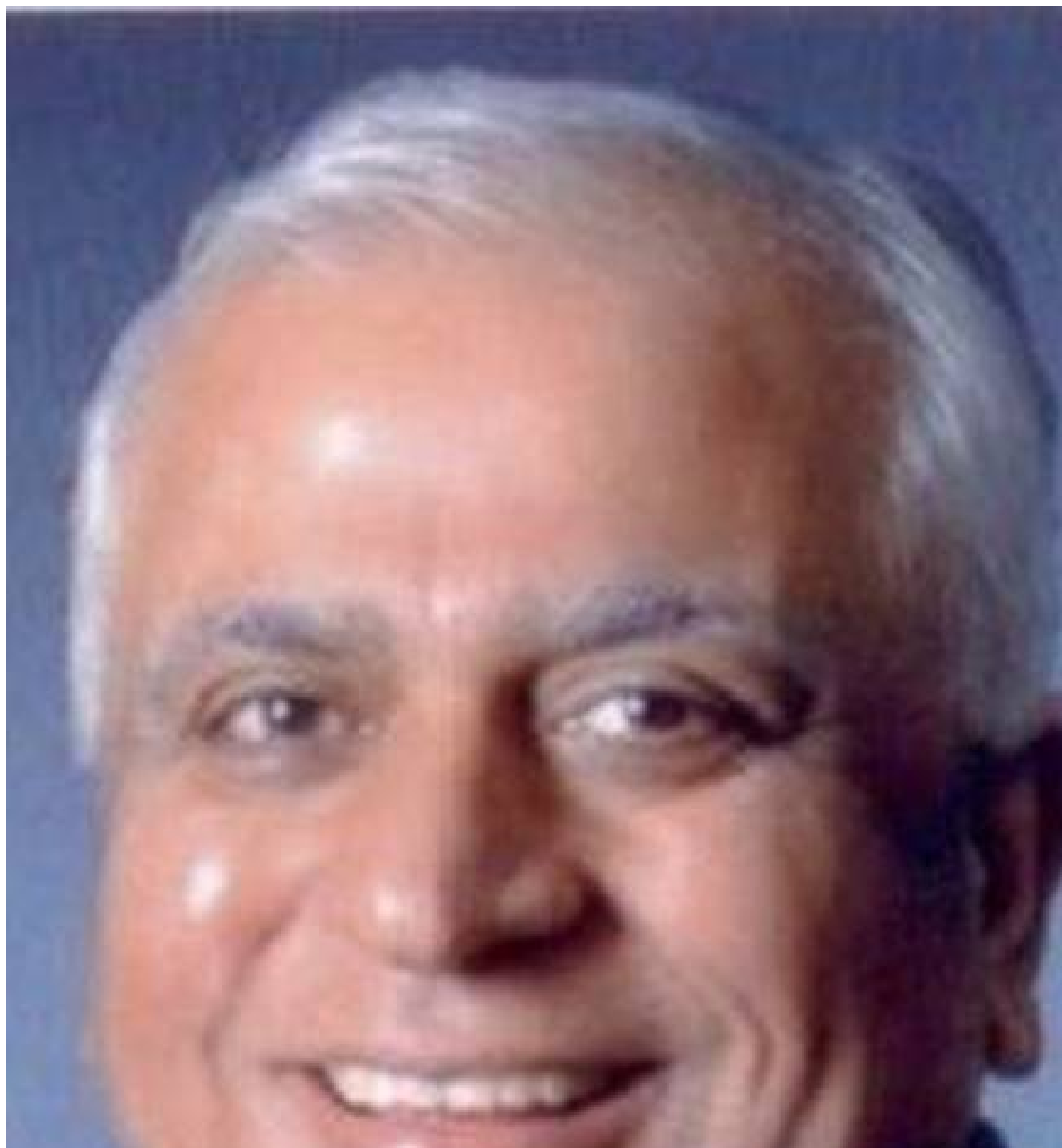


‘We need to get back the confidence of our customers’

