

## BANKERS: COMMERCIAL WISDOM Vs. COGNITIVE DISTORTION

**IB Code was introduced as a path breaking initiative to resolve the burning issue of large NPAs in the Banking System and empowered the Bankers to get in the Driver's seat and quickly resolve and revive the stressed Companies.** A very high degree of trust was placed in the Bankers as members of COCs to decide the future of stressed Companies and maximise value thereof for the benefit of all stakeholders including themselves.

Cognitive distortions refer to thoughts which forces individuals to perceive reality inaccurately. As per Beck's cognitive model a negative outlook on reality is a major factor in symptoms of emotional dysfunction and poorer subjective well-being. Specifically, negative thinking patterns cause negative emotions.

All-or-nothing thinking is one of the many negative thought processes, known as cognitive distortions.

This cognitive distortion occurs when any judgment is based on only a portion of the information while disregarding all other information. These kinds of all or nothing beliefs can be highly detrimental to the health of our Banks as well as the economy. All-or-nothing thinking is problematic in many ways. It's limiting and "creates extreme and impossible expectations." This type of faulty thinking can also include an inability to see the alternatives in a situation or solutions to a problem.

We are well aware of the power of Positive Thinking and reviving a Company in distress requires a positive mindset and analysing all available options and deciding in favour of maximising the enterprise value.

**However, despite the stress on revival as against recovery, our bankers continue to focus on recovery through all means with IB code being treated just another tool for recovery which is totally against the preamble of the Code. They have also refused to understand the onus cast on them as COC**

### ALL OR NOTHING SYNDROME DESTROYING COMMERCIAL VALUE

**members to work towards revival of the companies. This opposition to change has been one of the chief reasons for our failure to benefit from the revolutionary IB Code.**

In most cases, a company referred for resolution under the IB code is already NPA in the books of Bankers and as per existing practice, Banks shift all such accounts to their Stressed Asset Management Group which acts as the Morgue and used for recovery like harvesting of organs before the funeral. They do not have the required mindset for even running a company forget revival since supporting an operational Company is not their cup of tea.

**The IB Code requires the company to be admitted to the ICU for special care which should lead to revival of the company. The moot question is How could the Company ever be revived if people entrusted with revival are only looking for doing a post mortem instead of a timely open heart surgery to save lives.**

**The ALL or NOTHING Syndrome prevents the Bankers from taking a practical view of the situation and revive the Company based on applicable ground realities in each situation and in their zeal to maximise recovery they actually kill the golden goose, and also destroy the wealth of the nation.**

**Recognising the change brought in by the IB Code, Bankers need to form a special vertical within the Bank just like, personal segment, mid corporate group, Large Corporates / CAG, Stressed Asset management group. It could be called as Corporate Restructuring/ Revival Group for handling companies undergoing CIRP. This group needs to be manned by people with Corporate Credit background and having a positive mindset. Adequate safeguards need to be built in the system to prevent any misuse as well as provide adequate protection for decisions taken based on their commercial wisdom some of which are bound to go wrong in few years' time.**

This would go a long way in revival of most companies in distress and prevent Banks from booking large losses. Aiming for the moon is very good but then being imprisoned in self created Wish List Syndrome is fatal. **For reducing the Bloating NPAs, industrial revival and employment generation, our Bankers need to stop Procrastinating, act faster and set in motion a decision making process based on Commercial Wisdom instead of Personal Prejudices.**

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**How could the Company ever be revived if people entrusted with revival are only looking for doing a post mortem instead of a timely open heart surgery to save lives.**

### Letter from a young daughter to her industrialist father

#### The Roots of the Black Money problem in India

Anthony J. D'Angelo says, "When solving problems, dig at the roots instead of just hacking at the leaves".

In our current efforts to make India a global economic powerhouse, we have certain challenges which need to be surmounted. One of these challenges is the Black Money stashed by Indians in various tax haven countries.

As a young Indian studying in Ahmedabad, I remember seeing this issue crop up in the papers time and again, but could never understand the need for people to keep their money outside India in other countries. Wasn't it better invested in the various financial schemes offered by public as well as private institutions in India? Why do these individuals feel the need to hide this cash? Answers to such questions remained a mystery to me then.

A few years after I joined my father, his company faced financial difficulties due to its correlation with the world steel sector. My father being the promoter along with company executives started working with the various bankers towards restructuring proposals and other options. I was able to be a part of such discussions and noticed that at such meetings the bankers would request my father as promoter to infuse cash into the company.

This request would always puzzle me, the bankers had first charge over all the company assets, shares etc. as well as signed personal guarantees from the promoters listing all their personal assets as well. Then what more other outside cash were they requesting?

At one meeting, my father seemingly tired of the repeated demands very categorically said, "I have never kept any separate cash outside India and do not plan to do so in the future as well". The penny dropped.

How can a promoter be expected to have free cash, unaccounted to the tax authorities when his company is in dire situation? If he does have this cash, does it not mean that he allowed the company's operations to go bad, while at the same time filling his own coffers? Is this not Black Money that is plaguing India?

After that day, I see news article after article where promoters have gone with restructuring proposals only to receive the answer to infuse cash in the company in exchange for support. Does this mean that the system is trying to punish these promoters for not having black money? Are such promoters being penalised because they have declared all their assets in an honest manner?

Sometimes, I think that the black money stasher individuals were smart, and saw this future need for hidden funds, and maybe my father should have done the same, but then I think what would have been the price. To do so would mean, not to believe in India and its growth story. To consider other countries more safe than our own country, India.

**But I BELIEVE IN INDIA.**

**Let's make sure that MAKE IN INDIA does not turn out to be SELL INDIA.**

We do need stricter monitoring and must punish any promoter who has taken out cash from the Company that he is supposed to nurture and protect but at the same time identify and honour the few honest ones and rather allow them to revive their companies with dignity which could set an example for others. Ultimately, the nation must be able to trust its people.

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