Economic Survey.

Discussions amongst the economists on the UBI started some years back, and with the publication of Economic Survey, it has only gathered fire. However, there is less discussion about it in public.

What is Universal Basic Income?

Universal Basic Income (UBI) is an unconditional minimum cash transfer. It is universal in the sense that it will be paid to all citizens, irrespective of their class, caste, gender, age or any other distinction; and it is unconditional because the beneficiaries are free to invest the money on anything, unlike other welfare schemes like the National Food Security Act, 2013 which is restricted to food. Its basic components are universality, unconditionality and agency (people are free to choose). It is fixed in a manner such that neither is it so high to disincentivise work nor is it so low to not be enough for basic survival.

UBI can be broadly seen as having two thematic models (there are sub-models for UBI within the below mentioned basic themes. However, for now, we will restrict ourselves only to two broad themes:

- Thematic Model A- wherein UBI will be introduced in addition to existing welfare schemes
- Thematic Model B- wherein UBI will be introduced in lieu of existing welfare schemes

Why is Universal Basic Income not a great idea?

The UBI, as envisaged in the Economic Survey, will be provided by scraping off the existing subsidies. This will mean that a small sum of money will be provided as a replacement of existing social security schemes like Mid Day Meal, Sarva Siksha Abhiyan, MNREGA, etc. While the success of the pilot conducted by SEWA in Madhya Pradesh is used as an argument for people wanting UBI, another experiment[1] conducted by Reetika Khera, in 2011, found out that two-third of respondents in rural areas preferred in-kind transfer of food as compared to cash. We discuss the demerits of UBI.

1. India is a welfare state, which means that it is responsible for ensuring the social and economic well being of its citizens. With the aim of fulfilling this responsibility, a multitude of welfare schemes has been launched. If these schemes are rolled back, and only a small sum of money is provided as a replacement, then it is called cash transfer and not welfare. This will amount to India withdrawing from its responsibility of providing welfare to its citizens.
2. All the existing welfare schemes do not have a direct objective of poverty reduction. For instance, Public Distribution System is aimed at reducing the market uncertainties for farmers and providing low-priced food to those who otherwise cannot afford it. On the other hand, markets are aimed at making profits, not ensure nutrition. Leaving everything at the mercy of the markets will make everything profit driven.

3. There is no guarantee that the money will be spent on the welfare increasing activities. It was found that women workers in India, for their MNREGA work, preferred at least the part of the payment in food rather than cash because otherwise the money is usually spent on male priorities.[2]
4. One argument in favour of UBI is that the existing services are facing targeting (inclusion and exclusion problems) issues, and UBI being universal in nature, will remove these issues. However, according to the Economic Survey, UBI will not be provided to everyone. It will be provided to only 75% of the population based on some exclusion criteria. This means that UBI also has some sort of targeting. Then how are we avoiding targeting issues by providing UBI? The same issues regarding targeting will come up here as well. The argument for UBI because of its better targeting doesn't hold any ground. In such a situation, the solution is not to scrape off the entire welfare system, but to improve targeting. The economic survey 2016-17 itself admits that the targeting is improving now. If it is already improving, then it can be further enhanced as well.
5. One trend is that parents prefer private schools over government schools because of the better quality of education. The solution to this problem would not be to give cash transfers but to improve the schooling system. Moreover, by arguing that UBI will be an improvement over the current system, the government is, in fact, acknowledging that the existing system is not functioning properly.
6. UBI cannot be seen in isolation. It is connected to the whole idea of cashless economy, demonetisation, JAM (Jan Dhan, Aadhar and mobile), etc. People are being forced to link to the banking system. Subsidies are now directly transferred into bank accounts linked with Aadhar. Even though the UBI has not been implemented, a fertile ground is being set up.

