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# Don't let CBI into banks; gives incorrect impression all NPAs related to fraud

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By: [Sunil Jain](#) | New Delhi | Updated: March 4, 2016 8:18 PM

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The CBI and the CVC should go after



promoters who have siphoned off money or bank managers who have helped them, but this has to be done very carefully – even a preliminary enquiry report has to be filed only after there is a considerable body of evidence that has been found. There are no recent studies, but some in the past have shown a big decline in bank lending after investigations begin into them.

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Given the CBI's poor track record in securing convictions and its various flip flops in high-profile corruption cases, it is ironic that its chief should chide banks for delays in filing criminal complaints against defaulters which, according to him, allowed defaulters 'to walk away with the funds'. It is not too clear whose idea it was to invite him to the bankers' conference last week since it is apparent he knows little about how banks function – hopefully inviting the Central Vigilance Commission (CVC) chief at the Gyan Sangam will educate him on banking practices instead of him simply reading a lecture to a captive audience of bankers. There is no doubt various promoters have siphoned off funds and done serious over-invoicing of projects, but that is not something banks have expertise in figuring out – indeed, that is something investigative agencies like the CBI or the Department of Company Affairs should be looking at – and nor is it obvious that this is the primary reason behind the rising NPAs since many of these practices have been talked about for decades. Merely declaring Mallya a willful defaulter – the CBI chief was particularly perturbed by the delay by banks in doing this – isn't going to help get the funds back, and it is pertinent to keep in mind that Mallya is still challenging SBI's action against him in various courts.

Certainly, the CBI and the CVC should go after promoters who have siphoned off money or bank managers who have helped them, but this has to be done very carefully – even a preliminary enquiry report has to be filed only after there is a considerable body of evidence that has been found. There are no recent studies, but some in the past have shown a big decline in bank lending after investigations begin into them. While [RBI Governor Raghuram Rajan](#) was merely trying to highlight the importance of going after willful defaulters and getting banks to recognize their dodgy loans early, an unfortunate upshot of his campaign has been that bad loans are being seen as synonymous with bad banking practice. While the central bank would do well to research the matter thoroughly, to the lay eye, it appears that the banks that have less dodgy loans are the ones that were lending the most to retail consumers and the least to agriculture and to

industry and, most important, to infrastructure. While it is important to distinguish between PSU banks with good and weak loan-evaluation practices, if PSU banks were to focus their lending away from industry/infrastructure, it is difficult to see how the economy can grow. PSU banks have a problem, but it is critical to understand what created it – a blame game of the type the CBI chief indulged in will cripple the economy.

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