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Sustainability and Ethical Banking: A Case Study of Punjab National Bank

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Abstract

In the field of banking and finance, Ethical banking is a business model that responds to emerging approaches to sustainable economy based on the principles of corporate social responsibility. Ethical banking is also known as 'sustainable banking' or 'civic banking' or 'clean banking'. 'Transparency in reporting' is a major value integrated in the fundamentals of ethical banking (Barcelona, 2012). The recent disclosure of mega scam in Punjab National Bank has violated this fundamental norm of ethical banking. Besides, the surmounting non-performing assets in banks pose a threat to the sustainability of these banks. The present study focusses upon these two areas of CSR by forecasting NPAs of PNB in 2025 and by highlighting the present case of mega scam in the bank. The study has forecasted the non-performing assets of PNB on the basis of quarterly data from 2010 to 2017. Basel II guidelines regarding better supervisory review, market discipline via certain disclosure requirements and minimum regulatory capital were introduced in an advanced manner in India in 2010. Hence, quarterly data relating to repo rate, gross domestic product, inflation rate and loans and advances from 2010 to 2017 has been considered. The second major objective of the study aims at highlighting the recently revealed scam relating to Punjab National Bank. Coincidentally, the PNB scam also lasted seven years from 2010 to 2017. For forecasting non-performing assets of PNB in 2025, E-views 8 have been used to perform multiple linear regression on the data. Besides, the case also gives an outline of the scam declared on February 14, 2018 which highlights the fraudulent transactions at one of its branches. (Hindustan Times, Feb 20, 2018). The study empirically finds out that if the trend goes on, the Gross NPAs of Punjab National bank will be equal to INR 84140.46 crores which is 9.56% of its average loans and advances. The results are quite alarming. The study has forecasted the non-performing assets of PNB using multiple linear regression equation. The forecasted NPA figure can help the regulatory bodies in further analysis of bank's financial soundness post scam. The intent of this critique study is to incite further exploration of the financials of PNB giving due consideration to non-reported transactions covered under the scam.

Key Words: Corporate Social Responsibility, Sustainability, Ethical Banking, Scam, Non-Performing Assets.

JEL Classification: O16

Paper Classification: Research Paper

Introduction

A Bank is a financial institution that plays key role in channelizing savings of individuals and institutions to a group of Individuals and Institutions to invest in economic activities. The major functions performed by a bank are acceptance of deposits and granting of loans. Besides, a bank also performs functions of discounting of bills, collection of bills, remittances, Issuing letters of credit and letters of guarantee. A further diversification has led the banks to fall in activities such as Investment banking, mutual funds, factoring services, bancassurance, venture capital financing, securities trading, foreign exchange consultancy and taxation advisory services among others (ICSI module). As a financial intermediary, banks provide various facilities to society at large aiming at economic, social and overall development of an economy (Swamy, 2013). The credit lending facility provided by banks in the form of giving loans, funding entrepreneurial projects, seed financing, SME financing etc. helps in a momentous manner, to promote economic and social well-being of an economy. This further gives trigger to infrastructural development in the economy. Besides, dispersal of various education loans, self-employment promotions and funding education abroad is another area of significance. Indeed, banking sector plays a significant role in the economic development of a country. In India, different Government schemes like Make in India, DBT and Jan Dhan necessitates banks to operate at a bigger scale. But expansionary measures carry with them innumerable challenges. These days, banking sector is in limelight due to increasing non-performing assets. To add to this, the scandals, scams and fraudulent activities reveal dangerous cracks present in the Indian financial system. The recently revealed mega scam at Punjab National Bank, stand as a testimony to the same.

The present study focuses upon the two basic areas i.e. 'Sustainability' (survival or collapse) and 'Ethical Banking' by forecasting NPAs of PNB in 2025 and by highlighting the present case of mega scam in the bank.

Why Banking Regulation?

Various market failures and collapse of major banks led to the emergent need of regulating the banks using certain enactments and laws. Moreover, the inability of depositors to do surveillance or supervision also made it necessary to bring about guiding and supervising regulations to safeguard their interests. Considering this, in 1988, Basel Accord was formed by the G-10 countries members in Basel, Switzerland. Basel Accord has issued three Basel regulations till date: Basel I, Basel II and Basel III to supervise banking practices worldwide.