Neither feasible nor desirable, a Universal Basic Income (UBI) will only increase the inequalities in the country. Its desirability might lie in addition to the existing social security network but definitely not as a substitute for the same. Moreover, if seen from feasibility perspective, when India has so many pressing needs concerning food security, healthcare, education, etc., it is not prudent to syphon off the money to provide UBI, which can instead be used for the former. The need of the hour is to strengthen our social security network of public distribution system, government schools and colleges, healthcare, public transport, and the like, and overcome inequality of opportunity.

If we look at the larger picture, UBI along with cash transfer is a systematic way in which government is replacing welfare with cash. Cash transfer and UBI are parts of the pie. Once the cash is introduced, the beneficiaries can purchase goods and services from the open market, which they could earlier only get from government shops. This is a perfect way in which the state is receding from providing goods and services and leaving everything to the mercy of capitalistic markets. Where is welfare in this? Can we, in all good faith, leave it to market to ensure that children don't suffer from malnutrition or everyone has access to basic healthcare? When we leave everything on markets, we forget that markets are not aimed at providing welfare; they only

exist to make profits. Today its UBI, tomorrow the government will come out with a new idea of abdicating from its responsibility.

Projection of UBI as a solution to all the poverty-related problems implies that the government is acknowledging that it has failed to and will fail to ensure that everyone has access to and affordability of essential services such as food, education and health.

(Excerpts from an upcoming publication on UBI)

[1] Khera, Reetika. "Cash vs In-Kind Transfers: Indian Data Meets theory." *Working Paper Number 325*. IEG, 2013.

[2] Ghosh, Jayati. "A universal basic income in India?" *Frontline*, 17 02 2017.

Madhavi Bansal was formerly with Centre for Financial Accountability.

The Panama and Paradise Papers Exposes the Elites

Leo Saldanha

November 11, 2017

In a paper that Desmond Fernandes and I wrote in the late 1990s, entitled "*Deep Politics, Liberalisation and Corruption: The Mangalore Power Company Controversy*"*[i]*, a paper that exhaustively discussed implications to India due to liberalisation, privatisation and globalisation of the economy, we presented the then government's claim of what such policies would result in, as follows:

"In the early 1990s, the Indian government committed itself to a World Bank-International Monetary Fund (IMF) inspired economic liberalisation programme as part of its New Economic Policy (NEP) ...(and) suggested that this programme would usher in a new era of sustainable economic growth, efficiency, public accountability, transparency and an open, democratic and less corrupt governance. Through a process of privatisation, Trans-National Corporations (TNCs) and Independent Power Producers (IPPs) were to be actively approached and invited to present a lead in instilling model ethical codes of conduct in various sectors of the economy, including that of power generation, transmission and distribution (T&D)."

By the end of the 1990s, we had already encountered massive corruption in the privatisation of power sector. This was most spectacularly revealed in the scandals involving two US power corporations: Enron's Dabhol Power Corporation case exposed by the Prayas group*[ii]* and Abhay Mehta (who also wrote the splendid book "Power Play"*[iii]*) and the Cogentrix Inc. promoted Mangalore Power Company project exposed by Environment Support Group, Arun Agarwal*[iv]*, and others. Both projects were successfully fought on a variety of

grounds – social, environmental and economic injustices, and also in exposing massive fraud and corruption systemic to such mega projects. While the Dabhol project was built, but the Enron controversy did not allow the project to function, it resulted eventually in contributing to the comprehensive collapse of the giant Enron Corporation in the USA and put several of its tops bosses and Chairman too in jail. The Cogentrix power plant was never initiated and was eventually abandoned.

These struggles in exposing corruption and fraud succeeded because of systematic and dedicated research and campaigns led by researchers, backed by small independent groups and the work of impacted communities. In the end, justice got a chance. Many lessons had to be drawn from these experiences, which left to governments would have been deliberately ignored. As were then the efforts by the then Deputy Chairman of Planning Commission, Montek Singh Ahluwalia, who "fast-tracked" power sector reforms - involving financialisation of public sector assets, unbundling, and eventually farming out many mega contracts to various foreign corporations - on the claim that they were all going to bring to India extraordinary levels of transparency and accountability, and efficiency. By implication, our public sector was corrupt, and by privatising our public assets, corruption would go away. The Paradise Papers released recently by the International Consortium of Investigative Journalists*[v]*, as with the Panama Papers they released last year, have a very different narrative and story to tell. And we must pay very careful attention to what has been revealed.

