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Ponzi Scheme Threatens 'Clean' Image of Mamata Banerjee

By Swati Sengupta May 24, 2013 4:55 am

KOLKATA, West Bengal — All over West Bengal, signs bearing the face of Mamata Banerjee, the state's chief minister, are accompanied by the phrase *shotota-r pratik* — “a symbol of honesty.” Her unkempt hair is tied up in a loose bun while she wears a simple white cotton sari and inexpensive rubber sandals, signaling that the Trinamool Congress Party leader is a champion of the common people.

However, that image of Ms. Banerjee — and by extension, her party, which took over the state government in 2011 — is in danger of being tarnished after the collapse of a huge Ponzi scheme in the state has robbed millions of depositors, many of them from the rural areas where the Trinamool Congress typically has a stronghold.

Over the past several years, companies in West Bengal, often without regulatory permission, enticed small investors to deposit funds with them for a fixed term by promising a doubling of their money at maturity. However, government investigators say that these companies were actually operating a Ponzi scheme, diverting the funds to overseas tax havens instead. India's market regulator estimates investors lost at least 3.3 trillion rupees (\$5.5 billion), and the final tally may be even higher.

The largest of these operators, the Saradha Group, collapsed in April after defaulting on payments to investors. Before he fled the state, the group's chairman, Sudipta Sen, wrote a letter to the country's top investigative agency that singled out two Trinamool Congress politicians who he said pressured him for large payments in return for protection from the government.

But since his arrest in late April, Mr. Sen has recanted those allegations, and Ms. Banerjee has said she had no knowledge of anyone from her party asking Mr. Sen for money. She has also said that if investigations showed that party members were involved in the Ponzi scheme, they would be punished.

When investors found out last month that they had lost their savings to the Ponzi scheme, many of them held protests outside the Trinamool Congress Party's headquarters in Kolkata and outside Ms. Banerjee's residence, pleading with her to help them recover their money.

Ms. Banerjee's opponents are hoping that the voters' anger over the Ponzi scheme will last long enough to affect the panchayat, or rural council, elections that are scheduled for early July.

"The Trinamool Congress has misused its image of *shotota-r pratik*," said Surja Kanta Mishra, who belongs to the opposition Communist Party of India (Marxist). "It is significant that this informal economy – which is unproductive and without any growth – was being encouraged by the ruling party at the cost of industrial growth and jobs. It has cost West Bengal dearly."

Trinamool Congress politicians are now trying to limit the damage to their party by meeting with constituents and reassuring them that justice will not be denied to those who lost money in the scam.

"We cannot deny it has gone against the party's image," said Subhendu Adhikary, a Trinamool Congress member of Parliament.

"I used to urge people in my constituency not to invest in chit-fund companies that offer mind-boggling returns," he said. "But these people are poor, not enlightened. Now that reality has sunk in, I have started campaigns to convince them about our party's goodwill. If the guilty in the party are punished, people will continue to support us."

Saugata Roy, a senior Trinamool Congress lawmaker, said, "A lot will depend on the extent of damage control the party can do. Ms. Banerjee is trying and has taken some steps."

After her initial silence on the issue, Ms. Banerjee promised on April 24 to set up a 5 billion rupee bailout fund for duped investors, partially financed by a 10 percentage-point increase in the sales tax on tobacco products, which would raise

it to 34 percent. However, the opponents have criticized the plan for the added tax burden placed on the general public and for Ms. Banerjee's remark that people should "smoke a little more" so that the money could be raised quickly.

On Thursday, Ms. Banerjee said the government would bail out two Saradha-owned television channels by temporarily taking them over on "humanitarian grounds," adding that she was moved by the weeping TV anchors who announced the closures last month. The state government will use 2.6 million rupees from a separate relief fund to run the channels and offer some compensation to employees who haven't received their salaries for several months.

Sanjay Mitra, chief secretary of the state, refused to comment on why the state government had chosen the two TV channels over the other media outlets formerly run by the Saradha group.

The bailout of the private TV channels drew objections from opposition parties that said it was waste of public money and questioned the legality of the government takeover.

Ms. Banerjee is also fielding criticism from members of her own party. The poet and singer Kabir Suman, who, as a Trinamool Congress lawmaker, has often mocked decisions of his party, has penned sarcastic songs making fun of Ms. Banerjee's comment to duped investors: "What's gone is gone."

"All this does not augur well for Ms. Banerjee and the party," Mr. Suman said. "The opposition will take this opportunity to their advantage."

However, Biswanath Chakraborty, a political science professor at Rabindra Bharati University in Kolkata, said that Ms. Banerjee's announcement of the bailout fund has mollified citizens a bit.

"Since then, the agitation from investors/depositors has somewhat stopped, and people are waiting and hoping they will get their hard-earned money back," he said. "Whether or not they actually get it, only time can say. But for the moment, it has helped. This is a typical feature of politics – politicians know they can win people over with promises."

Also, Mr. Chakraborty said that the attacks on Ms. Banerjee's reputation for honesty are being raised mostly by urban voters, so the fallout from the Ponzi

scheme might not greatly affect the result of panchayat elections.

For now, the Trinamool Congress stalwarts intend to tie their fortunes to that of their leader. “We still have faith in the honesty of Ms. Mamata Banerjee,” said Sisir Adhikary, a Trinamool Congress member of Parliament and father of the lawmaker Subhendu Adhikary. “She will come out of this attempt to tarnish her image.”

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