

# PR SENSE

Spreading Positive Vibrations

Issue No 109 – March 2016  
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## Cover Story of the Month



## NPA in Banks

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## From the Desk of Editor-in-Chief



We are pleased to release the 109th (March 2016) edition of ezine PreSense with its usual interesting contents. During this month, the nation debated the issue of the mounting bad loans of Public Sector Banks. In this edition, we have written the Editorial and the Cover Story on this theme, supported by relevant data.

Many owners of domain names are not aware that their domain names are not registered in their names. We bring out some important tips to keep in mind while booking the domain name.

During March 2016, your ezine took the initiative to start 'Digital Journalists Association of India' (DIJAI), with eminent professionals as Trustees. DIJAI organised the first workshop on 'Essentials of Digital Journalism' at Chennai. We have brought out the salient features of this workshop.

We are confident that you will find this edition interesting as usual. Please feel free to send us your valuable feedback to [editor@corpezine.com](mailto:editor@corpezine.com).

*K. Srinivasan*

### Saluting 7 CRPF Jawans killed in Chhattisgarh blast



Seven CRPF men were killed on 30th March 2016 in a deadly landmine blast carried out by the Maoists. It has also left a massive four-foot deep crater on the road in the worst Naxal violence-affected Dantewada district of Chhattisgarh. The dead were identified as Assistant Sub-Inspector D Bijay Raj, Head Constable Pradeep Tirky, Constables Roop Narayan Das, Devendra Chourasia, and Ranjan Das, Driver Nana Uday Singh and J Rajendran, all belonging to CRPF's 230 battalion. PreSense salutes the martyrs.



## Editorial

### Profitability and Responsibility

*"If you flaunt your birthday bashes even while owing the system a lot of money, it does seem to suggest to the public that you don't care. I think that is the wrong message to send."* Dr Raghuram Rajan, current Governor of the Reserve Bank of India (RBI, the country's central bank), warned recently, subtly referring to a particular loan defaulter-industrialist.

This industrialist had flaunted his birthday bash, while owing banks over Rs.7000 crore in defaulted repayments, 1500 employees in unpaid salaries, and dues in statutory payments of Employees Provident Fund and service taxes. He is now being hunted down by banks and the Enforcement Directorate, and slammed by the courts, the wronged employees, the media and the public in general.

The defaulting industrialist in defence lashed out against the banks for making him the "poster boy" for their NPAs when there were larger wilful defaulters in their portfolio. When we look at the alarming figure of around Rupees 3.5 lakh crore (3.5 trillion) as NPAs with the public sector banks, we wonder why the bigger fish is let off and this smaller one is being hunted and haunted.

Banks' NPAs have been corrupting the country's financial system for decades. This knowledge has been in the public domain for long. However, names were not disclosed in public and defaulters were given a long rope by way of moratorium, rescheduling repayment dues and one-time settlements where banks took more of the cut than the defaulting borrowers. Raghuram Rajan did not mince words when he said, *"The system has been geared to favouring those who have the ability to work the courts. The policy that you (large businessmen) follow is that during good times you take the upside but in bad times you go to banks and ask how much of a haircut are you going to take"*.

Even then, newspapers have reported that RBI had submitted to the Supreme Court a list of big defaulters who had failed to repay loans of over Rs.500 crore (Rs. 5 billion) but they pleaded that *"their names should not be made public, as disclosing details of accounts where defaults have been found, irrespective of the reasons for non-repayment, may have adverse impact for business, and in a way may accentuate the failure of business rather than nursing it back to health"*.

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This leaves the public a bit confused about the central bank's stand and how the loan recovery system really works. We find farmers committing suicide when they are compelled to repay their farm loans of a couple of lakh rupees, and billionaire-borrowers having to be cajoled, to pay back their large amounts of overdues. We also find time and again that it is always the company that goes bankrupt, never the promoter of the company.

So, coming back to the 'poster boy', does this tagged wilful defaulter then deserve public sympathy for being picked out for his 'minor' default? Certainly not, for one wrong cannot justify another wrong.



