

Yes Bank fiasco part of financial mismanagement under BJP govt's watch: P Chidambaram

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Former Union minister P Chidambaram.

Former finance minister and senior Congress leader P Chidambaram Saturday blamed the BJP government for the Yes Bank fiasco and the mismanagement of financial institutions under their watch. In a statement to the media in the national capital, Chidambaram questioned the accountability of the Reserve Bank of India (RBI) and the Centre and asked why the government was not aware of the bank's loan-giving spree. "Is no one in the RBI or government accountable? Which committee or who authorised the grant of new loans after March 2014? Were not the RBI and government aware that YES Bank was on a loan-giving spree?" he asked.

The senior Congress leader's remarks come two days after the RBI imposed a moratorium on crisis-ridden Yes Bank, restricting withdrawals to Rs 50,000 per depositor till April 3. The RBI also superseded the board of the private sector lender, which is now being headed by former deputy managing director and CFO of SBI Prashant Kumar.

Watch Video At: <https://youtu.be/agIMUDKnCsM>

Explained: What you can do if you are a depositor or investor

A day after imposing a 30-day moratorium on Yes Bank and capping withdrawal limit at Rs 50,000, the RBI on Friday evening issued a draft reconstruction scheme for the private sector lender.

"Did no one in RBI and government read the balance sheet of the bank at the end of every year? Why did nothing change after CEO was replaced and a new CEO appointed... Why did nothing change after a former Deputy Governor of RBI was appointed to Board of YES Bank in May 2019?" asked Chidambaram.

Yes Bank crisis

What you can do if you are a depositor or investor?

While there is anxiety among depositors as to what will happen to their fixed deposits or money in the savings or current accounts, it must be first clarified that all depositors having exposure of up to Rs 5 lakh can breathe easy, as the government has recently raised the deposit insurance cover to Rs 5 lakh per account from Rs 1 lakh per account.

In any case, since the government and the RBI have shown their resolve to revive the bank and the RBI has already announced a scheme of reconstruction for Yes Bank, it should give adequate confidence to depositors and account holders.

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The former finance minister added that the "Yes Bank fiasco is only part of the mismanagement of financial institutions under the watch of the BJP government". Chidambaram termed the SBI resolution plan as 'bizarre' under which the state-run bank will invest Rs 2,450 crore to pick up 49 per cent stake in Yes Bank. "It would be better for SBI to take over, on RBI's order, Yes Bank's loan book at Rs 1 and to assure depositors that their money will be returned," said Chidambaram.

Yes Bank indulging in loan giving spree "isn't banking but buccaneering", he said.

FM Sitharaman assured depositors and investors that their money is safe

Meanwhile, to allay growing apprehensions among investors and depositors a day after the RBI superseded the board of directors of troubled Yes Bank, Finance Minister Nirmala Sitharaman assured that every depositor's money was safe. She also insisted that she was in touch with the Reserve Bank of India (RBI) regarding the matter.

"I'm in continuous interaction with the RBI. The central bank is fully seized of the matter and has assured they will give a quick resolution. I want to assure every depositor that their money shall be safe. Their monies are safe," Sitharaman told reporters.

Also Read: After RBI move on Yes Bank, customers line up outside branches to withdraw money

The finance minister mentioned that the RBI had been monitoring the beleaguered bank since 2017 and noticed governance issues and weak compliance besides wrong asset classification. "RBI governor has assured me that there will be no loss to any depositor," she said. "Both RBI and govt are looking at the Yes Bank issue in detail, we have taken a course which will be in everyone's interest."

Yes Bank Fiasco

Why capping withdrawals from Yes Bank is a terrible idea

Capping withdrawals for Yes Bank depositors is foolish for two specific reasons, particularly when the economy is floundering with growth rates of around 5%. One, depositors will move away from private banks to risk-averse and bad assets-laden PSU banks. This will lead to only slower credit off take. Two, private banks will have to raise deposit rates to attract customers. Higher deposit rates will naturally mean higher lending rates, increasing the cost of credit.

This is why PhonePe was down

Following the Yes Bank fiasco, digital payments were impacted as PhonePe, which depends on the cash-strapped lender for its transactions, could not operate. Yes Bank's own net banking facilities have not been operational since March 5 evening.

PhonePe, one of the country's largest digital payment platforms, is dependent on Yes Bank to process its transactions.

RBI Governor promises swift resolution of crisis

RBI Governor Shaktikanta Das on Friday assured its customers of "swift" action and a scheme "very shortly", in less than 30 days, even as thousands of customers rushed to withdraw funds and queued up at overcrowded branches across the country.

"The resolution (to Yes Bank) will be done very swiftly, it will be done very fast... 30 days which we have given is the outer limit. You will see a very swift action from RBI," Das said. While police was deployed to help control the crowds in many branches, businessmen and depositors remained nervous as the RBI has capped withdrawals at Rs 50,000 per depositor. The payment systems of the bank, including Point of Sale (PoS) terminals and ATMs of the bank went offline following the RBI curbs. Fintech companies like PhonePe which use the Yes Bank platform also faced problems.