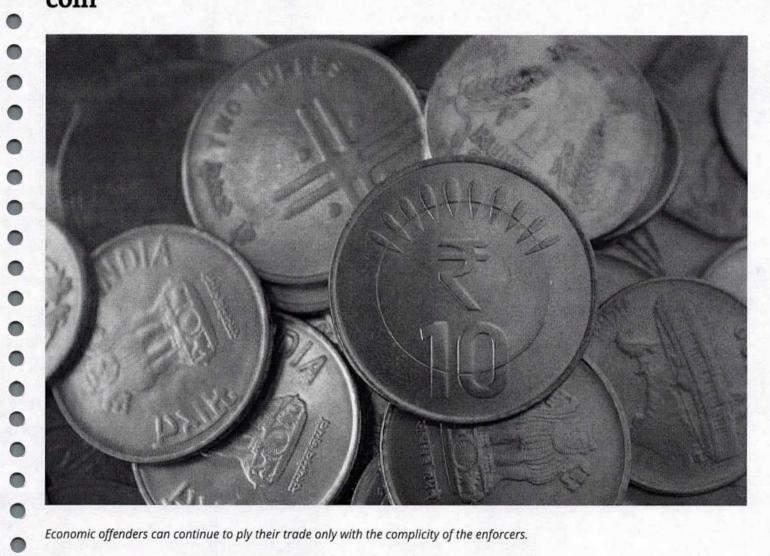
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REVERSE SWEEP (HTTP://WWW.INFRACIRCLE.IN/CATEGORY/OPINION/REVERSE-SWEEP/) June 14, 2016 | Saurabh Chandra (http://www.infracircle.in/author/saurabhchandra/) | infra@vccircle.com (mailto:infra@vccircle.com)

Netaji Cult and wilful defaulters: two sides of the same coin



Economic offenders can continue to ply their trade only with the complicity of the enforcers.

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n 2 June 2016, an orgy of violence engulfed Jawahar Bagh, a property of the Uttar Pradesh (UP) government in Mathura. Twenty-nine people, including two police officers, died in the incident and hundreds were injured. About 3,000 members of the Swadheen Bharat Subhash Sena (SBSS), a breakaway group of the adherents of a deceased godman, Jai Gurudev who had illegally occupied

defaulter, is now operating out of the UK. Similar is the case of the main promoter, Jatin Mehta, of the

Winsome Diamonds, the second biggest willful defaulter. Mehta has been reportedly granted citizenship of

St. Kitts Island. Mallya's Kingfisher Airlines was given loans for starting a difficult business, even when he

had no experience of the aviation industry. It continued to get loans even after it was incurring losses.

- Promoters of both Kingfisher Airlines and Winsome Diamonds are accused of diverting loans for purposes other than for which they were sanctioned. In both the cases, collateral security is grossly inadequate to recover the defaulted amount. The bigger question is how were things allowed to come to this pass? What made the bankers treat such companies and their promoters differently from ordinary borrowers?
- Law enforcers and bank managers both have jobs to protect and careers to preserve. Playing along means prize postings, fast track promotions and post-retirement sinecures. Disturbing the equilibrium is disincentivised by the threat of punishment postings, untimely transfers and stalled promotions, often on frivolous grounds. Expectedly, the status quo continues.
- Sometimes, however, surprisingly the status quo gets disturbed. Broadly, it happens when:

willful defaulters is delayed, with little explanation for the lack of promptitude.

- (i) A public-spirited citizen gets a court order, directing the executive to perform its obligatory duties.
- (ii) One of the powerful, aroused by a sense of higher purpose, undertakes the risk of breaking this nexus and is willing to bear the price for doing so.
- (iii) The cost of sustaining this relationship becomes prohibitive. It is no longer possible to sweep things under the carpet. For example, how long can banks use non-receivable receivables to boost profits, pay taxes and declare dividends out of a non-existent income, without seeking capital infusion from owners (the tax payers in the case of nationalised banks)? The Kingfisher account was declared NPA in 2011. Similarly the Winsome Diamonds default dates back to 2013. Action to declare the main promoters as
 - The invisible hand which protects the resourceful, unlike that postulated by Adam Smith, does not further common interest. This has to change. The onus of banishing the invisible hand rests at the top of the pyramid of the powerful. They alone can create a level-playing field, where the rule of law prevails. Lessons have to be learnt to avoid recurrence of such incidents. It would be worthwhile to recall the words of George Santayana: "Those who cannot remember the past are condemned to repeat it."
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