Banking Reforms in India

The setting up of Narsimham Committee in 1991 by the Government of India has set up the agenda for banking reforms in the country. In 1999, the government again set the commission to strengthen the banking and financial systems and to take a review of the previous guidelines. The guidelines aimed at lowering CRR and SLR rates, to set up norms for the purpose of income recognition and asset classification, introducing capital adequacy norms, deregulation of interest rates and access to capital market for banks, amongst other guidelines. The major focus was on strengthening the legal and institutional framework for speeding the processing of recovery of debts. Besides, banking supervision and regulatory oversight of banks was supposed to be further strengthened.

Indian economy has faced a lot of financial distress during British regime due to which implementation of Basel norms in India has been delayed comparative to other economies. Basel III is presently in implementation phase in Indian economy.

Non-performing Assets: The troublemaker

Banks are required to categorize non-performing assets into three categories based on the time period for which that asset has remained in non-performing state: (i) Sub-standard assets (ii) Doubtful Assets & (iii) Loss Assets.

As per RBI definition, an asset, including a leased asset, becomes nonperforming when it ceases to generate income for the bank. It is also called a nonperforming loan. A 'non-performing asset' (NPA) is a credit facility in respect of which the interest and/ or installment of principal has remained 'past due' for a specified period of time. The trend of deteriorating asset quality has become a major challenge for Indian banking sector.

Ethical Banking

Ethics is a convention of behavior considered to be correct. It is infact a science of moral values. Ethics can be defined as a criterion to measure norms, rules and cultural values on the grounds of being good or bad; being right or wrong. The financial institutions are expected to contribute towards to the development of a sustainable economy. The primary principles of banking ethics are quite general in nature. These are principles of Integrity, Neutrality, Reliability and transparency and respect to environment

Desired Ethical Practices and Corporate Governance

1. Transparency: Window dressing of data in financial statements leads to non-transparency. True and fair disclosure of financials is of utmost significance to ensure existence of healthy business environment.
2. Insider Trading: Insider trading is a state whereby any person having access to certain sensitive information relating to the business, makes use of such information for his advantage, he is said to be indulged in insider trading.
3. Conflict of Interest: In case of Mergers & Acquisitions, the audit firm's consultancy division offers consulting services and which can be used by the consulting division in valuation.
4. Golden Parachute: The top management of the company is offered incentives and advantages to avoid takeover scenario.

In simple words, banks and other financial institutions are expected to follow some important principles of corporate social responsibility. These are: Commitment to sustainable environment; commitment to social and environmental responsibility; commitment to ensure a transparent environment; committed to be accountable; commitment towards worthy governance.

There is no doubt saying that banks are required to follow these principles in true spirit, but there are certain instances when these rules are broken, guidelines are violated and ethics are compromised to a great extent. One such example stands before us relating the recently disclosed Punjab National Bank scam which has given the bank a major chunk of NPAs and an overriding amount of debt.

Introduction to Punjab National Bank

Punjab National Bank started its operations on April 12, 1895 from Lahore. With a brand image of 122 years of performance, the bank has more than 10 crore customers, consistently growing operating profit, low cost of deposits and increased pace of digitalization.

To improve financial health and soundness, the major challenge for the banks of the day is to effectively manage the non-performing assets. Rising NPAs put the solvency position of the banks under pressure. A review of past literature showed that (1) Most of the studies have focused on highlighting the movement of NPAs in scheduled commercial banks in India. (2) Past literature review also reveals that very few studies have been conducted on NPA Forecasting. The examination of trend of NPAs in the banking sector using trend analysis and analysis of variance has been done by few authors (Bandopadhyay, 2013; Murali and Ramakrishnaiah, 2013, Selvarajan and Vadivalagan, 2013;Sonatakke and Tiwari, 2013; Das and Dutta, 2014; Yadav, 2014; Laveena, 2016; Sinha, 2016). Besides, an investigation of the various determinants of stressed assets in the banking system in India has been done by some authors using panel data modelling (Prasanna et al., 2014; Dhar, 2015). Dash Mihir, Venkatesh KA and BD Bhargav (2011) analyzed in their study the asset liability management of banks operating in India by assessing the liquidity position of banks through maturity profiling. The study covered all commercial banks except Regional Rural banks for the year 2008-09. The study revealed that, overall; public sector banks had a better short term liquidity position than the private sector and foreign banks.

