

## Matter of mistrust

There's no rule preventing a top banker's or bureaucrat's relative from doing business. But a potential conflict of interest situation arises when that relative's dealings are with someone having significant commercial transactions with the bank or government department concerned. The case of ICICI Bank — involving its managing director and CEO [Chanda Kochhar](#)'s husband, Deepak, and the Videocon Group's chairman [Venugopal Dhoot](#) — is a textbook example of this. As an investigation by The Indian Express has revealed, a Dhoot-owned company, in March 2010, loaned Rs 64 crore to a renewables firm that he and [Deepak Kochhar](#) had jointly promoted only in late-2008. Through a series of complex deals thereafter, the company that extended the loan got wholly acquired by a trust controlled by Deepak Kochhar in April 2013. Well before that, Dhoot had also sold his 50 per cent stake in the renewables joint venture for a paltry Rs 2.5 lakh. What's more, even the transfer of shares in the lending company to Deepak Kochhar's trust was made at just Rs 9 lakh.

But the real issue is not about a lender being subsumed by its borrower, on terms seemingly most opaque. More germane is ICICI Bank sanctioning a Rs 3,250-crore loan to the Videocon Group and this taking place in April 2012, a year before the mysterious transaction involving Deepak Kochhar's trust was concluded. While it may not be easy to establish any quid pro quo here, the question to be asked is: Should Deepak Kochhar have been allowed to do business with somebody, to whose group ICICI Bank had lent large monies? The bank's board has claimed no conflict of interest, despite Chanda Kochhar having sat on the credit committee that sanctioned the loan to Videocon. The loan, moreover, was part of a credit facility aggregating around Rs 40,000 crore extended to the group by a consortium of over 20 banks. Chanda Kochhar couldn't apparently have influenced the credit decision, when ICICI Bank was not even the lead bank of this consortium. Yes, the Videocon loan became a non-performing asset (NPA), but that, by itself, cannot have been ascribed to any nepotism or quid pro quo.

The above arguments, however, simply don't wash. Whether or not Deepak Kochhar's business relations with Dhoot helped facilitate ICICI Bank's loan to Videocon only a detailed investigation can establish. What's not in doubt is a clear conflict of interest and the bank's seeming reluctance to get to the bottom of it. A knee-jerk press release in defence of Chanda Kochhar and talking assurances by the bank's board do not make for a credible institutional response. In fact, it only undermines the bank's leadership. ICICI is after all India's third largest bank by assets. At a time when state-owned banks are facing an unprecedented NPA and corporate governance crisis — the PNB-[Nirav Modi](#) scam is only a manifestation of that — the country cannot afford any public mistrust in systemically important private sector banks.

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