His fault is multi-fold. One, he flaunted his personal lifestyle, much to the resentment of the "lesser mortals", leading to suspicions that his near-bankruptcy was technical and not legitimate. The more serious fault was that his flamboyance was at the cost of depriving his employees of their rightful salaries of many months, thus depriving them of their livelihood. (It is reported that he had collected his own 'salary' running to several crore rupees, from the failed company for the same defaulted period). This is a very grave lapse of ethical values with little scope of sympathy for him. Skeletons of defaulted statutory dues, diversion of corporate loans for unauthorised use, and money laundering have started falling from his personal cupboard. It is feared that the compromises made by financial institutions as well as the bureaucratic set-up to help the defaulter, are threatening to be exposed.

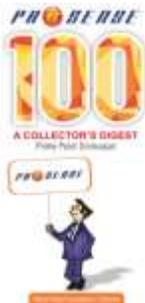
**The more serious fault was that his flamboyance was at the cost of depriving his employees of their rightful salaries of many months, thus depriving them of their livelihood. (It is reported that he had collected his own 'salary' running to several crore rupees, from the failed company for the same defaulted period).**

At this juncture, one is reminded of the story of the septuagenarian industrialist, Aaron Feuerstein and his Malden Mills. In 1995, the Malden Mills suffered a severe fire that razed the textile mills to the ground. Aaron Feuerstein took care of his employees while working towards limping back into business. *"I was proud of my family business and I wanted to keep that alive but I also felt the responsibility for all my employees"*.

He went on to pay the salaries of his 3000 employees, left unemployed by the disaster, for several months till a respite was found. He paid a total of \$25 million towards salaries during this period. When asked about it, Feuerstein reiterated that it was a wise business decision and added that he did it because it was the right thing to do. When asked if he should not have taken the alternative of the 300-million-dollar insurance and retired, he retorted, *"And what would I do with it? Eat more? Buy another suit? No, that was not an option"*.

Feuerstein's approach to his business crisis and his attitude towards his business appears an uncommon practice. But it reflects what business should really be about – as much of integrity and sincerity as of profitability and personal wealth. Please watch this video: [https://www.youtube.com/watch?v=ry7\\_FcSiQL8](https://www.youtube.com/watch?v=ry7_FcSiQL8)

By Susan Koshy, Editor



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## Cover Story

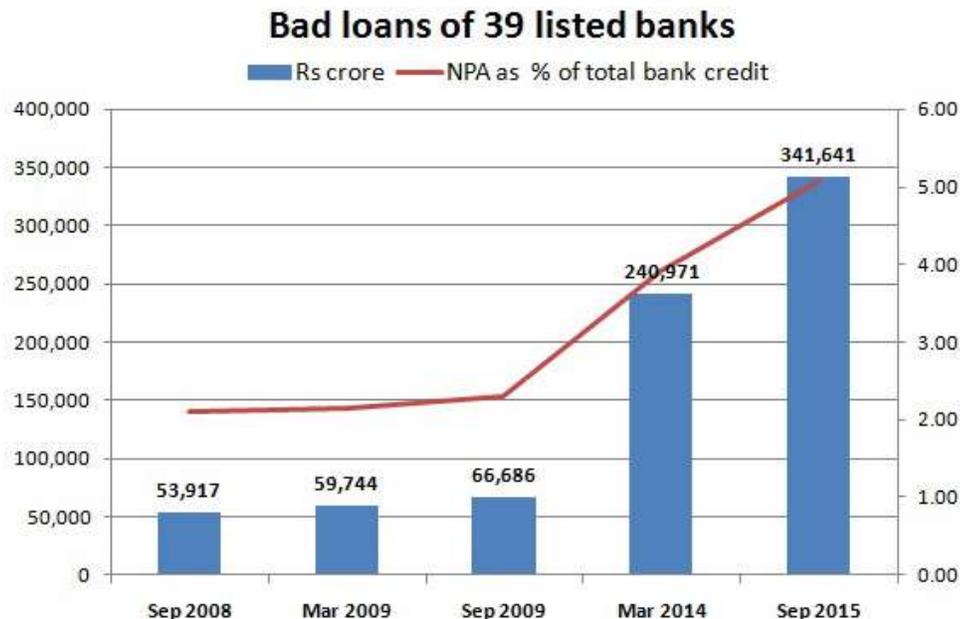
### Alarming Trend in Bad Loans of Banks