When challenged to prove assumptions about the efficacy of neo-liberal economic reforms, its become normative for the political set up to respond with rhetoric. Governments and the Private sector pushing such controversial reforms, rarely tackled by the media and academia, pass off such 'reforms' by posturing – rarely transparency and empirical evidence. The dominant narrative of the times when these reforms were pushed in India was that the "Hindu rate of growth" had not built India enough. And in an age of globalisation, one needs to integrate national economies with that of the world, as that would create jobs and productivity. As a result, any major transnational corporation CEO or Chairman coming was thrown the red carpet welcome, and there often was the entourage that accommodated this: the Ambassador, Commerce Minister or Head of State would all provide assurances of the grandness of the benefits of such investment. Based on such assurances, deals were struck, agreements rushed, and projects cleared into execution keeping even Legislatures and Parliament in the dark. If any information about the deep and extensive implications of such mega investments came to be revealed, and there were dozens of such investments made in the 1990s and 2000s in India, it is largely because of the uncovering done by ground level action, and which was done with great difficulty and risks.

When an academician like V. Ranganathan, then a Professor of Economics at Indian Institute of Management, Bangalore spoke out against the Cogentrix deal, including by writing various articles, and argued that the project (which was a model apparently) was fraught with systematising massive corruption and inefficiency, there were a rash of aggressive responses from the corporate sector and senior leaders of the Government – both State and Centre. When he continued to write, his institute asked him to back down. Then when he attacked with a massive defamation case, his Institute should have

stood by him but did not. Ranganathan stopped writing. At about the same time, Arun Agarwal, an ex-banker, exposed the massive scale of the corruption hidden in the Cogentrix deal, including how clear channels had been created to syphon the extortion levels of profits into tax havens, such as the British Virgin Islands, and that by an Agreement with the state. If such revelations had not come out, for every bureaucrat and politician who knew of this fraud chose to remain silent, it could potentially have derailed not just the project, but destroyed Karnataka's economic base – for so extensive was the loot that was built into the contract.

In subsequent decades we have had a fantastic surge and range of such scams: in telecom, mining, water privatisation, road building, Special Economic Zones, industrialisation, education, medical tourism, power sector, port development, purchase of aeroplanes; you name the sector and you can find a mega scam. What's interesting is that there is a pattern: the more mega a project, say like the POSCO steel and Vedanta alumina proposals in Odisha, the more massive the loot. None of the resources extracted are meant to benefit India. And Chief Ministers and Prime Ministers too will jostle with each other to claim such projects are great for India. The Janardhan Reddy's who stack walls with gold and pad their sofas with millions of loot money, by stealing our iron ore, get caught, despite India's External Affairs Minister Sushma Swaraj's blessings. But what of those who are so clever that they build deals in a manner that hide their tax evasions and fraud through institutionalised methods? Like we now discover through the Paradise Papers (which has at least 750 Indians on the list of fraudsters, including Rajya Sabha members and Ministers), or the earlier revelations of the Panama Papers?*[vi]*

