CFA
Centre for Financial Accountability

POCKET MONEY

Brief on what they kept from you about your money this week

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01 Why should we care about the Silicon Valley bank run?

Experts through the week followed the factors and fallouts of the tremors of the Silicon Valley bankrun. The govt here said there are no serious implication for India. It is rather amusing however that the only time we seem to take pride in our "much-improved regulatory mechanism" is when a bank across the Atlantic crashes for the lack of the same. But in the "good times" our govts are eager to take a dip in the same turbulent waters of deregulated capital flows, debt-driven growth, lower corporate tax & speculative stock market. The same obsession is visible in the urge to privatise the PSBs. Despite the relative immunity, since nearly every third start-up in SVB is founded by Indian-Americans, there are fears around payday for their employees.

02 IFC's policy fails to guarantee compensation to affected communities

In its newest policy on compensation to communities affected by projects it finances, International Finance Corporation fails to guarantee financial reparations, when its investments cause environmental destruction, human rights violations, health hazards etc. In the past too, even when the IFC's own grievance redressal mechanism found that its projects caused harm, the financial institution (FI) did not compensate communities immediately. This is what happened in the high profile TATA Mundra project in Gujarat, for which IFC had to face the US Supreme Court. Being considered a standard setter when it comes to environmental and social safeguard policies by banks, the fresh developments are a setback not only to the worldwide safeguards campaign, but also in India where IFC invests in domestic banks such as HDFC, YES Bank and Axis Bank. Majority of Indian banks do not have mandatory safeguard mechanisms.

03

Wilful Defaults or Wilful leniency?

Accountability Mechanisms seem to have failed India's Banking Sector. While bad loans in India's banking sector have decreased in recent years, there has been a significant rise in wilful default accounts, according to recent data from the RBI. The number of wilful default accounts increased by 38.5% from March 2020 to March 2021, reaching 9,156 accounts with outstanding loans of over Rs 1.61 lakh crore.

Wilful default accounts are those where borrowers intentionally avoid repayment, despite having the ability to do so. The rise in these accounts suggests a continued lack of accountability and effective risk management in the banking sector, despite efforts to address the issue in recent years.

The RBI has so far failed to improve loan recovery and reduce bad loans in the banking sector, but experts say that more needs to be done to hold wilful defaulters accountable and ensure that banks are taking appropriate risk management measures.

04

Adani's Defence? Government refuses to listen, speak or act

Elara Capital, a key investor in the Adani group, is reportedly co-owner with Adani of a defence firm that supplies equipment to the Indian army. This news comes in the wake of reports of the Adani Group's alleged links to tax havens and concerns over its meteoric rise to becoming India's second wealthiest group. The revelation has raised questions about the close ties between India's top businesses and the government, especially given Adani's significant interests in key infrastructure projects such as ports, airports and power plants. Elara's connection to the Adani Group has raised concerns about the group's growing influence over India's political and economic landscape, and calls for greater transparency in corporate ownership structures. However, the Adani Group has denied any wrongdoing and insisted that its business practices are transparent and ethical.