The recent debate in the media about the bad loans of Vijay Mallya and his companies has triggered awareness about the Non Performing Assets (NPA) of the Banks. Even those ordinary people, who were not aware of banking terminology have started discussing the accumulating bad debts of banks.

#### Current NPA Position

Presently, the banking industry (Public Sector and Private Sector Banks) has an outstanding credit portfolio of around Rs.72 lakh crore (72 trillion), of which nearly 12 lakh crore is said to be 'stressed assets', for which recovery is nearly impossible. With rescheduling and restructuring the repayments, banks show a figure of nearly Rs.4.4 lakh crore of Gross NPA.

#### Steep Rise Between 2008 and 2015



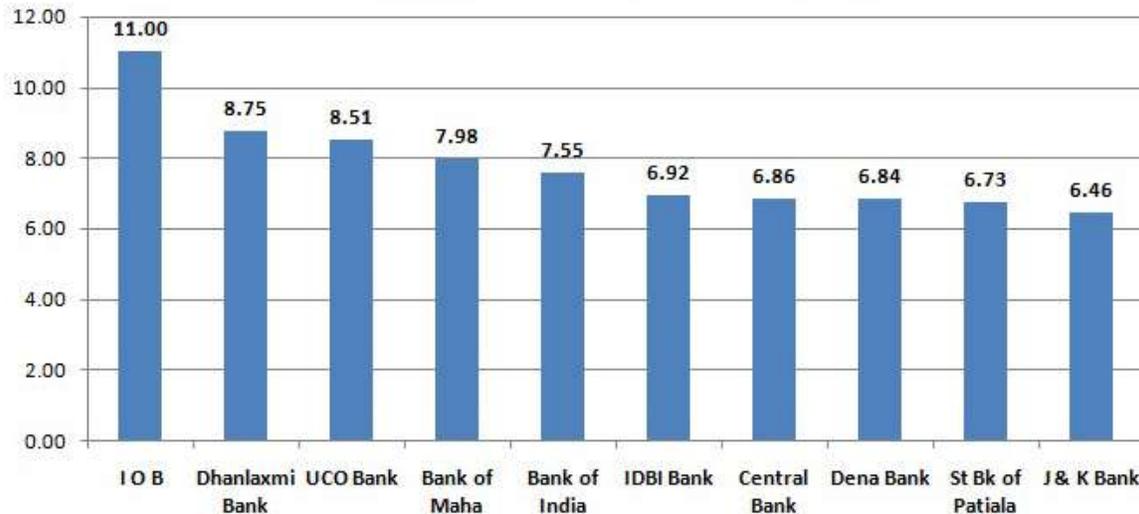
Taking into account the Public Sector Banks (State Bank of India group and nationalised banks), the declared Gross NPA has gone up from Rs 0.54 lakh crore in Sep 2008 to Rs.3.42 lakh crore in September 2015. In other words, the total Gross NPAs of banks, as a percentage of the total loans, has grown from 2.11 per cent to 5.08 per cent in the 7 years.

Since Public Sector Banks contribute nearly 80% of the total business, the alarming increase in NPA in the past 7 years has caused great concern to all. Though the reasons are attributed to global crisis, there are many other factors that have led to this alarming situation. Reserve Bank of India has given an ultimatum to all the banks to clean up their Balance Sheets before the end of March 2017. This means that a huge amount has to be set aside as 'Provision for Bad Loans', leading to erosion of capital. All the banks are likely to end up in loss during March 2016 because of huge provisions to be made for bad loans.