All this throws neo-liberal economics into the sewer. As world economies struggle to create jobs and help put food on peoples tables and ensure they are able to afford their kids' education, or good health, International Monetary Fund, World Bank, G8 and the EU push the billions into austerity measures. It is claimed such measures are critical to buoy the world's flagging economies. What they won't tell us in their annual reports, however, is that their numbers do not add up. And that they know it. There are ugly gaps in accounting for massive tax revenues. The small people mostly pay their taxes. And if they don't they are penalised even for their small mistakes, or not being able to pay. Our governments and these big financial institutions know there is massive drain syphoning off tax revenue into off-shore financial havens, that a minuscule number of the super-rich have systematically looted our money and stashed it away in tax havens. But they won't tell you. For they do not want you to know who these tax fraudsters are. These criminal fraudsters that our government and these institutions protect come as yours and my President, Prime Minister, Corporate CEO, your daily night talk show host, your most popular mega-star - you name them, they are right there in front of you. Pretending as though they are an epitome of all virtue and law abiding. Until, one day, we get the Paradise Papers, or the Panama Papers, or Wikileaks. Like our governments and these institutions did not notice when the super-rich threw their money around on all those flashy clothes, held fashionable parties for 'good times' for the 'nice people' on super luxury yachts? For all the research and documentation and reporting these institutions claim to do, did they not once notice that someone is paying for such most insensitive indulgences of the super rich? And that this was costing millions their blood. That this cost them their kids' lives and

entire villages and forests plundered for resources that were looted? Makes one ask: what if there was no internet to spread the word on these leaks? And a deeper question for us: now that we know of these leaks, what do we do?

You can connect this blood loot stashed away in tax havens to the rape and butchering of thousands in Congo (so Minerals flow cheap into phones, laptops, and every freaking electronic stuff produced), to brutal trade of chimpanzees and gorillas (driving them to extinction, so the super-rich can have their horrendous private zoos where these unfortunate evolutionary cousins are drugged to smoke and perform weird sex acts), to the shoes that keeps us 'fit' (while over exploited labourers slog in dingy sweat shops), to the magical software that keeps us glued to screens of all sorts and sizes (as software developers work overtime in air conditioned enclaves fed on junk food in prison-paradises). This is how modern slavery comes.

It's high time to call this super-rich out. And honestly, to use a proper English word: get these rascals out and lock them away in jail. We must care because their greed and dishonesty is costing us not merely our tax money, but our very lives, livelihoods and the future of our children and their children. There won't be much left to worry about if we don't worry now. Here are extracts from *The Guardian[vii]*, which was part of the International Consortium of Investigative Journalists that exposed through the Paradise Papers the massive tax fraud that has been systematically covered up, which should worry us very deeply indeed:

"The world's biggest businesses, heads of state and global figures in politics, entertainment and sport who have sheltered their wealth in secretive tax havens are being revealed this week in a major new investigation into Britain's offshore empires. The details come from a leak of 13.4m files that expose the global environments in which tax abuses can thrive – and the complex and seemingly artificial ways the wealthiest corporations can legally protect their wealth."

"The material, which has come from two offshore service providers and the company registries of 19 tax havens, was obtained by the German newspaper Süddeutsche Zeitung and shared by the International Consortium of Investigative Journalists with partners including the Guardian, the BBC and the New York Times."

- Millions of pounds from the Queen's private estate has been invested in a Cayman Islands fund – and some of her money went to a retailer accused of exploiting poor families and vulnerable people.
- Extensive offshore dealings by Donald Trump's cabinet members, advisers and donors, including substantial payments from a firm co-owned by Vladimir Putin's son-in-law to the shipping group of the US commerce secretary, Wilbur Ross.
- How Twitter and Facebook received hundreds of millions of dollars in investments that can be traced back to Russian state financial institutions.
- The tax-avoiding Cayman Islands trust managed by the Canadian Prime Minister Justin Trudeau's chief money man.
- A previously unknown $450m offshore trust that has sheltered the wealth of Lord Ashcroft.
- Aggressive tax avoidance by multinational corporations, including Nike and Apple.

- How some of the biggest names in the film and TV industries protect their wealth with an array of offshore schemes.
- The billions in tax refunds by the Isle of Man and Malta to the owners of private jets and luxury yachts.
- The secret loan and alliance used by the London-listed multinational Glencore in its efforts to secure lucrative mining rights in the Democratic Republic of the Congo.
- The complex offshore webs used by two Russian billionaires to buy stakes in Arsenal and Everton football clubs."

