

Business Standard

PSU banks underpay at top; I too feel 'under-paid': Raghuram Rajan

SBI Chairperson Arundhati Bhattacharya got Rs 31.1 lakh in 2015-16, while HDFC Bank's MD Aditya Puri got Rs 9.7 crore

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Raghuram Rajan. Photo: Kamlesh Pednekar

Flagging difficulties in getting top talent at public sector banks, RBI Governor Raghuram Rajan on Tuesday said they tend to over-pay at the bottom but under-pay their top executives, even as he rued, albeit jokingly, himself being "under-paid".

"One of the problems, of course, is that as with all public sector entities, you overpay at the bottom and underpay at the top. Yes, you feel that you are doing the job for the broader public but you just

make it harder to attract top talent, specially a lateral entry," Rajan said while talking about public sector banks (PSBs).

Addressing a banking conference in Mumbai, the outgoing Governor jokingly added, "I also feel under-paid."

As per the latest data on monthly salaries made public by RBI, Rajan's total monthly emoluments stood at Rs 1,98,700 for the month of July 2015. Rajan, on-leave professor of finance at Chicago University and former Chief Economist and IMF, will return to academia after his term at RBI ends on September 4.

The top-level salary disclosures made by the banks in their respective annual reports show a sharp difference between the total remuneration paid at the public sector and private sector entities.

Public sector behemoth SBI's Chairperson Arundhati Bhattacharya got just about Rs 31.1 lakh in the fiscal year 2015-16, while public sector major HDFC Bank's Managing Director Aditya Puri's total remuneration for the same period was more than 30-times higher at Rs 9.7 crore.

Rajan also suggested giving rewards like ESOPs by public sector banks, which is very common in private sector, by taking advantage of the current low share valuations of PSBs.

Rajan said a better payscale at bottom levels can also be a source of opportunity, and pointed out that the RBI's compensation packages even for class III employees are attractive enough to get really highly qualified people in.

"We get lot of engineers, MBAs even in class III jobs. Our strategy has been to try and expand opportunities these people have while saying that you are not just there for clerical work, we are asking you to do much more value," he said.

Rajan said while one of the strengths of the public sector sometimes is the absence of pay and promotion that is very sensitive to performance, too little sensitivity can also be a problem as high performers get demotivated, and the slothful are not penalised.

An increased emphasis on performance evaluation, including identifying low performers with the intent of helping them improve, may be warranted, he said.

"In addition, rewards like employee stock ownership plans (Esops) that give all employees a stake in the future of the bank may be helpful. With public sector banks' shares trading at such low levels, a small allocation to employees today may be a strong source of motivation, and can be a large source of wealth as performance improves," the Governor said.