Ranjini (2013) has examined the state of NPAs in the banking sector by eliciting responses from the employees of banks, operational in Bangalore, having more than five years of experience. Also, using correlation, it has been observed by Rawlin et al. (2012) that there is a strong relationship betweeen Gross NPAs and net NPAs and the loans and advances dispersed by the mid-sized public sector suggesting that Gross NPAs and net NPAs can be estimated from the advances. Also, using correlation coefficient, Narula and Singla (2014) assessed the financials of Punjab National Bank (PNB) from 2006-07 to 2011-12 revealing that if on one side the total profits and net advances of PNB are increasing continuously since 2006, on the other side, Gross NPAs and net NPAs are also increasing. Reddy (2002) and Boudriga and Taktak (2009) have empirically analyzed the determinants of non-performing assets across countries in their study raising requirement of sound understanding of macroeconomic variables to solve NPA problem. The study also suggested an increase in transparency and enhancement of legal system to reduce the credit risk exposure. Chipalkatti and Rishi (2007) investigated in their study whether Indian banks tend to provide for less loan loss provisions and have understated their gross NPAs to improve earnings. The result indicated that some weak Indian banks having low profitability have obscured the size of their gross nonperforming assets. Also, Vallabh et al. (2016) in their study have proposed methodology of forecasting NPAs of SBI in 2020, to determine their causes and recommend solutions for the same. The study forecasted NPA=150305.1904 crores. The study also looked into the issues related to ARCs in India to create enabling environment in the country. Bandyopadhyay Gour (2013) undertook an empirical approach to analyze the movement of NPAs in six selected PSBs of India over the last two decades. The study developed forecasting model for medium term with NPAs as dependent variable. A Time series data for 17 years from 1996 to March 2012 was analyzed using semiPar package of R software. Forecasted value of GNPA for three years (2013, 2014 & 2015) of all the selected PSBs shows a continuous upward rise. Similarly, Tiwari, Neeraj (2011) highlighted the ongoing problem of NPAs faced by Indian banks and focused on the evolution of Asset reconstruction companies as an institutional mechanism.

Chaudhry Sahila and Singh Sultan (2012) reviewed the reforms initiated after 1991 in Indian banking sector. He also analyzed the impact of reforms on the group-wise/year-wise asset quality of public, private and foreign banks in India. The study revealed that the asset quality has shown a significant improvement over the years in all the groups of the banks. Also, Swami Vigneshwara (2012) reviewed in his study the determinants of bank asset quality and profitability. The findings of the study revealed that contrary to the general perception, priority sector credit is not affecting NPAs of banks these days. It reveals that the bad debts are on account of the performance of Industry. It also shows that capital adequacy positively influences the profitability and asset size has no significant impact on capital adequacy. Dhar and Bakshi (2015) examined the factors that influence the variability of loan losses of 27 Indian banks in public sector. The study based upon panel regression revealed that certain bank specific factors like net interest margin and capital adequacy ratio exhibit negative impact on gross net performing advances of Indian banks.

Prasad Krishna and Joshi G.V. (2013) revealed in their study that the problem of bad loans is a burning issue for PSB of established reputation, namely State Bank of India. The general notion that lending to priority sector by PSBs is the main culprit leading to huge NPAs has now been disproved by the study. The study revealed that the lending to non-priority sector is the major cause of concern.

Singh (2016) documented primary research on the issue of stressed assets. The study also revealed the trend in rising stressed assets. There has been a substantial increase in the stressed assets mainly in PSBs. The study suggests the setting up of a special cell by the government to swiftly deal with NPAs. This cell will investigate NPAs and will also provide guidance to bank staff. In case of existing NPAs in PPP projects, the PSB should get forensic audits done. Also, Sinha, A. (2016) empirically examined the NPA trend in the sector during the period 2005-06 to 2014-16. With the use of trend analysis and analysis of variance, the study revealed that the growth rate of gross NPA and net NPA is 23.83% and 31.51% respectively. No uniform pattern is observed in terms of NPAs from the priority sector. Hemavathy and Thangavelu (2015) examined in their study the position of NPAs in public sector banks, private sector banks and foreign banks. They also determined the comparative position of NPAs in the mentioned banks for a period of 6 years from 2008 to 2013. The study revealed the scheduled commercial bank will have the GNPA in 2020 equal to 3699.05, the next highest is public sector bank with 3329.25. They are followed by private sector banks with 266.17 and foreign banks with 103.63. Dubey Dutta Deva and Kumari Pallawi (2014) empirically analyzed in their study the entire universe of 39 listed banks and attempted to find correlation between NPA levels and stock market performance of listed banks for past 15 years. The study reveals that NPA is a factor that affects bank market capitalization.