Paradise Papers leak reveals secrets of the world elite's hidden wealth. It's time we need to use that in holding these fraudsters accountable and get back this money where it belongs: to us. For this is our money that they have inhumanely and illegally looted. That is the real point of democratic accountability. And nothing that our leaders claim as advancing transparency and accountability in tackling corruption with the hoary speeches they render from the ramparts of the Red Fort or White House or Trafalgar Square will help remedy this horrible situation. As argued in our paper exposing the Cogentrix fraud, which was written in the early 2000s, the situation is no different today, perhaps worse even. As we then discovered, "..under the process of liberalisation in India, deep political interventions continue to influence decisions. These are aimed at pushing through various statutory clearances, backing extremely controversial actions shaped to advance the entrenched interests of a vested few at an enormous and continuing adverse cost to the public at large."

Such cases as Enron and Cogentrix are plenty today. They are almost systemic to how we invest public resources in private projects, often resulting in the massive profit for the private and major losses for the public. Almost every mega project is mired in such controversies. As the Panama and Paradise Papers reveal, this looted money is not in the least helping anyone at all in the world, except the super-rich. It's high time we put an end to this.

[i] Fernandes D and Saldanha L, 'Deep Politics, Liberalisation and Corruption: The Mangalore Power Company Controversy', 2000 (1)*Law, Social Justice and Global Development (LGD).* http://elj.warwick.ac.uk/global/issue/2000-1/fernandes.html. New citation as at 1/1/04: http://www2.warwick.ac.uk/fac/soc/law/elj/lgd/2000_1/fernandes/

[ii] Girish Sant of Prayas worked extensively in exposing the gross injustices endemic to this deal, which also was being promoted as a model for all of India's power projects to follow. Girish passed away in 2012 and here is a tribute by Prayas that contextualises his contribution: http://www.prayaspune.org/peg/girish-sant-a-tribute.html

[iii] Abhay Mehta passed away recently. The critical importance of his contribution to public policy is discussed by Dilip D'souze in "Skullduggery in a time of Enron: Remembering Abhay Mehta", 3rd August 2017, accessible at: http://www.livemint.com/Politics/Oopn7cssR4W9Rdz0Lfn3XP/Skullduggery-in-a-time-of-Enron-Remembering-Abhay-Mehta.html

[iv] A document submitted by Environment Support Group in the *Permanent People's Tribunal on Global Corporations and Human Wrongs*, March 2000, Warwick, UK, contextualises this process and is accessible here: http://static.esgindia.org/campaigns/cogentricks/Cogentrix.html

[v] The extensive work of International Consortium of Investigative Journalists in exposing the tax frauds and other financial

irregularities by giant corporations and the super-rich is accessible at: www.icij.org
[vi] See, for instance, *Paradise Papers: Ranjan Pai of Sikkim Manipal University used offshore vehicles to fuel credit,* The Indian Express, 9th November 2017, accessible at: http://indianexpress.com/article/india/paradise-papers-ranjan-ramdas-pai-manipal-education-and-medical-group-manipal-university-indians-in-paardise-papers-leak-icij-black-money-4928784/ and a whole range of other revelations with Indian connections to massive tax frauds here: http://indianexpress.com/about/paradise-papers/
[vii] Paradise Papers leak reveals secrets of the world elite's hidden wealth, The Guardian, 5th November 2017, accessible at: https://www.theguardian.com/news/2017/nov/05/paradise-papers-leak-reveals-secrets-of-world-elites-hidden-wealth?CMP=Share_iOSApp_Other

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India's Investments Abroad: How Accountable Are We!

Joe Athialy & Monalisa Barman

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For Indian corporations, the grass seems to be getting greener the other side. Investments and acquisitions abroad have been the hallmark of Indian corporations the past decade and a half. While acquisitions of Jaguar Cars and Land Rover & Corus in the UK, Kashagan Oilfields in Kazaksthan, Port Terminals in Australia, Algoma Steel in Canada and Marcellus Shale in the US might have made news, increasing investments of Indian corporations are hardly reported. Even less reported is the role of the Export-Import Bank of India (Exim Bank) and their lendings to these corporations.

