

Growing NPAs

The crisis in the banking sector is a manufactured one, where the Public Sector Banks (PSB) have been arm-twisted to lend on large scale without due diligence, collaterals and recovery system. This created non-Performing Assets (NPA) of more than Rs. 11 lakh crore till the end of 2018. This was the balance remained of NPAs after they got written off to the tune of Rs.7 lakh crore in the last 10 years.

Since 2015, NPAs are increasing and now reached to a stage of threatening the very existence of the PSBs. The total disbursement of loans by PSBs in 2016-17 was 69% of the total loans – the axe fell on agriculture and small and medium industries. The banking services have shrunk over the past five years. The number of PSBs has come down from 21 to 12 due to merger of ‘bad’ ones with others by the government as a desperate measure to thwart their bankruptcy.

The very fact that 82% of NPAs is that of corporate loans tells the root cause of this crisis. P.Chidambaram, when he was the FM told on record that major chunk of NPAs were due to the default by 30 families, and soon he would give the names of those defaulters. The BJP, which during the elections promised to punish those responsible for NPAs, took no action in that direction.

The politicians, bureaucrats and big capitalists formed a vicious nexus to have control over the PSBs. Indian banks have written off a whopping Rs. 1,56,702 crore during the nine months ended December 2018, taking the total write off to over Rs.7,00,000 crore in the last 10 years. Almost four-fifths of this amount of written off NPAs was accrued in the last five years when Narendra Modi came to power. This magnanimity towards big bourgeoisie is being paid by the people as the PSBs are being compensated with recapitalization from public funds.

Many ‘experts’ advocate privatization of PSBs as a panacea for all evils. The role of private banks has remained only to urban areas as they are profit driven. Once privatized these PSBs would withdraw from agricultural and small lending sectors. The private banks like ICICI Bank, Axis Bank and Yes Bank have also their share of NPAs. They have also diverted the depositors’ money into the pockets of bank directors under the very nose of the government. Many of the bosses, made glamorous by the media, of private banks were sent home on charges of misappropriation of funds.

The growing NPAs is clear proof of the nature of Indian big bourgeoisie. Along with its comprador character, it is also bureaucratic as it feeds continuously on the public funds both legally and illegally. The Indian big bourgeoisie cannot survive without the sucking the public funds.
