

# Central Command

*Dictatorial rule and financial mismanagement plague India's oldest bank. But for how long will it continue, ask **NEHA DIXIT** and **SHANTANU GUHA RAY***

LAST MONTH, the Prime Minister's Office (PMO) received a note from the Lok Jagran Manch, a Lucknow-based NGO, asking it to find out how Central Bank proclaimed itself as the best public sector bank for loans to micro and small enterprises (MSEs) in India. In fact, there had been very little financing to MSEs by the bank for the last three years. "In the year 2007-08, not even a single rupee has been given to MSEs," it stated.

Besides the MSE issue, the NGO also raised a number of charges — ranging from gross financial irregularities to serious violation of HR issues — against the functioning of the country's oldest bank, its high-profile chairperson and MD, HA Daruwala and a handful of her senior colleagues.

Interestingly, another note concerning the bank and its chairperson went to the Central Vigilance Commission (cvc) from the Indian Rejuvenation Initiative (IRI), another NGO that castigated the CVC for reportedly leaking to the bank the name of Abhijit Ghosh, a general manager who — under the Whistleblower's Act — had provided the CVC with documents on the irregularities. "We now learn that the whistleblower's name has been compromised," wrote IRI head and former Chief Justice of India, RC Lahoti.

The CVC blamed Ghosh for spilling the beans by speaking to a number of CVC officials but could not counter Ghosh's charge that top CVC officials had actually met Daruwala on April 1 this year. The CVC also failed to answer as to how the letter was actually read out by Daruwala at a conference in Mumbai. "This was one of the most bizarre cases, where the CVC violated its own code of conduct and — in many ways — collaborated with the bank," alleges IRI.

Ghosh had raised a number of issues: anomalies in tenders issued by the bank to printing and advertising agencies, in airline ticket purchases, and in sanctioning of loans to companies that donated money to a Parsi educational institution. He had also objected to Daruwala's alleged rude behaviour. Ghosh was not alone. In another case, a number of general managers of the bank had objected to Daruwala's settling an outstanding account (the company was SIMCO) for Rs 21 crore, the original amount sanctioned to the company more than two decades ago. The actual sum that ought to have been due to the bank, along with interest, was over Rs 100 crore. This case is now being investigated by the Central Bureau of Investigation (CBI).

Ghosh, one of the most honest officers of the bank who was once recommended for a crash course at the Kellogg's Business School, is currently under suspension in Pune. Another senior bank official, who did not agree to follow Daruwala's diktat, is currently in Chennai, denied medical leave despite being diagnosed as a high-risk heart patient. India's top public service lawyer, Prashant Bhushan, is fighting the case free of cost. "Ghosh is being punished," avers Bhushan.

Daruwala's frequent use of foul language is commonplace. Consider this one. Once, she misbehaved with members of a visiting Parliamentary Committee on Subordinate Legislation. Dr Najma Heptullah, head of the committee, received a note from the members demanding action against Daruwala. The matter is pending before the Chairman of the Privileges Committee. TEHELKA has reliably learnt that the matter has now reached the office of Finance Minister P Chidambaram who — upset at all the controversies surrounding Daruwala — has refused to meet her, despite numerous requests.

Consider the case of over 20 senior officials in the bank who were dismissed across the country

for supporting a dead colleague's family. The issue had begun with over 40 handicapped and severely ill officers being transferred in May last year, reportedly under Daruwala's instructions. One of them, Ramdeen Jaiswaar, an assistant manager in Kanpur who was undergoing dialysis, was shunted to Jhansi. When his family wanted the bank to put a stay order on the transfer (because of a lack of dialysis facilities in Jhansi), Regional Manager TK Paik allegedly abused them using casteist remarks (against Jaiswaar) and rejected the plea.

Following this, Jaiswaar's family filed a complaint with the National Commission for SC/ST. Jaiswaar eventually joined the Jhansi branch but was not paid his salary. With no access to dialysis facilities, he died in acute penury within 20 days of his transfer. "My husband was threatened to withdraw his complaint," says Madhu, his widow. "We have no money left but will fight," says his 19-year-old daughter, Ritika. Even after his death, the family alleged that threats were routine: worse, they were denied compensation and a job in lieu of the dead employee, which is the government rule.

Already upset with what they claim unfair HR practices ever since Daruwala took charge, after Jaiswaar's death, employees began a nationwide protest against the bank administration. Instantly, cases were registered against them and more than 20 officers dismissed instantly. Says SK Dasgupta, a trade union leader: "She has taken bulk deposits worth Rs 27,000 crore for the purpose of windowdressing, at a rate of interest of 12 percent per annum, when the bank already has surplus funds. This money is being given as loans to big corporate houses at 8.5 to 9 percent interest."

THE BANK also violated SEBI guidelines by not disclosing all its strengths and weaknesses in its IPO last year. Facts like the bank's share in the industry was down from 4.7 percent to 3.1 percent, and the treasury income zero, were kept away from investors.

Daruwala has altered several policies, such as promotion and transfers, by mere verbal communication. These include reducing the joining leave (after transfer) of an employee from seven to four days, abolishing conveyance reimbursement facility for all officers, and forcing all audit staff to stay in a single room to reduce costs. And this cost cutting comes when her personal foreign trips with family members have been made allegedly at office expense — though the bank has no branch outside India and no other seminar or conference was scheduled during her visit. She has engaged retired general managers as special officers in all crucial departments, including credit, balance sheet and actuary, despite dissent from many directors.

Although Daruwala's not being able to meet the Finance Minister could signal that all is not secure for her further tenure, employees have continued to reel under her reign. Corrective action is imperative to nurse the bank — and its employees — to financial health. And it must happen fast because Daruwala retires this yearend.

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