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While Kerala is the healthiest State, UP remains the most non-healthy one, says NITI Aayog's State Health Index p15

CALL FOR JUDICIAL REFORMS

To ensure economic growth, the Centre should push judicial reforms, both in terms of capacity and quality, says Srei Infra's Sunil Kanoria p8

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'Quality judicial system key to economic development'

Judiciary must understand the economic importance of a judgment: Sunil Kanoria

SHOBHA ROY

Kolkata, June 25

The Central government should enhance the capacity and quality of the judicial system to ensure economic development, said Sunil Kanoria, Vice-Chairman, Srei Infrastructure.

A number of economic reforms have been undertaken by the Centre, such as the GST and the Insolvency and Bankruptcy Code (IBC), but many of them finally end up in court. This clogs up economic activity.

"This has become a major bottleneck in the economic development of the country today... All economic activity wait at the doorstep of courts and everything converges there and this creates a bottleneck," Kanoria told *BusinessLine*.

Building up the capacity and

quality of the judiciary will help speed up cases pending resolution. The judiciary, he said, also has to understand the "economic importance of its judgments".

Citing the delays in the process of resolution of cases under the IBC, he said that the judicial system only looks at documents and sees what needs to be done from the legal angle without looking at things in a context.

Structural, financial reforms

Citing the example of Essar Steel, where the resolution process is yet to be completed due to pending litigation, he said, "Nearly ₹50,000 crore will come into the country and the banking system will get re-rated but it has been stuck and so have been many other cases... you need to have a judiciary that understands the eco-



Sunil Kanoria, Vice-Chairman, Srei Infrastructure DEBASISH BHADURI

nomical importance of judgment." The judiciary only sees the law and not what impact it is likely to have on the economy; this, it feels, is the problem of the government, he said. "... the judiciary too... is a key stakeholder in our economy.

So, they need to understand the economic impact of their judgment."

According to Kanoria, the country's financial sector is going through a major turmoil and there is an urgent need for major structural reforms that

"There needs to be responsibility and accountability for the judiciary too. They are key stakeholders in our economy. So, they need to understand the economic impact of their judgment"

will strengthen the sector. The Centre had, in the last five years, brought about a number of policy changes — whether through the bankruptcy law or by opening up the banking system — thereby disrupting the entire environment.

"Those (reforms) have a long-term positive impact but in the short and medium term it disrupts and brings in lot more challenges and that is what we are going through and as a result of that the entire financial sector has been badly bruised. So, when that happens, you also need a major structural reform to allow the financial sector to strengthen and grow for-

ward. I am not seeing that happening," he pointed out.

The government should lay emphasis on enhancing the capacity of the banking system instead of focusing on consolidation, which should be done in "good time".

Strengthening banks

"At this juncture, consolidating banks is not the solution, the focus should be to strengthen banks. The banking system needs massive capitalisation and the banking system needs capacity building," he said.

Conversion of NBFCs into banks would help address the issue of capacity building to a great extent.

Talking about the need for rationalisation of ownership pattern in the banking sector, he said, that at a time when the country's banks are in need of capital, the regulator should consider enhancing the individual shareholding limit to around 25 per cent from the current 5 per cent.