During March 2008, only 3 Public Sector Banks were among the top ten NPA scorers, with ICICI Bank leading the team. Surprisingly at the end of September 2015, 9 Public Sector Banks figure among the top ten NPA scorers with Indian Overseas Bank leading the team.

### Bank with high gross NPAs in % as on Sep 2015



### Important Factors

If we closely analyse the figures, we find a steep increase in the NPA in the past ten years. Although official information is not available, it is reported by banking sources that the top 100 NPA accounts may constitute around 50% of the total NPAs. This means large corporate borrowers contribute to this situation.

In the past 10 years, Public Sector Banks have quietly written off Rs.2.11 lakh crore as bad debts. In the past three years (2013, 2014 and 2015), banks have written off bad debts to the extent of Rs.1.14 lakh crore.

Officially, 4500 wilful defaulters have contributed to Rs 0.65 lakh crore of NPAs. Many banks have not officially announced the 'wilful defaulters' for reasons best known to them. For example, Vijay Mallya's company has borrowed more than Rs.7,500/- crores from 17 banks, of which only 3 banks have officially declared him as wilful defaulter. There are many such Vijay Mallyas who are pampered by the banks. ***In the case of wilful defaulters, the industry becomes sick and the industrialist becomes rich.***

Since the Banking Regulations Act ensures secrecy of the customer accounts, banks will conveniently hide the information of individual accounts from the public domain. Even recently, when Supreme Court wanted the list of wilful defaulters, Reserve Bank of India submitted the list to the Court with a request not to make it public, as it might affect their business.

The banks, more specifically State Bank of India, which go after small genuine education loan and agricultural loan defaulters with an outstanding loan of 10 or 20 thousand rupees by displaying their photos in a banner, seem to protect the names of big defaulters, who have cheated the bank of thousands of crore rupees, to safeguard their business.



## **Corruption and Quality of Appraisal**

On behalf of PreSense, we spoke to many sources, including senior executives of banks, trade union leaders and advocates who deal with bad loans in courts. All of them agreed that in the past ten years, corruption had gone very high at various levels, leading to poor quality of credit appraisal. They even quoted examples of how 'powerful' political leaders influenced the banks' top managements to sanction huge credit limits to unworthy borrowers. When accountability has to be fixed, only the lower level officials are subject to harassment and punished, and not the real culprits. They also question the role of RBI and the Ministry Directors, who never intervene in such situations for reasons best known to them.

## **Recession and Other Environmental Factors**

After September 2008, there was a global recession. It affected India too. The wilful defaulters conveniently quote the recession as the reason, to their advantage. When the Modi Government took over the government in 2014, it was reported that projects worth more than Rs. 8 lakh crore were pending or stalled for environmental clearance, land acquisition, etc. These projects have been heavily financed by various Public Sector Banks.

## **Attitude of Borrowers**

There is a general tendency among Indians to not care for public property. Similarly, borrowers too are generally apathetic about public money lent to them. Whether a big borrower or a small borrower, everybody has the tendency to take the issue of repayment of debt lightly. Their only concern is about the consequences if they lost their credit rating with CIBIL (Credit Information Bureau India Limited).

## **Judicial System**

Two decades ago, the Debt Recovery Tribunal and the SARFASI Act were introduced to speed up the recovery process. Both have not helped. When the bank goes to the judicial system for recovery of loan, it takes over 10 to 15 years to complete the process.

## **Solutions**

- The names of wilful defaulters owing above Rs.1 crore should be made public. Proper classification of wilful defaulters should be done, without discrimination.
- While contesting the elections, all the candidates should be asked to declare the status of their borrowings, supported with a certificate from the banks, like other declarations.
- Wilful default should be made a criminal offence and should be dealt with accordingly. They should not be allowed to hold any public office. Their properties should be attached without much legal hassle.