SURABHI K RAM KUMAR

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SUNIL MEHTA, Non-executive Chairman, Punjab National Bank

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“We are in business and we have been in business and will continue to be in business...We have had a problem, but we want to move on,” said Sunil Mehta, Non-executive Chairman, Punjab National Bank. The public sector bank, which got embroiled in the ₹13,000-crore fraudulent letter of undertaking scam, is focussing on having better filtration when it comes to sourcing customers, doing business from a risk-adjusted return on capital (RAROC) point of view, and growing retail, SME and agriculture loans. In an interview with *BusinessLine*, Mehta underscored that there are many areas of business that the bank is strengthening. Excerpts:

What steps are the bank taking to get over the LoU scam?

We need to get back the confidence of our customers. To be able to do that, we are looking at our risk processes and controls...It is unfortunate that this (LoU) issue has come up. The risk process we are looking at is how to have a better filtration process...when a customer is allowed into the bank, we have more vigilance that we get good quality customers at that stage. It is a process which takes time.

We have to enhance the skill-sets of the people on the risk side for evaluating the customer...There is a term called ‘smell test’ in banking. The smell test comes with experience.

While improving risk assessment capabilities, we will ensure that risk-taking capacity of the bank is not taken away. If you re-engineer and get better risk assessment skills, it will increase the risk-taking capacity of the institution. Then you will understand the risk better.

Second, from the controls perspective, we have learnt a great deal from this episode on how to plug the loose ends and make sure we have much more resilient controls.

Given that your bank has a vast branch network, how do you prevent wrong-doings at the ground level?

Using technology is absolutely the way to go. We have 7,000-odd branches across the country, and we can't physically be there. Also, having a more robust system-based auditing process, we can see more (data) online as to how we are performing at different locations....credit administration is a very important piece. We have to be much more fleet-footed to understand that if there is any deterioration taking place, we need to take action upfront and calibrate our exposure and risks from that.

There are many other pieces that we are strengthening. For instance, risk adjusted returns. From the capital preservation point of view, the RAROC model that has now come into play. The bank board and the risk management committee of the board and, of course, the management committee of the board, are now very conscious of the fact that the (credit) risk they are approving, or increasing, must meet the risk hurdle rates on a risk-adjusted basis. The pricing will be dynamic...it will depend on the risks. To get there, the risk rating model also has to be a dynamic model, because if your rating stays and doesn't change, then you don't know how to price it.

It is not just talk, it is action that is being implemented on the ground....Market dynamics are changing rapidly, and the bank has to constantly adapt to it.

What are the timelines and goals for the next one year? How will the bank get over the losses on account of LoU?

We will isolate our problem and deal with it, but the rest of our people need to be out there to serve our customers. That is happening. Sometimes you find challenges that come up, but I can tell you that 69,980 people are doing business, except for the 20 who were unfortunately related to this issue. During the period of crisis, what I have seen is that the employees of the bank are working as hard as they can.

What is the scene on the credit growth front?

We have had 9.9 per cent credit growth despite adverse circumstances, and we will continue to push for credit growth. Sectorally, look at the corporate sector and break it up...some sectors have slowed down, some are still growing from a credit offtake point of view.

So, we are serving our customers; we are trying to make sure that with technology we can deliver much more value to them.

On the retail side, there is a strong focus, and we are looking at our target market – small and medium enterprises, housing, including affordable housing. It is producing good dividends for us. So, we are looking at each sector, and we are delivering on these goals.

We should have invested more in technology in previous years. We are now making the change happen. We are making a huge investment in technology and digital.

PSBs have started performing on the digital front – look at SBI. There is no reason why we can't do equally well. We have 100 million customers; it is no small number. We were able to get 17 million additional customers during the Jan Dhan (campaign). They are becoming very productive as they add to our CASA (current account, savings account) balances; there is a lot of liquidity generation.

PNB has one of the best CASA in the system. That has not got impacted, which shows how strong the PNB brand is with our customers.