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Indradhanush to revamp banks: Hope it doesn't vanish

By Sangita Mehta, ET Bureau | Updated: Dec 23, 2015, 05:54 AM IST [Post a Comment](#)

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The post of a state-run bank chief is a coveted one because of the status and power it brings. But the flip side is a seasoned banker has to take orders from bureaucrats hardly known for their financial prowess, and politicians with vested interests. In 2015, all that ended, thanks to Prime Minister Narendra Modi's pledge of independence in decision-making for bankers at the first ever annual meet, [Indradhanush](#) (rainbow), in Pune.

For the first time since nationalisation in the 1960s by then Prime Minister [Indira Gandhi](#), the government instead of directing state-run bankers on what they should do, asked what they wanted from the government to improve their health and survival.

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"The prime minster has assured bankers there will be no interference from the government in the internal workings of any bank," Hasmukh Adhia, then financial services secretary, said. "He said 'you will never get a phone call from even the PMO, let alone anyone else'."

Many critics say that the government hasn't acted much on reforming state-run banks in line with the PJ Nayak Committee recommendations — reducing government's stake in lenders, forming the Bank Board Bureau and many such proposals. But for a machinery as sclerotic as the government is — Indradhanush, the detailed programme of capital investment in banks, introduction of private sector talent in two big banks (Bank of Baroda and Canara Bank) and laying out metrics for future funding — is a giant leap.

The year 2015 began with a two-day offsite conference known as Gyan Sangam between finance ministry officials and the top management of state banks. And it is set to become an annual event.

After nationalisation, for the first time, in order to bring about more autonomy, the post of chairman and managing director was split and a non-executive chairman was appointed at every PSU bank who will focus on banks' strategy.

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Although consolidation and privatisation have been talked about at several forums, this year the finance ministry has drawn up a plan to privatise government-owned **IDBI Bank** **BSE 0.81 %** in line with Axis Bank wherein government will divest its stake to less than 48 per cent.

Although the government has taken many initiatives in reforming PSU banks it did little to maintain the consistency at the department of financial supervision — the top level department that is in charge of PSU banks. While Adhia spent a year, his replacement Anjuly Duggal who took charge in September is rumoured to be transferred to another department effective from the first quarter of next year. It is time that government took a note of this and appointed top bureaucrat for a three-year term similar to the RBI governor or a PSU bank chief.

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