With 215 lines of credit in place covering over 63 countries in Africa, Asia, Latin America, Europe, which are worth over USD 15.87 billion Indian Exim Bank is a key player in promoting Indian business abroad. Africa seems to have its heart with 34 out of 63 countries for its investments in recent years.

Established in 1982, the growth of Exim Bank has been a phenomenon. From a lending portfolio of Rs. 64,353 crores in 2012-13 it has nearly doubled to Rs. 1,02,641 crores in 2016-17. Major Indian corporations - both public and private - benefited handsomely from Exim bank's support. They include RITES Ltd, Goa Shipyard Limited, Cosmos International Ltd, Tata Power, Shapoorji and Pallonji Co. Ltd, Ashok Leyland Ltd., Tata Motors Ltd., Suzlon Group, Godrej Group, Bharti Enterprises, Kirloskar Group, Mahindra & Mahindra, Escorts, Apollo, Essar and Jindal.

Impacts of Indian investments abroad, particularly in African countries is well captured in the report India's Role in the New Global Farmland Grab. Among the many African countries, Ethiopia has been a favourite destination for Indian corporations, particularly the agro-business. According to Oakland Institute, "Indian firms have acquired over 600,000 ha of land. Most investors plan to grow

edible oils and crops while a few have plans to grow cotton." Many of them are financed by Indian Exim bank.

Company	Size in ha	Crops	Land Lease Rate
Karaturi Global	300,000 (100,000 in first phase, 200,000 in second phase)	Palm oil, cereals, pulses	20 birr/ha for 50 years
Emami Biotech	100,000	Jatropha and edible oil seeds	
S&P Energy Solutions	50,000	Biofuels, edible oil crops	143.4 birr/ha for 50 years
Shapoorii Pallonii	50,000		
Almidha	28,000	Sugar	
BHO Agro Plc	27,000	Cereals, pulses, edible oils	111 birr/ha for 50 years
CLC Industries	25,000	Cotton	665.85 birr/ha for 50 years
Ruchi Soya	25,000	Soya bean	111 birr/ha 25 years
Sannati Agro Farm Enterprises	10,000	Rice, cereals, pulses	158 birr/ha for 25 years
Whitefield Cotton Farm	10,000	Cotton	158 birr/ha for 25 years
Vedanta Harvests	3,012	Tea and allied crops	111 birr/ha for 25 years
Total	**628,012**		

Source: Oakland Institute

According to an RIS Discussion Paper, "Indian companies have offered investment of over USD 4 billion to Ethiopia. Of this, an estimated USD 2 billion is already on the ground or in the pipeline. There are 608 Indian projects approved by the Ethiopian Investment Commission in Ethiopia. About 48 per cent of the Indian companies are in manufacturing and 21 per cent in agriculture." Amongst these, Indian Exim bank alone has invested USD 98 million, through 65 companies.

There have been local protests against these land grabs. "Many (in Ethiopia) are describing India as a "neo-coloniser". The phenomenon has in fact received wide local coverage, with damning headlines like 'Indian agribusiness devastates W. Ethiopia'" a report in Outlook says. It further mentions, "…a million hectares are being handed over to Indian firms at bargain prices, suppressing local dissent and causing displacement of people."

The Tendaho Sugar project in Ethiopia is one of the significant investments of India in Ethiopia. Situated in the Afar State in north-eastern Ethiopia, Exim bank invests through the Indian firm Overseas Infrastructure Alliance (OIA). In operation, it will crush more than 619,000 tonnes

annually and is expected to cover 50,000 hectares of sugarcane cultivation, according to the RIS Discussion Paper.

Some of the impacts of the project on the local community are documented. There has been a major impact on the pastoral indigenous people of Afar community residing near the Tendaho sugar project. As most of their grazing land is taken for the project there has been a rapid increase of child labour in the locale. Since sugarcane plantation is water intensive cropping, it consumes a lot of water which has created scarcity for the domestic consumption, including for household and livestock. The community says that they were not consulted before taking their lands in the name of development. The Afar community also states that after the Tendaho Project prostitution and thievery has increased which was unknown few years ago in the area. (Socioeconomic Effect of Tendaho Sugar Plantation on the Pastoral Livelihood of the National Regional State, Nov 2016).

