Amendments in IBC 2016 attempts to further sidestep recovery?

As per government data, 12,871 bankruptcy cases were pending before National Company Law Tribunal on October 31, down from 13,211. The average number of days taken to resolve a case rose from 230 days in FY18 to 679 days in the first half of FY23. In order to resolve this mountain of bankruptcy cases, the government is considering an amendment in the IBC law in the upcoming budget session. The amendment comprises breaking down the proceedings into two phases. In the first phase the assets will be handed over to the new management while in the second phase focus would be to repay the original creditors. The argument of the government is that in the existing mechanism both these processes happen simultaneously with creditors pressing for speedy recovery which causes delay in resolution. What this effectively does is to further take the focus away from the process of recovery of loans that in any case has been alarmingly low.
The Financial Stability Report, released 29th December reports of disability in the global market in the coming year. The report states that with global growth expected to fall to 2.7 per cent, with both advanced economies (AEs) and emerging market and developing economies (EMDEs) forecast to experience significant output slowdown. Global trade volume is also expected to decelerate from 10.1 per cent in 2021 to 4.3 per cent in 2022, with EMDEs bearing the brunt. Inflation is forecast to rise to 8.8 per cent in 2022, with both headline and core inflation staying well above targets in AEs and EMDEs.

Monetary tightening in advanced economies, tightening of financial conditions, geopolitical risks, global growth uncertainty and growing risks from private cryptocurrencies and climate change are cited as the major contributors to rise in global, financial market and general risks, mentions FSR. But despite this prediction, the report assures that the domestic financial systems are sound. Financial institutions in India are in a position to withstand any spillover from the global volatilities, claims the report.

With regard to banking and NPA, the report states that the gross non performing assets (GNPA) ratio have been steadily trending down to a seven-year low of 5.0 per cent in September 2022, while net non-performing assets (NNPA) have dropped to ten-year low of 1.3 per cent of total assets. It should be noted that PSBs and Scheduled Commercial Banks (SCBs) have written off Rs. 8,16,421 crore and Rs 11,17,883 crore in the last six financial years to be able to reach here.
The unravelling ICICI bank loan fraud case shows a deeper rot

Earlier this week the CBI court granted three day custody to Venugopal Dhoot (Chairman, Videocon group), Chanda Kochar (former Managing Director and CEO of ICICI Bank) and her husband Deepak Kochhar. This was in connection with a loan fraud case that shook the country in 2019. Deepak Kochhar’s NuPower Renewables received Rs 64 crore funding from one of Venugopal Dhoot’s companies weeks after the Videocon group got a Rs. 3250 crore loan from ICICI Bank. While such giant loan fraud cases surface, stay in the news cycle for a few days and then get shelved only to give way to another, what these point towards is a deeper rot. Anjan Basu, a senior banker argues that “a lethal cocktail of neo-liberal zeal, unprofessional bank boards and the mindless worship of top-line growth” has combined to undermine the banking system. So, while priority sector lending, and social responsibilities of the banking sector has been done away with since the neoliberal turn, what we see instead is greed, irresponsible lending of public money, murky dealing with the big corporates and mounting NPAs at the expense of the people.
What they did not tell us about demonetisation

While the judgement is scheduled on the 2nd of January, the Supreme Court hearing around demonetisation has brought to fore quite some skeletons from the closet of notebandi as the year draws to a close. Much for instance was made about the magnitude of Cash in Circulation as PM Modi linked it with the level of corruption. At 11.55% India’s cash to GDP ratio was one of the criteria put forth to justify notebandi. The move that destabilised millions of lives and livelihoods putting the informal sector in a tailspin. What they did not mention is that the same ratio jumped back to the pre-demonetisation level in three years. RBI central board meeting minutes merely two and a half hours before the fateful announcement by PM Modi reflects that the argument of increase in circulation of high denomination notes is not so “inexplicable” afterall and adjusted for inflation the increase was not even so stark for the argument to hold. While a lot of drama was enacted around the claim of fake currency in circulation, the minutes of the meeting in fact noted that “While any incidence of counterfeiting is a concern, Rs 400 crore as a percentage of the total quantum of money in circulation (over Rs 17 lakh crore) is not very significant”. The RBI minutes also denounced the claims around black money as it said that most of it was not held in cash but in the form of assets. Bottomline being that we were duped at great cost and for nothing.
In 2022 India saw the highest ever outflow of foreign portfolio investments (FPIs) amounting to INR 1.34 lakh crore. FPIs are investments in financial assets such as stocks, mutual funds, fixed deposits etc. in a foreign country. FPIs selling their assets in India is owing to two major factors, among others. First, owing to rising inflation and uneven ‘recovery’ from the lockdown induced slowdown, Indian markets, and economy, are not being seen as sufficiently profitable and reliable. Second, the interest rate hike pursued by the United States’ Federal Reserve to restrain inflation has made investments in bond markets in the US more profitable. A bond is a financial instrument which is a form of loan, whose ‘yields’ are directly proportional to the interest rates offered by banks. In simple terms, the drastic fall in FPIs is suggestive of the fact that the Indian economy is not doing well.