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'RBI should've acted on Yes Bank 5 months earlier'

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MUMBAI: Former State Bank of India chairman Rajnish Kumar has said in his book that the Reserve Bank of India should have sacked the Yes Bank board five months earlier in November 2019 as the bank was already losing deposits and defaulting on reserve requirements.

In his book, 'The Custodian of Trust', the former SBI chairman has provided some behind-the-scenes glimpses of what went into resolving something that appeared as a Lehman Brothers moment for India. It was during his tenure that the financial sector was hit by the triple failure of IL&FS, DHFL and Yes Bank.

Giving a hint of the workings of Yes Bank, Kumar reveals how the private lender stepped in to help GVK attain financial closure for

its Navi Mumbai project. The Rana Kapoor-promoted bank had charged a high upfront fee even when SBI — which was several times bigger and facing pressure from various authorities — was reluctant given the group's stressed situation. He has also questioned the delay in deciding on the reappointment of Kapoor, which left the RBI with no choice but to offer a three-month extension up to January for Kapoor.

Pointing out that Yes Bank's plan to raise capital was not well thought out and the board had not applied its mind to a revival plan, Kumar said, "The action that the RBI took as late as March 2020 could probably have been taken as early as November 2019. But everyone is wiser in retrospect."

Kumar has also dwelt extensively on the Jet Airways collapse. According to him, the SBI board was wary of backing Kumar on a resolution plan for the airline without a letter of comfort from the finance or aviation ministries. The airline's fate was finally sealed after Etihad rejected the resolution plan.

According to Kumar, the negotiations with Etihad had turned ugly with both Jet promoter Naresh Goyal and SBI coming around to the view that Etihad was only interested in the Jet Privilege programme where it held stake and wanted to open this to other airlines. When this was mentioned to Etihad CEO Tony Douglas in a meeting by SBI MD Arijit Basu, the Etihad chief moved menacingly towards Basu and was stopped by Kumar's intervention.

Kumar, whose tenure coincided with the great bad loan clean-up in Indian banks, also exposes some bitterness in banks taking the fall for a collective failure among stakeholders. "Attributing non-performing loans entirely to crony capitalism or zombie lending only highlights the lack of an in-depth analysis of the situation, in turn causing resentment among bankers," he said.

The book, which is published by Penguin, is dedicated to the late Arun Jaitley who Kumar says guided him in crucial decisions. It was Jaitley who supported SBI's decision to bite the bullet and provide for bad loans with a wry statement in Hindi: "Aur kya kar sakte hain, Rajnishji? (What else can be done?)"

Another interesting fact is that the reclusive former governor Urjit Patel, who was earlier on the SBI board, met Kumar only once during his tenure and closed the doors for all communication with banks.