In regions where people are critically dependent on natural resources with low and uncertain incomes, customary tenure rules had been the main ways of providing security of land tenure and food security. Both State control of land tenure and private investment, however, have tended to be detrimental to the interests of local people living in marginal lands. (Getachew, 2001)

India cannot shrug off the responsibility just because these violations are happening elsewhere, as noted aptly by Anuradha Mittal of Oakland Institute, "The Indian government and corporations cannot hide behind the Ethiopian government, which is clearly in violation of human rights laws".

This brings us to the fundamental point of accountability and ethics of Indian Exim bank and Indian corporations while rolling out investments off shore. Most of the corporations investing elsewhere have a bad track-record at home when it comes to upholding human rights and protecting the environment. To assume that they will do those elsewhere is a far distant dream.

Indian Exim bank, which is owned by the government and uses public money, has a lot to answer.

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India's Thermal Power Projects are Making Even our Public-Sector Banks Sick

Soumya Dutta & Rajesh Kumar

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We all know of the killing impacts of coal based power plants – from the massive air pollution, from water contamination and from the dirty coal mines. As per the "State of Global Air 2017" report, there were over 4.2 million premature deaths in 2015, from exposure to long term air pollution alone, along with a loss of around 103 million years of healthy life, mostly from exposure to PM2.5. India and China accounted for over 52% of this number, with India alone accounting for over one million of these premature deaths. Off late, attention in major Indian cities have started to be generated on this not-so-invisible-killer, but the mushrooming coal power projects in India are causing another serious "health problem", that of the banking sector. This new "disease" is also becoming of epidemic proportions, but much less attention has been focussed on this, which has a potential to seriously strike the entire banking sector, which might have multiplier effects on a very large part of the population.

India today have a total installed power (electricity) plant capacity of over 330,000 MW, out of which coal based power plants account for about 195,000 MW or 59% of the total. The generation from coal power plants contributes even more. As a result of this, Indian coal power plants burned an annual 546 million tons of coal in 2015-16 (out of a total of about 880 million tons), causing massive air and water contamination, leading to the severe health impacts – with the second highest number of deaths and diseases due to air pollution, and we all are rightly concerned. As per reports of the Ministry of Power, India is expected to be power surplus in 2017-18, by about 8%, and the existing coal plants are running at less than 60% plant load factor (PLF or Capacity Utilisation Factor). Yet the rush of new coal power projects has not stopped – only slowed down a bit.

And each and every new coal power project needs financing – money in plain-speak, a lot of money (at about a million US dollars per MW installed), and most of that money comes from the public financial institutions. Even for the privately owned power plants/projects, the major financing is from these public financial institutions. Therein lies the other killing impact. Demand for power is down or not increasing as per projections. Financial returns from many existing plants are also down, as most regional grids are surplus, leading to low sales realisation. Under corporate pressure, several state governments have resorted to even keeping the public sector power plants shut, while buying power from private generators (as in Madhya Pradesh) – often tweaking the PPAs (Power Purchase Agreements) to facilitate this. On top of that, several private power projects inflated their costs by fraudulent means like over-invoicing of both equipment and coal imports (as in the case of

the 4620 MW Adani Mundra power plant), leading to higher debt and debt servicing obligations. The clear and inevitable result is the default, willful or otherwise is a matter of further debate and investigation.

