

Concerns with CBI Actions on Banks Cases

What is the issue?

\n\n

\n

- In recent times there are growing number of cases which involves CBI investigation.

\n

- But the actions taken by CBI in cases involving banks has shown signs of an unjustified passion.

\n

\n\n

What are the significance of CBI?

\n\n

\n

- CBI is the premier investigative agency in the country with a dual responsibility to investigate grievous cases and provide leadership and direction in fighting corruption to the Police force across the country.

\n

- The aim of the organization is to uphold the law of land through in-depth investigation and successful prosecution of offences.

\n

- The wide ambit of CBI responsibilities ranges from political corruption to corporate fraud.

\n

- The CBI's investigations are considered to be open-ended and which would have a destabilising impact on the political economy.

\n

\n\n

What are the status of Bank cases involving CBI?

\n\n

\n

- **IDBI Bank Case** - FIR's against 15 senior executives of IDBI Bank were issued in a case involving two separate loans, given in 2010 and 2014, to two

separate companies of the original owners of Aircel.

\n

- Reportedly, after the first company failed to repay a ~3.22 billion loan and filed for bankruptcy.

\n

- IDBI Bank gave another loan of Rs 5.23 billion to another group company with the intention of recovering the first loan.

\n

- IDBI Bank has said it has made full provisioning for the loans, which became non-performing.

\n

- **80:20 scheme case** - The CBI questioned a former Reserve Bank of India deputy governor on the reasons for “rushing through”.

\n

- It is a circular on the central bank’s gold import policy, which was introduced in 2013 to curb gold imports.

\n

\n\n

What are the assertions made by CBI in the bank cases?

\n\n

\n

- Much of the decisions taken by CBI as seen at the behest of whichever regime is in power, its recent actions are no less restrictive in nature.

\n

- In recent times, in the cases involving banks the CBI has shown signs of an unwarranted zeal.

\n

- In the IDBI case there is an open question whether the bankers could have foreseen the way the telecom sector would capitulate.

\n

- It is also difficult to ascertain whether it was an act of fraud or a bona fide decision that went wrong.

\n

- In 80:20 Scheme case the CBI’s enquiries were linked to the collusive fraud between Punjab National Bank (PNB) and jewellers Nirav Modi.

\n

- The questioning by the CBI sent alarm bells ringing through the banking system.

\n

\n\n

What will be the implications of CBI’s decisions?

\n\n

\n

- The over-vigilance of CBI is likely to have a debilitating impact on the decision-making process in Indian banks, especially in the state-owned ones.
- It is likely to affect bank credit to industry, which barely grew through most of 2016-17 under the weight of systemic non-performing assets, but had started to show small signs of revival.
- If public and private sector bank officers anticipate investigation by the CBI for conducting routine business, they are unlikely to take any decision.
- A politically induced climate of fear in Indian banking could cause economic stagnation as damaging as the “policy paralysis”.

\n

\n\n

\n\n

Source: Business Standard

\n

