Safeguarding Bankers

Why in news?

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Five senior executives of Bank of Maharashtra were arrested for sanctioning a loan which ended up as a Non Performing Asset.

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What are the concerns for the Public Sector Banks (PSBs)?

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- Indian PSBs are in anguish as the NPA numbers are growing and there is increasing pressure as the government is trying to resolve the issue and crack down the bankers 'defaulters nexus.
- Investigative agencies are accusing the bankers who were involved in taking lending decisions.
- Even though it is sacrosanct that action must be taken against bankers involved in corrupt practices, it is wrong to assume that all bankers are corrupt and need to be punished when loans sanctioned by them turn bad.

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What is the response of Indian Banks Association (IBA)?

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- IBA has condemned the spate of such actions against bankers.
- Falsely accusing the bankers due to genuine mistakes will lead to paralysis in the banking sector at a time when credit growth is picking up.
- The IBA has recommended forming an independent committee to give clearance for initiating criminal proceedings against senior executives of banks.

- This independent committee could also give directions to prevent recurrences of such incidents.
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- Other than that, proper systems must be put in place to ensure that investigations do not degenerate into a hunt against bankers.
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- While there should be zero tolerance for corruption, bankers cannot be subjected to stop taking decisions because of fear that even genuine mistakes can result in problems later.
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Source: Business Standard

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