Talking about energy finance, stressed assets of Indian Banks are on the increase, from INR 12 lakh crore (one lakh-crore is equal to one trillion) to INR 14 lakh crore (INR 14 trillion or USD 217 billion) from revised estimates. Until now, the steel sector in India had the highest contribution to stressed and stranded assets. However, the power sector is fast catching up (or falling down the hole?), but the stressed assets of the power sector are still not given the sharp attention it needs. There are a total of 35,900 MW of thermal and hydro power projects that are on the verge of becoming stressed assets, with payments defaulted at some point. This is resulting in bad loans or NPAs (Non-Performing Assets) in this sector, and damaging the entire banking sector. Around 17 under-construction coal-based thermal power projects with a capacity of 18420 MW have been stalled due to financial issues while another 17 gas thermal power projects with the capacity of 11,154 MW are stressed according to the government data by the end of February 2017. Over 25,000 MW of troubled coal power projects have been put on the block, but there are hardly any buyers. Even hydro power projects have the same story. A total of 20 hydroelectric projects with the capacity of 6,329 MW are struggling due to financial issues. The government is pushing a proposal to bail them out with nearly INR 16,000 crore (INR 160 billion). The consequences of this situation are that the stressed assets of private coal power companies are becoming stressed assets for the banking institutions (mostly in the public sector), who are eventually being bailed out by the government through further infusion of public money, to ensure compliance with Basel-III norms (for the Bank's capital adequacy, stress testing and market liquidity risks). These are multiple attacks on India's 1.3 billion people's savings and tax (direct and indirect) money, including the poorest.

Also, one of the first UMPP (Ultra Mega Power Plant) – Coastal Gujarat Power Limited (CGPL) owned by TATA Power is incurring massive losses every quarter and is ready to sell its 51% stake for an unbelievable token sum of INR1. Similarly, Adani's Mundra power project also approached The Gujarat Urja Vikas Nigam Limited (GUVNL) for bail out. Both projects are financially not viable because the Supreme Court nullified the plea for compensatory tariff due to price rise of imported coal. The trend of the government bailing out private companies with public money is on the increase. Financial non-viability of these two projects has raised questions on the banking system and its due diligence processes before providing a loan. There is a case against the builders in of both these projects in Supreme Court for fraudulently over-invoicing equipment and coal imports.

Corporations are not only robbing the public of their money but also ignoring the social and environmental impacts of these projects. Before providing loans, financial institutions are neither doing the due diligence process properly nor do they adhere to most of the mandatory social and environmental requirements after they receive loans. The large coal and hydro projects apart from causing massive displacement also hugely impact the livelihood of people who in most cases are farmers, artisans, landless workers. These projects also adversely impact environment causing serious health concerns for people and destruction of ecology. The

fulfilment of the exploding energy needs of urban India is coming at the cost of land and livelihoods of numerous rural communities.

Now the dangerously growing stressed/stranded assets of public banks and financial institutions are threatening a far larger number of common citizens of India – it is their hard-earned money, life-long savings which are being frittered away in building and running unnecessary, surplus, polluting coal power plants. The public sector banks have written off huge amounts of NPAs, over INR 225,180 crores (INR 2251 billion) in the last five years, to get these NPAs off their books, under pressure from the Reserve Bank of India (India's Central Bank). NPAs have touched nearly 9% of their total lending, a figure close to that of economy-in-trouble Russia! To compensate for these NPAs and the massive loan write-offs, the banking sector has reduced the interest rates on people's savings, introduced various arbitrary charges – going to the extent of charging customers even to withdraw their own deposits! Thus the unnecessary coal power plants have extended their killing tentacles far beyond the 20-25 kilo-meter pollution impact zones, spreading their killing fields nation wide.

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Centre for Financial Accountability (CFA) engages in critical analysis, monitoring and critique of the role of financial institutions – national and international, and their impact on development, human rights and the environment, amongst other areas.

CFA partners with civil society groups, social movements and community groups in trying to ensure that financial institutions are transparent and accountable to the people.

We critically examine and monitor National Financial Institutions (both banking and non-banking), multilateral and bilateral institutions, export credit agencies and the new banks - Asian Infrastructure Investment Bank (AIIB) and New Development Bank (NDB).

Our work includes both research and programmes. We publish information resources and policy analysis. Our awareness programmes work towards demystifying finance though increasing public awareness and encouraging public debates about issues of financial accountability.