

'Give PSU banks autonomy to decide organisational structure'

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The banking apex body also recommends incentivisation scheme linked to performance

The Banks Board Bureau (BBB), the apex body for selection of whole-time directors of state-owned lenders, has made a case for giving a complete autonomy to banks to decide organisational structure for better efficiency.

The BBB headed by former DoPT secretary B P Sharma also suggested revamping credit governance architecture in nationalised banks to reinforce efforts to minimise credit costs and enhance efficiency of credit allocation.

In its activity report for October 2018 to March 2019, the board also recommended incentivisation scheme linked to performance.

“Incentivise maximisation of risk adjusted income and disincentivise operational inefficiencies by aligning compensation with right performance metrics through the introduction of performance based compensation through Employee Stock Option Scheme (ESOS), which is different from Employee Share Purchase Scheme (ESPS), and Performance Linked Incentives (PLIs),” the report said.

Highlighting the work undertaken by the board during the period, it said the recommendations for filling up the posts of whole-time directors in public sector banks (PSBs) were made on time and as a result, the vacancies which came up during this six months' period were filled up without delay.

However, it said, the only vacancy which could not be filled up on time was that of MD and CEO in Canara Bank for which candidates outside the PSB universe are also eligible.

“The vacancy was advertised twice. However, it was met with less than enthusiastic response on both occasions. The bureau made the recommendation for filling up of the vacancy on January 31, 2019. The bureau has separately recommended to the government the measures which may improve the pool of talent for filling up such vacancies,” it said.

It further said the bureau was assigned with the task of recommending personnel for appointment as director in PSU insurance company. In this regard, on January 4, 2019, it made its recommendations for appointment of chairman and MDs of LIC.

Constitution of BBB

Prime Minister Narendra Modi in 2016 approved the constitution of the BBB as a body of eminent professionals and officials to make recommendations for appointment of whole-time directors as well as non-executive chairmen of PSBs.

They were also given the task of engaging with the board of directors of all the public sector banks to formulate appropriate strategies for their growth and development.

Besides, it was also asked to frame strategy discussion on consolidation based on the requirement. The government wanted to encourage bank boards to restructure their business strategy and also suggest way forward for their consolidation and merger with other banks.

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