The Sahara Story: More Unsaid than Said

There are successful businesses that create an aura around them, become subjects of case studies, and help in building theories. And then there are enigmatic businesses with a mystery around them that arouse curiosity and leave us guessing. We do not know whether these enigmatic businesses have been innovative and path-breaking or just plain unethical and illegal. Sahara was always perceived as a business shrouded in mystery with several conspiracy theories doing the rounds on its sources of funding and its business practices.

Tamal Bandyopadhyay’s book on Sahara is as close as it could get to prying open the lid. It does not reveal much; does not tell the untold story in detail, but has information, events, conversations, and exchanges that attempt to tell us what it could be. Even this small prying of the lid was not acceptable to Sahara. They filed a defamation case against the publisher and the author, which was eventually settled with a two-page disclaimer indicating that the book was part fiction. Whether this prominently displayed disclaimer was in itself a marketing tool can be discussed by experts, but the buzz around the controversy was enough to raise the levels of curiosity about the explosive content that the book could have had.

There are two strands in the Sahara story that Bandyopadhyay weaves together. The first strand is a set of structural issues where the regulator’s concerns about the Residuary Non Banking Companies (RNBC) are discussed. As a supplement, he also discusses the other large RNBC – Peerless General Finance and Investment Co. He reflects on the regulatory architecture for raising resources, the jurisdiction of the Securities Exchange Board of India (SEBI) and other elements of the financial system. The second strand is the story of Sahara, its promoter and the Pariwar. This strand is set in a larger imprecise maze that helped Sahara to leverage every loophole in the system. There are also some sub-strands that do not add value to the story: The chapter in pages 185-224, where he discusses the roles and profiles of the people on the regulatory side, is an example of force-fitting journalistic insight into the book. It makes the book look well-researched and meticulous but adds little value to the narrative.

How do organizations like Sahara evolve and thrive? Bandyopadhyay says that Sahara “has 4,799 establishments and businesses under 16 verticals in its fold and is the second largest employer in the country after the Indian Railways…” (p.xiv). That a group could be so complex in its organization and so diverse in its business ranging from retail to real estate, with a finance company in its core could be a challenge even for financial forensics specialist. How did the regulatory agencies allow Sahara to grow and become a case of too-big-to-fail – moving beyond the financial sector, in a
diversified set of activities? Sahara is a case that poses challenges to arguments on convergence versus specialization in regulatory approaches. It is indeed a matter of speculation if the Financial Sector Legislative Reforms Committee (FSLRC) report would be written differently if its singular purpose was to deal with an organization like Sahara.

The book demonstrates (a) how frail our regulatory architecture could be; (b) how a smart business house constantly exploited the regulatory arbitrage; and (c) how slow the system is to plug the loopholes. It demonstrates the complications in regulating a fully grown business with its complex web of transactions like Sahara. Any inquiry or regulatory intervention on Sahara is obfuscated by two of its favourite tactics: (a) overload the regulator with truckloads of paper and (b) go to the press with full-page advertisements on its innocence. In documenting the story of Sahara, Bandyopadhyay has rightly raised more questions about the Indian financial system and answered lesser questions about Sahara itself.

The details of the story go beyond Sahara itself. Sahara is a case in point, but it is a story of the regulatory and policy architecture that allowed players like Sahara and Peerless to operate in a space that appeared to be regulated, but was actually difficult to regulate. In the story, it is only the Reserve Bank of India (RBI) under Governor YV Reddy that comes out as a mature and patient regulator, who tried to fix the system, while the other regulators were groping around on how to deal with an instrument issued in the market here, a tax dispute there and so on. Also, surprisingly, the Sahara does not appear to be as sure-footed as it usually is, when it comes to RBI. This is possibly because Reddy looked at the larger picture, more from a systemic view with Sahara being a case in point. That may also be the reason why Bandyopadhyay deals with Peerless in such detail, while the book is about Sahara.

While the regulatory frame provided Sahara to thrive and prosper, its strength was in raising resources. Any diversified business group of that scale would have accessed the capital markets regularly for equity and debt. Surprisingly, Bandyopadhyay tells us that only four of the 4,799 companies of Sahara Pariwar are listed and the one time it went to the capital market for substantial funding was when the RBI choked its milking cow – the deposits raised from RNBC. This public offering was of Optionally Fully Convertible Debentures (OFCD). Putting the sequence of events together, it appears that this was the turning point for the business group. Investigations started and legitimate questions were raised. Approaching the market meant offering a prospectus with substantial amounts of data which was subject to the scrutiny of the regulators.