Jha (2019) aimed at establishing a link between the growth of NPAs and the internal management of a financial institution. The study suggests that the banks should not be conservative while lending money and the creditors must be kept informed about the recent developments. The study has further emphasized upon the need of showing compliance to laws. Similarly, Murugun et al. (2019) also studied NPAs as a major challenging issue and have suggested remedial measures for banks to control them.

Arfat (2019) has investigated the size and causes of bad loans in banks, for which responses have been taken from credit/advance working in different banks in the province of J&K and Srinagar. The responses revealed that the bank specific factors have significant influence on the size of NPAs in banks. The study has envisaged highest significance to the supervisor authority aspect. Also, Viswanathan and Muthuraj (2019) studied the impact of various financial indicators such as total net worth, quick ratio, PAT as percentage of net worth, on non performing assets.

Objectives of the Study

The present study is an empirical work relating Punjab National Bank, a public sector Bank operational in India and has the below given objectives:

- To forecast the Non-performing assets of Punjab National Bank in 2025 on the basis of quarterly data from 2010 to 2017.
- To highlight the recently revealed scam relating PNB by describing the chain of events and their aftermath.

Basel II guidelines regarding better supervisory review, market discipline via certain disclosure requirements and minimum regulatory capital were introduced in an advanced manner in India in 2010. Hence, quarterly data relating repo rate, gross domestic product, inflation rate and loans and advances from 2010 to 2017 has been considered. The second major objective of the study aims at highlighting the recently revealed scam relating PNB. Coincidentally, the PNB scam also lasted seven years from 2010 to 2017. For forecasting non-performing assets of PNB in 2025, E-views 8 has been used to perform multiple linear regression on the data.

Research Methodology

Data is collected from statistical reports available on RBI website, moneycontrol and annual reports of Punjab National Bank. Besides, news reports, research papers, conference proceedings and economic surveys both at national and international level helped in building a viewpoint relating the financial health of the bank. To forecast Non-performing assets of PNB, quarterly data relating repo rate, gross domestic product, inflation rate and loans and advances from 2010 to 2017 has been considered and Multiple Linear Regression has been performed using E-views.

Variables used in Forecasting Technique

The below given variables have been used for forecasting Nonperforming assets of Punjab National Bank:

- Repo Rate: Central bank lends money to all the commercial banks at this rate.
- Gross domestic product: It is the market value of services and goods produced in a selected geographical area (normally a country) in a selected time interval (usually one year) (Leamer, 2009). It is a growth indicator as the economy grows; there is growth in loans and advances having direct impact on the non performing assets (Vallabh et al., 2016).
- Inflation Rate: Inflation rate or CPI in India represents the trends of prices of goods and services in the economy (http://www.finance.gov.pk/survey/chapters_13/07-Inflation.pdf). As there is a rise in inflation, it becomes inexpensive to borrow leading to a fall in the purchasing power of the consumer and a consequent fall of profits for the companies. This results in rise in NPAs (Vallabh et al., 2016).
- Loans and advances: When the size of loans and advances increases, the proportional risk of NPAs also increases. (Vallabh et al., 2016).

Data Analysis

Multiple Linear Regression Model (Stepwise Least Square Method) has been performed to estimate the equation. Multiple linear regressions helps in modeling the relationship between two or more than two independent variables and a dependent or response variable by fitting an equation, which is linear in nature, to the observed data. Each and every value of the independent variable 'x' is linked with the dependent variable 'y' (http://www.stat.yale.edu/Courses/1997-98/101/linmult.htm)

The dependent variable is Non Performing Assets (DGNPA) and the Independent variables are Inflation rate (DCPI), Repo Rate (DREPO), Gross Domestic Product (DGDP) and Loans and advances (DLA).

The characteristics of the best model are as given below:

- High value of R-squared.
- Residuals are normally distributed.
- No heteroscedasticity.
- No Serial correlation

Multiple Linear Regression Model (Stepwise Least Square Method)

In the output of our model it has been observed that both DGDP and DLA are significant variables because their p value is less than 5%. Also 50% of the variables are significant which a good sign is. Also p-value corresponding to F-statistic is less than 5% which means F-statistic is significant and model is fit. R-Squared value is 94% which is good.

