

WILFUL ON DEFAULTERS? : ON RBI

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

The Reserve Bank of India finds itself in the midst of another tangle. The Central Information Commission [\(CIC\) has directed RBI Governor Urjit Patel to show cause](#) “why maximum penalty should not be imposed on him for” the central bank’s ostensible “defiance” of Supreme Court orders on disclosing the names of wilful defaulters on bank loans worth hundreds of crores of rupees. In his order dated November 2, Information Commissioner M. Sridhar Acharyulu has come down heavily on the RBI and its chief for failing to uphold the interest of the public at large and not fulfilling its statutory duty to the depositors, the economy and the banking sector, by privileging individual banks’ interests over its obligation to ensure transparency. At the heart of the matter is the issue of burgeoning bad loans at the country’s commercial banks, which by the RBI’s own admission had, at the gross level, surged to 11.6% of all advances as on March 31, 2018, from September 2017’s 10.2% level. While the central bank has repeatedly acknowledged the gravity of the problem it faces, including in ensuring more accountability from the more numerous public sector banks over which it wants greater control, it has consistently invoked both the risk to the country’s “economic interest” and its “fiduciary” relationship with lenders to avoid sharing information on the largest defaulters with RTI applicants.

Citing the apex court’s 2015 order, where the judges had directed the central bank to comply with the provisions of the RTI Act after observing that the “RBI has no legal duty to maximise the benefit of any public sector or private sector bank, and thus there is no relationship of ‘trust’ between them”, Mr. Acharyulu rhetorically asked how the rule of law could be secured if a regulator like the RBI would not “honour” a constitutional institution’s directions. The CIC order is also unsparing of the government for not being more forthcoming. Mr. Acharyulu has justifiably asked the Finance Ministry why it should not explain to the people the action taken, or contemplated, to recover dues from wilful defaulters, who owe banks more than 50 crore, and, where warranted, the criminal proceedings initiated. While it is no one’s argument that all large unpaid loans are by-products of mala fide borrowing, the onus is on the RBI and the government to make as clean a breast of it as is legally possible, in order to retain public trust. Given that the RBI has initiated steps to set up a digital Public Credit Registry that would include details of all borrowers including wilful defaulters, it would behove the banking regulator to meet the CIC’s November 16 deadline for furnishing the information sought about those owing 1,000 crore or more, to start with.

Firm intervention is needed to end the unsavoury controversy in the CBI

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