Since NPAs have a greater impact on the common man, by way of increase in service charges, reduction in deposit rate, etc., the Government and the Reserve Bank of India should own the responsibility and speed up the process of recovery.

Graphics courtesy: firstpost.in

By K. Srinivasan, Editor in Chief

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## Special Story

### Digital Journalists Association of India launched - First of its Kind Initiative in India

Digital Journalists Association of India (DiJAI), the recent initiative of your ezine PreSense, was inaugurated on 2nd April 2016 at IIT Madras by Dr Santhosh Babu IAS, Chairman of Tamil Nadu Handicrafts Corporation. The inauguration was followed by a workshop on "Essentials of Digital Journalism". Highlights of the speeches:



#### Dr Santhosh Babu, IAS - Inaugural Speech



- The digital audience of today want to see latest and up-to-date news and not news that is even a day old. Digital journalists should cater to the needs of smart phone users also.
- Digital journalists should learn to use the 'Big data' to understand human preferences and help make their stories more meaningful.
- Professional ethics should be inculcated as each digital journalist's personal 'Lakshman Rekha'. DiJAI should facilitate this and create awareness.

#### Dr B Muthukumar, Technology Expert - "Digital journalism Tools"

- Present day readers are not satisfied with just stories. They demand supporting data too.
- Big data can be used to solve complex problems in digital journalism.
- There are several free tools in the internet that can be effectively used by the digital journalists.
- Drupal and WordPress (both open source) can be used for news sites. Recently, New York Observer migrated from Drupal to WordPress.
- 'Google Translate' Android app can be used to interact with people of different language.



Dr Muthukumar's Presentation can be downloaded from the link <http://goo.gl/a3soVI>



## **N Ramesh, Advocate - "Legal Aspects in Digital Journalism"**



- The Indian Constitution is the basis for fundamental rights. The Constitution does not provide any special freedom to 'Press'. The rights and duties applicable to all the citizens are applicable to the media too.
- In the case of messages, where intrusion of privacy is involved, all the persons who have shared such messages defaming others are chargeable with civil and criminal liability. However, statements made in the public domain are subject to criticism. Such criticism will not come under defamation.
- 'Hate speech' and 'defamation' have different definitions.
- Many digital media writers do violate several codes. The Government should enact laws to regulate the digital media.

## **Cyber Simman, Technology Columnist and Senior Journalist - "Ethics in Digital Journalism"**

- All journalists, including digital journalists, should be aware of the do's and don'ts.
- Basic ethics have not changed over the years, in spite of all development and progress. They however need to be updated.
- Digital journalists should follow four important fundamentals viz. (1) accuracy and truth, (2) reliability, (3) responsibility and (4) neutrality.
- The fear, concern and debates that are being held today due to the growth of digital media, were present even in 1858 when the telegram was introduced. It is considered the second revolution in media, the first being the printing technology. The telegram when introduced, was considered 'too fast for the truth'.



DiJAI plans to conduct similar workshops to hone the professional skills and to bring together digital journalists at a global level.

For more details, visit [www.dijai.in](http://www.dijai.in). DiJAI can be reached at [dijai.india@gmail.com](mailto:dijai.india@gmail.com).

By K. Srinivasan, Editor in Chief

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### **Founders of DiJAI**

Prime Point Srinivasan (Editor in Chief, PreSense)  
 V Rajendran (Cyber Advocate and Editorial Team of PreSense),  
 Susan Koshy (Editor, PreSense),  
 R Nurullah (Senior Tamil journalist)  
 Dr Sudarshan Padmanabhan (Associate Professor, IIT Madras)  
 E Perumal alias Bharathi Thamizhan (Online Editor, The Tamil Hindu)  
 Suryah SG (Mg. Editor, New Gen Thamizhan)

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book it only in the name of the organisation or the real owner, to avoid any future complications.