Estimated Model Equation

DGNPA= -45552.20+411.2794*DCPI+0.026827*DLA

A. R-Squared

In the above output, R-squared value is 95% which means data is fitted nicely and model is good fit.

B. Test of Normality

This test was performed in e-views 8 to check whether the residuals are normally distributed or not. The following output was obtained:

Null Hypothesis: Residuals are normally distributed.

Alternate Hypothesis: Residuals are not normally distributed

Jarque- Bera value is 5.120847 and its corresponding probability is 0.077272. This means that the p-value is greater than .05. So we fail to reject the null hypothesis. Thus, it can be said that the residuals of this model are normally distributed which is a desirable condition for goodness of fit.

C. Test of Heteroscedasticity

This test was performed in e-views 8 to check whether the Heteroskedasticity exists or not. To check this, Breusch-Pagan-Godfrey test was used.

The following output was obtained:

Null Hypothesis: Residuals are not heteroskedastic

Alternate Hypothesis: Residuals are heteroskedastic

In the output, the Observed R-squared value and its corresponding p-value (13.4%) which is greater than 5%. So, we fail to reject the null hypothesis. So, it can be said that residuals of the model are not heteroskedastic rather residuals are homoskedastic.

A. Test of Serial Correlation

Breusch-Godfrey Serial Correlation LM Test was used to check whether serial correlation exists among the residuals. The following output was obtained: Null Hypothesis: There is no serial correlation between the residuals

Alternate Hypothesis: There is a serial correlation between the residuals

In the output, the observed R-squared value and its corresponding p-value (7%) is greater than 5%. So the study failed to reject the null hypothesis. It means residuals of this model are not serially correlated which is desirable.

Final Forecasting Model

GNPA= -45552.20+411.2794*DCPI+0.026827*DLA

1. Assuming inflation rate of 6%
2. Assuming loans and advances of PNB in 2025 at a year on year growth rate of 10%

Estimated NPA (DGNPA) = 84140.45 Crores and is 9.56% of the mean average loans and advances of Punjab National Bank.

With this Forecasted NPA = 84140.45 Crores, we can predict that the Non-performing assets of Punjab National Bank in 2025 will be quite high comparative to the present scenario.

Bank is taking consistent efforts to tackle NPA problem. It has increased the provision coverage ratio, to 60.78% in December'17 from 54.96% in December'16. Besides, the bank has created separate war room for monitoring of weak loan accounts. Special onetime settlement schemes have also been launched by the bank for doubtful and loss category small and medium size NPAs. These initiatives taken by the bank will, no doubt, help in putting a check on the increasing NPAs but while discussing this, we cannot ignore the recently disclosed series of scams in the bank which will indeed put its financial stability under a big question mark.

Punjab National Bank hit by a Fraud

Punjab National Bank declared on February 14, 2018 that it has found fraudulent transactions amounting $1.77 billion (around Rs. 11,400 crore) at one of its Mumbai branch. (Hindustan Times, Feb 20, 2018).

What is the fraud all about?

Punjab National Bank filed a police complaint against Nirav Modi and Mehul Choksi for defrauding the bank by colluding with some bank officials. On behalf of Nirav Modi's and Gitanjali group's firms, unauthorized letter of undertakings (LOUs) were sent to Foreign Banks. These letters gave instructions to the foreign lenders to lend money to Nirav Modi firms so that he can make payments on account of imports. It further guaranteed that if they do not pay back, the bank will pay back the money (Hindustan Times, Feb 20, 2018).

Where is the irregularity present in the case?

Whenever an importer goes to the bank to seek such a guarantee, the bank asks the importer for collateral which can be a fixed deposit with the bank or a property in his name. A credit limit is also sanctioned by the bank. In the present case, the bank employees sent these guarantees without taking any collateral and without sanctioning any credit limit. The most important thing is that they did not make any transaction entry in the bank's CBS (Core banking system) for the same, which is used for record-keeping. In some cases, they quoted a lower amount to make a corresponding entry. (Hindustan Times, Feb 20, 2018). The foreign bank, on receiving this guarantee, will give loan to the importer (Hindustan Times, Feb 20, 2018). According to CBI, the money obtained through these guarantees was not used for import related payments but to settle down earlier loans taken. (Hindustan Times, Feb 20, 2018.

How it came to light?

Two of PNB's junior employees were sending unauthorized letter of undertakings for the past seven years. One of them retired and a new employee joined in his position. In January, when a fresh guarantee was asked for by Nirav Modi firm, collateral was asked for by the new PNB employee in that position. An investigation started when he was being told that collateral was never asked for in the past from Nirav Modi firms. (Hindustan Times, Feb 20, 2018).