The book discusses the regulatory jurisdiction and the nuances involved in the OFCD issue and how it started spelling trouble for the group. So, what was the source of funding before Sahara took the public offer route? This is where the opaqueness of the Indian financial system comes to the fore.

The source of funding for Sahara till then was the RNBC which was providing unlimited amounts of cash for the group to indulge in businesses as diversified as Formula One racing, owning a cricket team, media, real estate, hospitality, financial services, and retail. The bone of contention was the source of this money. The argument of Sahara was that these were deposits painstakingly collected by their staff from a large number of retail depositors who were very poor and were looking at a safe and reliable place to park their savings. This is explained by an army of deposit collection agents recruited by Sahara which staked a claim of being the largest employer after Indian Railways. However, the moment that channel was choked – the empire was in the danger of crumbling – particularly with the fact that raising resources from the mainstream markets appeared to be fraught with regulatory and disclosure related risks. The entire episode pertaining to the identity of the depositors of OFCDs indicates what Sahara was up against once it moved from its traditional and opaque source of funding.

This takes us back to RNBC – which was the main source of finance for the company. There are enough indications in the book to suggest that it was difficult to identify the depositors. There isn’t enough material to establish the widespread perception that Sahara was funded from unaccounted finances from politicians. If we were to give the benefit of doubt to Sahara - that it was indeed collecting deposits from the countryside with an army of its agents; their customers were known to the agents but were the ones excluded by the banking system because they did not have identity papers, it would bring us to a larger question on financial inclusion –
particularly on the savings side. By closing this option, has RBI closed one option in the formal sector that the poor could access to save their money?

We need to examine the proposal for setting up of payment banks in this context. On the liabilities (deposit collection) side, Sahara was like the proposed payment banks: providing the savers opportunities to put in small amounts of savings. On the assets side, while the stipulation for RNBCs was to park 80 percent of the deposits collected in safe government securities, for the payment banks, all the money (100%) had to be invested in government securities. Sahara possibly was able to garner profits through using the 20 percent buffer it had on free deposits to invest in diversified businesses that fetched handsome profits to service the depositors. With payment banks having no headroom for managing the assets side, and with heightened regulatory requirements for know your customer (KYC) norms applicable to the depositors, is there a business case for the payment banks? Bandyopadhyay’s book does not offer an insight into the business model of this structure, but at this juncture, it is important to examine the experience of the RNBCs while a case is made for the payment banks. Bandyopadhyay writes carefully and meticulously. He pieces together information, interviews, and research, done painstakingly over the years and presents it in a readable style. He adds drama – makes it appear like a participant-observer giving details of the venues, almost verbatim reporting of what was said and the exact timings of when the text messages were exchanged. That adds to the readability of the book, without much distraction. While there are many digressions from the core and the narrative gets chatty at places, the author could be allowed that stylistic freedom, considering the painstaking research undertaken for this study. While it is a well-researched book, what is unsaid seems to be much more significant than what is said. The author is to be complimented for doing such a fine job. We should also welcome the fact that the author settled the dispute with the Sahara group to go ahead with the publication with a disclaimer. If that had not happened, we would have missed out on an opportunity to get this insight into a significant player in the financial sector.

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For God’s Sake – An Adman on the Business of Religion

Ambi Parameswaran
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For God’s Sake - An Adman on the Business of Religion is the seventh book written by Ambi Parameswaran, an engineer from IIT Madras and a management graduate from IIM Calcutta, who has worked for thirty-five years in the advertising industry. This book contributes to the readings for researchers, academicians, corporate, marketers and society in general, who would like to know more about India through its everydayness. Some of the books that I consider in this clique are ‘Mother Pious Lady’ written by Mr Santosh Desai and ‘We are Like That Only’ written by Ms Rama Bijapurkar.

The combination of years of experience in the advertising industry in India, author of six books on branding, advertising, and consumer behaviour, and a Ph.D in religiosity and consumer behaviour, adds credence to Mr Ambi Parameswaran’s book on how consumer behaviour in India is influenced and guided by religious beliefs and practices.

India is a diverse country with a rich cultural heritage. Religion plays a dominant role in shaping culture. Four prominent religions, Hinduism, Buddhism, Jainism, and Sikhism were founded in India. We call ourselves a secular republic. This book on business of religion brings to the fore, those practices in workplaces and society that are subtly, conveniently, and openly a part of our everyday.

The title of the book ‘For God’s Sake’ is catchy and apt. The tagline ‘An Adman on the Business of Religion’ reminds me of the documentary aired on BBC (2002) titled ‘Busi-