Four Comments

- NPAs
  - Banking

- NPAs
  - Corporates

- NPAs
  - RBI and Institutions

- NPAs
  - Other Comments
Banking: Too Big to Fail

- Banks plagued by bad loans
  - Bad loan banks also moderate majority of economic activity
  - Not alone... Greece, Italy, Portugal, Spain, ...

![Chart showing Share of GNPA 2017 and Share of Advances 2017 for private-sector banks, public-sector banks, and foreign banks.](chart.png)
Banking: Too Big to Fail

- Banks controlled by politicians/bureaucrats...why not restructure? liberalize? govern better?
  - Drugs...an election tool...(resources, votes, jobs...)
  - QE

- One option: Push on capital requirements, disclosure, supervision?
  - Surely...but pushed into shadows...and if go for shadow then moves to shadow (shadow)...
Banking: Too Big to Fail

- Bright Side: The US way
  - Tightened regulation on banks
  - Everything resides with GSEs, now with a market share of 95%
  - Every country has their PSUs and looming/actual NPAs…a political economy problem
Corporates: Too Big to Name

- Big corporates take out most of the credit from banking sector
  - Given governance (e.g., creditor rights), debt and collateral based economy
  - Not too hard to isolate defaulters
  - …but why is governance given?

### Graph
- **Company**: Reliance ADAG, Vedanta Group, Essar Group, Adani Group, Jaypee Group, JSW Group, GMR Group, Lanco, Videocon Group, GVK Group
- **Debt (in Rs crore)**
  - Reliance ADAG: 125,000
  - Vedanta Group: 103,000
  - Essar Group: 100,000
  - Adani Group: 99,000
  - Jaypee Group: 75,000
  - JSW Group: 58,000
  - GMR Group: 48,000
  - Lanco: 47,000
  - Videocon Group: 45,000
  - GVK Group: 34,000

Corporates: Too Big to Name

- Name and Shame?
  - Disclosure?

### Treatment Firms

<table>
<thead>
<tr>
<th>Rank</th>
<th>Firm Name</th>
<th>CRD</th>
<th>Misconduct Rate 2015</th>
<th>Misconduct Rate 2018</th>
<th>Δ</th>
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<tr>
<td>1</td>
<td>OPPENHEIMER &amp; CO. INC.</td>
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<td>3</td>
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<td>5</td>
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<td>6</td>
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<td>8</td>
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Corporates: Too Big to Name

- Name and Shame?
  - Disclosure?

### Control Firms

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<td>HORNOR TOWNSEND KENT</td>
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Corporates: Too Big to Name
Why is governance (and disclosure) weak and given?

- Every country has elections to fund
- ...a political economy problem
Independence, Data and Analysis
- Data and analysis in an era of information overload…and political slant
- …no longer about the “truth”
- Demonetization and Newton’s law of Gravity
- Best Practice: US Trade Policy and Brexit
  - …a political economy problem

Bankruptcy Laws and IBC
- Creditor recovery rates and time: Courts? Improvement in recovery rates?
- A good test: Size of PE activity (and change in secured and unsecured debt mix)
  - How well do assets reallocate? Best users of assets? Or best (connected) users of assets?
  - …a political economy problem
Movement towards digital banking/cashless economy

- Harmonization of data, security, privacy, cyber attacks…
- Every country in similar boat…a political economy problem
Four Comments

- NPAs
  - Banking

- NPAs
  - Corporates

- NPAs
  - RBI and Institutions

- NPAs
  - Other Comments
Four Comments

- NPAs
  - Banking ⇐ Political Economy

- NPAs
  - Corporates ⇐ Political Economy

- NPAs
  - RBI and Institutions ⇐ Political Economy

- NPAs
  - Other Comments ⇐ Political Economy