Retiring CEOs highlight major gap in mangament in PSU banks

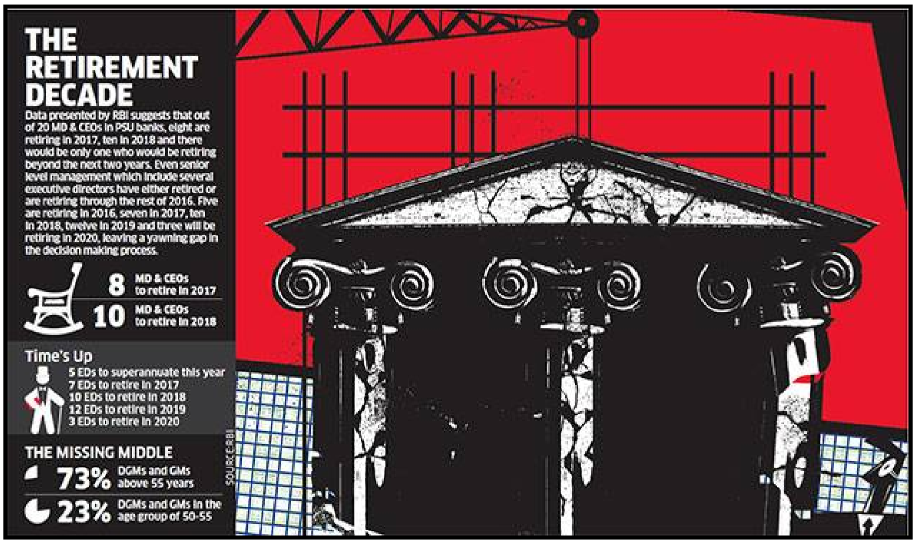
By *Saloni Shukla*, ET Bureau | Updated: Nov 02, 2016, 01.16 AM IST

Central bankers rarely talk straight, more so when it comes to the state of the banking industry. But the Reserve Bank of India deputy governor SS Mundra came close to it when he recently raised the red flag about the state of human resources in the banking industry.

When Mundra calls this a 'decade of retirement', it should be the beginning of sleepless nights to chiefs of banks and the biggest stakeholder in the system — the government, if it wants to save whatever little value is left of the sector after bad loans had eroded its worth.

State-run banks, which used to be the most sought after for job seekers in the three decades since the 70s, not only lost sheen to more lucrative career options in technology and other sectors, but the efforts to make it more efficient by ending indiscriminate hiring and not replacing it with a suitable hiring plan is beginning to bite.

"This is a decade of retirement for PSBs and I am sure those working there are already feeling the pinch of the loss of experienced hands in their day-to-day operations," Mundra told a conference last month.



In a way, the Indian banking industry is facing something similar to the US economy where the retirement of baby boomers is causing structural changes and creating weakness in its economy. The Banking Services Recruitment Board, the central hiring institution for state-run banks, became a hiring machine without a vision. Hence, it was abolished about two decades back.

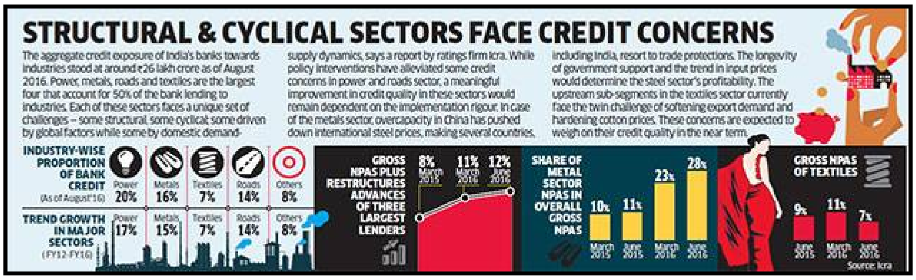
Although it helped banks turn lean, the absence of proper planning to replace the 'socialist-boomers' of the banking industry is leaving a void now that could disrupt state-run banks completely.

"Talent risk is a new risk in the banking system, and therefore, it is no more a matter of 'we would do it or like to do it', but it is a matter of 'unless we do it, we are putting systems at risk'," said AK Khandelwal, chairman of the Khandelwal committee — formed to study HR issues at PSU banks. "Banks may have capital adequacy but they are lacking in talent adequacy."

Many chief executives are retiring in the next year and so are the executive and managing directors. The big problem is of the missing middle. Nearly 73% of the deputy general managers and general managers put together at staterun banks are above 55 years of age. And another 23% are in the age group of 50-55, which clearly suggests that their retirement too isn't far away.

The very vocal former governor of RBI, Raghuram Rajan, had also voiced his strong opinion on the subject and said the country could be staring at a "national calamity" if the enormous national assets with PSU banks start to deteriorate due to loss of talent and capabilities.

“Many private sector banks run on people poached from public sector banks. So, let us first acknowledge that these are national assets and we need to retain the value that they create,” he had said in an interview to a television channel. “These banks are sitting on enormous national assets and for those assets to deteriorate would be national calamity.”



Automation may be the in thing and banks may be attempting to do so, but robots are just making entry into the industry and it may be years before they throw up managerial personnel. “Banking is still far away from being a driverless car, hence, human factor is crucial,” Reserve Bank deputy governor Mundra had said.

A Mckinsey study on Indian banks says 87% of GMs would have superannuated at the end of 2017, leaving a huge gap of those responsible for implementing policy. On top of that, between 60% and 90% of DGMs at PSU banks are set to retire by the end of the current fiscal. The report that was published towards the end of 2013 also points out that this number could jump up to 93-100% by 2020.