

Willful Default or Socially Responsible – A Study of Indian Banks and Companies

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Abstract

Willful Default is a problem faced by lenders across the world. The willful default issue is broadly a part of Moral Hazard issue. Willful default issues originated in academic literatures a few decades ago, specifically referring to the Moral Hazards, however there are very few literatures specifically to measure the same at the level of lenders as well as receivers. The authors main objective of this paper is to study and analyze certain aspects related to willful default within the broad realm of moral hazard. Within the moral hazard and specifically within the willful default aspects the authors are focused on Non-Performing Assets (NPA) management and NPA related to willful default. There are many dimensions within Non-Performing Assets (NPA) management; one of the important and relevant aspects is willful defaulter aspect in the current situation in India. Some of the largest cheating/loan frauds across the globe have been detected through willful default mechanism. Despite the global recognition and importance given to the willful default mechanism India has had very little success stories. Given the prevalence of NPA management as well as the willful default related specifically to NPA management it has become an important aspect for Indian banks to develop and implement mechanisms that will not only identify but also enhance the operations and deny further access. The motivation for the authors to perform this study is to specifically focus on willful default by the Indian banks and also the Indian companies and compare these banks and companies to the corporate social responsibility (CSR) activities that these banks and companies are spending and focusing their social responsibility activities. The researchers performed a thorough study of literature reviews and found the gap specifically in the area of willful default and related these to Social Responsibility (CSR) within the Indian banks and the Indian companies. The researchers also found that there have been limited studies that have been investigated across the globe and compared to the Indian context with respect to the relationship of willful default and CSR. The authors performed an exhaustive overview and review of more than 100 research papers on the broad areas of willful default and found that there are limited studies that specifically analyze the banks and companies in India and

compared them to their CSR activities. The authors sample comprises a total of 162 banks and 4000 companies. The 162 banks are both private and government owned from India. The total 162 banks are both listed and private banks that are across various industries and sectors and sub-sectors. The authors use the year 2014 to 2018 for the study. The authors have resorted to secondary sources of information for data. The secondary sources of data are from various reliable sources such as CMIE Prowess, RBI, CIBIL Websites, research papers, books, websites, annual reports and articles. The authors used analytical techniques. The paper contributes to the willful default literature as well as in CSR as it presents evidence with how willful defaulters are ethically irresponsible and trying to showcase their social responsibility in a developing country like India.

Keywords

Willful Default; Indian Banks; Indian Companies; Corporate Social Responsibility (CSR); India;

Biographies

M. Sathish Kumar is a 2nd year student pursuing his MBA & MS Collaborative Dual-Degree program at Department of Management, Bangalore, India. She earned her B.Tech in Engineering from India.

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Shekar Babu Ph.D. is the Founding Head, Department of Management, Bangalore Campus, AMRITA Vishwa Vidyapeetham University, Bangalore, India. Dr. Shekar holds a Bachelor of Engineering degree in Electronics and Communications from Bangalore University and a Master of Science (MS) degree in Electrical and Computer Science from California State University, Los Angeles and a Doctoral Degree in Strategic Management from Amrita University. He is a Management Consultant with over 25 years of experience in working with Price Waterhouse and Hewlett-Packard Co. His research areas are Corporate Social Responsibility (CSR), Corporate Governance (CG), Strategy and Social Development. He has taught courses in Marketing, Leadership, Management Consulting and Business Ethics.