4. Once the domain name is booked in the name of the organisation, the web designer will need to visit the control panel of the domain name only when he has to change the DNS Settings or the Name Server Settings. The annual renewal charges can be paid online, when you receive the alert from the registrar.
5. Keep the user ID and the password of Domain Registrar safely and do not share them with others. Using the same user ID, you can book any number of additional domains.
6. To ensure against any misuse of the name of your organisation in the future, you can register several domain names with different connotations like *mydomain.com*, *mydomain.net*, *mydomain.org*, *mydomain.in*, *mydomain.co.in*, etc. All the domains can be pointed towards your main site. If yours are a popular company or organisation, and if you are holding only one domain name *mydomain.com*, another person can book a domain name *mydomain.in* and could create trouble for you. This kind of activity is called 'cyber squatting'. Since cyber squatting has not yet been categorised as an offence under the cyber law, the responsibility of protecting the domain name vests with the genuine owners.



parked whitehouse.com site

Interestingly, whitehouse.com is not with the American Government. It was used as a porn site earlier and now they have parked the site without content. Whitehouse.gov is the official site of the President of India. There are instances where several leading Indian organisations do not own domain names with other extensions. Such organisations run the great risk of mischief makers who might purchase these domain names, causing embarrassment.

After reading this article, please visit *who.is* and get the registration details of your personal and official domain names. If there are any discrepancies, you can rectify them immediately and safeguard the interest of your organisation and yourself.

Web designers have no moral or legal authority to book domains in their name on behalf of the organisation when you have asked him to book on your behalf.

For any additional information, contact <mailto:info@cysi.in>

V Rajendran, Editorial Team

### This Issue is Unique

This edition is the 109th edition. Since its first issue, PreSense was regularly and punctually released on the 1st of every month. This time however, our Editorial Team decided to include a report on the Digital Journalism workshop which was held on 2nd April 2016, in this issue. We accordingly made an announcement on March 31, 2016 that the March 2016 edition would be released on 3rd April 2016.

This is the first time in the past 10 years, the ezine is released on 3rd, instead of 1st.





# PRince

By- Triambak Sharma



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## From The Archives - March 2010

### The Story of an Ant – Believe Us: It Is 100% Imaginary



Every day, a small ant arrived at work very early and started work immediately. She produced a lot and she was happy. The chief, a lion, was surprised to see that the ant was working without supervision.

He thought: if the ant could produce so much without supervision, would she not produce even more if she had a supervisor? So he recruited a cockroach which had extensive experience as supervisor and which was well-known for writing excellent reports.

The cockroach's first decision was to set up a clocking-in attendance system. He needed a secretary to help him write and type his reports and so he recruited a spider, which managed the archives and monitored all phone calls.

The lion was delighted with the cockroach's reports and asked him to produce graphs to describe the production rates and analyse trends, so that he could use them for presentations at board meetings. So, the cockroach bought a new computer and a laser printer and recruited a fly to manage the IT department.

The ant, which had once been productive and relaxed, hated this new plethora of paperwork and meetings which used up most of her productive time! The lion came to the conclusion that it was time to nominate a person to take charge of the department where the ant worked. The position was given to the cicada, whose first decision was to buy a carpet and an ergonomic chair for his office space.

The new person in charge, the cicada, also needed a computer and a personal assistant, whom he brought from his previous department, to help him prepare a Work and Budget Control Strategic Optimisation Plan. The department where the ant worked was now a sad place, where nobody laughed anymore and everybody became upset.

It was at that time that the cicada convinced the boss, the lion, of the absolute necessity to start a climatic study of the environment. Having reviewed the charges for running the ant's department, the lion found out that the production was much lower than before.

So he recruited the owl, a prestigious and renowned consultant to carry out an audit, and suggest solutions. The owl spent three months in the department and came up with an enormous report in several volumes that concluded: "The department is overstaffed."

Guess whom the lion fires first? The ant, of course! Because she "showed lack of motivation and had a negative attitude".

NB: The characters in this fable are fictitious; any resemblance to real people or facts within the Corporation is purely coincidental.



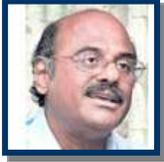
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