What is the present situation for PNB?

Punjab National Bank is having guarantees worth Rs. 11,400 crores which it is supposed to pay and these are due over the next few months (Hindustan Times, Feb 20, 2018).

Aftermath of the Fraud

As a directive, on March 13, 2018, RBI banned banks from issuing guarantees in the form of letters of undertaking (LOU) to prevent any further misuse of the facility. It has been decided that the process of issuance of LoUs for trade related credits for imports in India should be discontinued by commercial banks with immediate effect.

RBI has also directed banks to connect their core banking systems (CBS) to the SWIFT (Society for worldwide interbank financial telecommunication) system by April 30, this year. Nirav Modi having charges of criminal conspiracy, cheating, dishonesty, fraud, breach of trust and breach of contract has been arrested in London after an arrest warrant was released against him. As per economic times report, shares of Punjab National Bank jumped 4 per cent after scam accused Nirav Modi was arrested in London (ET Prime, March 20, 2019).

Bringing about Reforms Agenda

Scam hit Punjab National Bank has been ranked first in the execution of 'Reforms agenda'. The Bank has got a score of 78.4 out of 100 by demonstrating strong performance in parameters of customer responsiveness, financial inclusion, growth in credit and responsible banking. The bank had to place aside Rs. 14,000 crores for bad assets to overcome the stress caused by fraud.

Recommendations of the Study

- The forecasted value of NPA in the study which is approximately 9.56% of PNB's average loans and advances throw a call to bring about remedial measures.
- Sector wise planning should be done by the bank.
- Sound banking is RBI's responsibility. The RBI has powers under the Banking Regulation Act, 1949 (Section 35A) to give directions to banks. It should take legal action against the banks showing non-compliance to its mandates.
- The banks have a tendency to monitor and supervise funded exposures. Processes related to transfers must also be made more transparent (Diwanji, EY India)
- Higher provisioning requirement for NPAs should come as a mandate by RBI and be followed in true spirit.

- An overhaul of the process of issuing and enforcing regulations to better discipline the banks is the need of the hour if recurrent crisis in the banking sector are to be prevented.
- Each bank should take a review of their control systems and technology and, as instructed by the recent mandate of RBI, the CBS should be connected to SWIFT at the earliest.
- The developed countries are using structures like Asset reconstructing companies to solve the problem relating non-performing assets. RBI has also taken help of ARCs to solve problem of NPAs but had only limited success.
- The need of the hour is to avoid complete divestment of Government of India's holding in Public sector banks (PSBs) and to have an ownership neutral regulatory culture. (BBB's Recommendations, March 2017) (Pandya, 2018)
- Legal reforms are supposed to be bring about to increase central bank's powers to regulate public sector banks. Presently, RBI has limited authority when the issue of dealing with PSBs comes in to picture. (World Bank, January, 2018) (Pandya, 2018)

Concluding Observations

Frauds in banking in India have thrown light on the requirement for revamping the regulatory mechanism and corporate governance principles and practices of Indian Public sector banks. As per RTI data, the banking sector in India has reported that a total of 21 public sector banks have lost INR 25,775 crores on account of bank frauds in financial year 2018. But the recently revealed mega scam that has hit Punjab National Bank has created sensational threat. (Pandya, 2018). The present study has developed a way to forecast non-performing assets using linear regression equation. The model predicted that the issue of rising Nonperforming assets is a major problem. The forecasted value can be helpful to RBI and other policy makers to apprehend the chances of bank's survival in the long run. RBI, indeed, can exercise coercive power over banks but it is simply impossible for a banking regulator to be in every nook and corner to keep an eye on the cases of fraud. The need of the hour is for the commercial banks to be vigilant in showing compliance to RBI mandates and ensuring strict supervision and control in their internal management. The developed countries are using structures like Asset reconstructing companies to solve the problem relating non-performing assets. RBI has also taken help of ARCs to solve problem of NPAs but had only limited success.

The Government of the day is playing its part as the Modi government has approved the Fugitive economic offenders Bill on March 1, 2018 to stop economic offenders from evading the Indian law process. This bill gives power to the government to take possession of assets of a fugitive. The intent of this critique study is to incite further exploration of the financials of PNB giving due consideration to non-reported transactions covered under the scam.

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