

'Banks Board Bureau needs to look at PSU bank appointments'

Anupriya Nair

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Must put in place a proper selection process: Virmani



The four-member Banks Board Bureau with former CAG Vinod Rai at the helm held its first meeting last week. Streamlining the PSU banks, including capital infusion, board-level appointments and most importantly consolidation are on the agenda of the Bureau. Speaking to Bloomberg TV India, former Chief Economic Adviser and the Chairman of Policy Foundation and President at Chintan, Arvind Virmani, said the immediate job is to clear the way for quick appointments and have a proper selection process and address the NPA issues.

What's your expectation from the Banks Board Bureau? What can it achieve?

There are many things it can do. One of them, for example, is taking over the whole process of appointing heads of banks. We know that in many public sector banks (PSBs) and other units, there are big delays in appointments. So I think that one of the immediate jobs is to clear the way for quick appointment and having a proper selection process, which is not tainted in any way. The second part will be addressing the NPAs issue. So if you look at NPAs, basically there are two aspects. One is past performance of each loan, you have to judge the quality of the loan, you have to look at its past performance and you have to look at the future. So the future means the future of the industry in which it operates and it's positioning in that industry. The past I think is the part which can play a significant role because if we are transitioning from a system where this whole issue of ever-greening became very large, to one where we are going to have tighter norms that transition has to be very carefully planned. So that is another area where one has to be careful and which has to be objective.

There is talk of bank consolidation. How is that feasible given the fact that there are not many strong PSU banks right now?

There are different experiences and of course the environment has also changed. I was associated as a Director at Punjab National Bank when it absorbed a smaller bank many years ago. I think there have been mixed experiences and the key is how to manage the workers and officers of the smaller banks. Managing the labour integration process is very critical because that is what will give you the efficiency gains, which will make the banks more viable. I am sure it can be done and partly I think environment has changed.

Is privatisation an option with IDBI Bank being taken up as a test case?

The history is that where banks were nationalised through an Act of Parliament, you have to change the law to be able to denationalise and privatise them. If IDBI Bank has not been done in that way, it should be an option and be on the table (for privatisation).

(This article was published in the Business Line print edition dated April 11, 2016)

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