

10:55 AM | 19 APR **LIVE**
MARKET STATS ▾सेन्सेक्स
34,419 ▲ 88.05निफ्टी 50
10,560 ▲ 33.80सोने (एमसीएक्स) (₹/१० ग्रॅम)
31,536.00 ▲ 2.00यू एस डी/भारती...
65.76 ▲ 0.10पोर्टफोलियो
निर्माण कराई-टी मार्केट्स आप
उतरवून घ्याCHOOSE
LANGUAGE
MAR

Private banks turn more cautious in granting new loans after controversies

BY JOEL REBELLO, ET BUREAU | APR 19, 2018, 08.19 AM IST

Post a Comment

The [ICICI Bank](#) controversy and Axis Bank's chief cutting short her tenure have now made private sector lenders extra watchful about making loans, picking up a trend that's been prevalent at state-owned banks in the wake of corruption investigations. Decisions that were considered routine a few months ago are getting delayed, said bankers and others with knowledge of the matter.

"Bankers are unwilling to sign a single paper especially after these issues about ICICI Bank and the [Axis Bank](#) CEO have come to light," said Purvesh Shelatkar, senior vice president, institutional sales at Centrum Broking. "In one case that I personally know of, an IT solutions provider had been sanctioned a loan but the money has not been released because there are questions over its credit rating. These things will happen more often now."

It's too early to say whether this additional vigilance at [private banks](#) will slow credit growth, which is a critical component of India's push for economic revival.

The executives at private banks that ET spoke to for this story confirmed processes had tightened up considerably in the past few weeks, declining to be identified.

ICICI Bank has had to defend itself against allegations of impropriety over loans to [Videocon](#) group, which has defaulted on its debt. Videocon promoter Venugopal Dhoot is said to have loaned money to a company started by Deepak Kochhar, husband of ICICI Bank chief [Chanda Kochhar](#).

Deepak Kochhar has denied there was any quid pro quo involved and the bank has said it has faith in its boss. Axis Bank CEO [Shikha Sharma](#) cut short her term after the central bank queried a three-year extension, reportedly over the bank's performance.



Recommended By Colombia

Some said this will make private banks pay greater attention to loan viability. "Banks will be careful to run the processes and ensure

checks and balances,” said Rajesh Mokashi, CEO at Care Ratings. “We will go through a transition where processes will be reexamined. Banks have to go through a phase of introspection which will lead to healthy banks going forward.”

However, questions being raised even five years after loans were sanctioned have increased concerns that bankers could face investigation even after retirement for alleged impropriety.

“No one will want to come into the banking profession now,” said a former banker. “Nobody is safe, nobody can do their work in peace. That is the situation currently.” The latest case became public on the weekend and involved stateowned UCO Bank.

The Central Bureau of Investigation is said to have registered a case against its former chairman and managing director Arun Kaul and four others over allegations they defrauded the bank by Rs 621 crore through “diversion and siphoning off the bank loans, without utilising it for the sanctioned purpose and produced false end-use of certificates issued by the chartered accountant, by fabricating business data,” according to PTI. Some executives said the investigative agencies don’t have a clear idea of how lending works.

“Credit decisions are not tick-box decisions. They are taken based on judgement calls taken based on rational assumptions validated for relevance at the time of the decision,” said State Bank of India deputy managing director Sunil Srivastava, who retired after more than 30 years at the country’s largest lender.

“Take for instance the power sector — in 2007, the Central Electricity Authority projected a steep rise in demand for power, which it reiterated in 2012. But then in 2017, we have a situation of more power being generated than demand. Should banks which have financed these projects then be hauled up for lending to this sector?”

Srivastava said the allegations seem to reflect a lack of understanding. “It is the basic business of the banks to lend and lending would have to be differentiated from auctions or allocation of quotas or for that matter tenders and we shouldn’t create an atmosphere of extreme distrust,” he said. “If we don’t develop the maturity to differentiate between malfeasance and misfeasance, we may unwittingly land up encouraging only nonfeasance.”

Stay on top of business news with The Economic Times App. [Download it Now!](#)

Powered by	Live Market	Industry	About Us
	News	Newsletters	Create Your Own Ad
	Portfolio	Commodities	Advertise with Us
	Mobile	Speed	Terms of Use & Grievance Redressal
	Live TV	Blogs	Privacy policy
	Biz Listings	RSS	

FOLLOW US	Download it from APP STORE	Download it from GOOGLE PLAY	Download it from Windows Store
------------------	--------------------------------------	----------------------------------------	------------------------------------------

Other Times Group news sites

इकनॉमिक टाइम्स | एडवॉकेट टाइम्स | Pune Mirror | Bangalore Mirror | Ahmedabad Mirror | ItsMyAscent | Education Times | Brand Capital | Mumbai Mirror | Times Now | Indiatimes | नवभारत टाइम्स | महाराष्ट्र टाइम्स | ವಿಜಯ ಕರ್ನಾಟಕ | Go Green | AdAge India | Eisamay | IGN India | NavGujarat Samay | Times of India | Samayam Tamil | Samayam Telugu | Miss Kyra | Bombay Times | Filmipop | BrainBaazi | BrainBaazi APP

Living and Entertainment

Timescity | iDiva | Entertainment | Zoom | Healthmeup | Luxpresso | Gadget Reviews | Titanium & Platinum Credit Card | Online Songs | MensXP | Hotels | Travel Destinations | Cricbuzz | Recipes | Gaana | Happytrips | Getsmartapp

Interest Network

itimes

Hot on the Web

Share Market | GST | Income Tax Slabs | Aadhaar Card | How to Save Income Tax | Mutual Funds | Tax Saving Guide | Sensex Today | Nifty Bank | Sensex | Income Tax Calculator | Karnataka Election 2018

Services

Book print ads | Online shopping | Matrimonial | Astrology | Jobs | Tech Community | Property | Buy car | Bikes in India | Free Classifieds | Send money to India | Used Cars | Restaurants in Delhi | Remit to India | Buy Mobiles | Listen Songs | News | TimesMobile | Real Estate Developers | Restaurant Deals in Delhi | Car Insurance | Gadgets Now | Free Business Listings | CouponDunia | Remit2India | Techradar | AliveAR | Getsmartapp App | ETMoney Finance App | Feedback | Auto

In Case You Missed It

[All about PNB Fraud](#)

[GST](#)

[Reliance Jio](#)

[Aadhaar](#)

[Mahindra XUV500](#)

[Aadhaar Card](#)