

How to effectively run a public sector bank

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Bank officials who can assess a borrower's intent and ability to run a business and lend without fear or favour, are crucial

Public sector banks (PSBs) are a bone stuck in the throat of the government, which can neither swallow them nor throw them out. The BJP government has little faith in a vibrant public sector being able to deliver value to the economy, which it wants on a rapid growth path. But a decent exit needs time and a level of attention to improve banks' value, which is missing.

This is leading to contradiction between what is sought from the banks and the regime laid down for them. Within a week, Finance Minister Nirmala Sitharaman and RBI Governor Shaktikanta Das have directed what banks and officials should be doing. This gives us a chance to determine what the government must do to get what it wants.

Know your customers

Sitharaman wants banks at the branch level to improve customer connect. This is a must, as banks must get to know their customers beyond simply using Aadhaar to complete the KYC process. To enable this, customers must see the branch as a friendly place where you go to get things done; not a forbidding one you visit only when it is unavoidable.

For this, there first have to be branches to go to, particularly in rural areas. Cutting down on the rural branch network, not to speak of ATM outlets, under the notion that customers should be able to get most of their banking done digitally is a mistake. A key detail sought by the government over the mega mergers involving 10 PSBs is how many branches and ATMs can be closed.

Digital banking is vital for the back office and enables low-cost growth in business, but the quality of experience that a poor, barely literate customer with negligible knowledge of procedures encounters at the branch is paramount. Currently, such customers are mostly given a short shrift by bank employees, who

behave more like *sarkari babus* from urban areas for whom interaction with such customers is an unavoidable job during an unavoidable posting.

I vividly recall the few days I spent during my training at a well-run SBI branch sitting next to the current account ledge keeper (computerisation was still far away) who fascinatingly revealed how he could glean the profile of the customer by just going through his transactions, plus a face-to-face when the customer occasionally dropped by. How much he spent on children's education, housing or remitting monthly to relatives, were all there to be gleaned.

Lending decisions

RBI Governor Shaktikanta Das has confronted senior bank officials over why they are not lending more, particularly when the RBI has made available a finance window through repo operations. Here, too, intimate customer knowledge is vital. Irrespective of the inventory statements the customer submits for working capital finance and the assets he pledges, the cardinal value lies in the official's assessment as to how sincere the borrower is in running a business that is getting somewhere.

A bank official will not try to be a successful lender in the eyes of his superiors unless he knows it will lead to career progress. His 'connections' as well as the borrowers' would matter less.. Buoyancy in bank lending invariably suffers during an economic slowdown, as businessmen don't want to extend themselves when the market is down.

The future of a bank is intrinsically linked to the culture that prevails in it, how well success is rewarded and what kind of understanding is shown when the odd account has gone sour. Absolutely the last thing that you need in a bank is the feeling among officials that it is safe to take as few lending decisions as possible

because when an account goes bad, vigilance people come after you mindlessly. Currently there appears to be a lending strike, so to speak, in banks precisely because there is an all-pervasive wariness of vigilance, and also because the market is down.

I remember my interaction during training with the then chairman RK Talwar, who in his address to us trainees said bluntly: “You do your job and I will protect you from vigilance.” A visit to the central office strengthened the feeling that this was an exceptional place to work. Prominently displayed was the slogan, “Honesty is the best protection” (if I recall correctly). We knew it was not the handiwork of a communications agency but came straight from the personal belief system of the chairman. Had I not loved journalism more, I would have happily remained in the bank.

It is heartening to note that SBI branches are going through an uplift. If no one listens to you, then at least the branch manager will. A good number of them are young women who are direct recruits. Perhaps most importantly, they actually take your calls and act on your SMSes. One reason why the SBI may have been able to reinvent itself is because it is secure in the knowledge that it has a future in its present shape.

Contrast this with the sadness of the Allahabad Bank official I ran into, who said: “We are the oldest name in Indian banking and imagine, that name will be wiped out soon.”

The writer is a senior journalist

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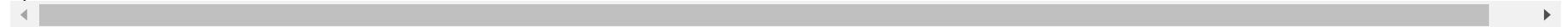
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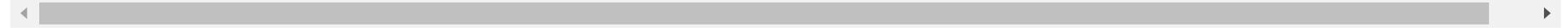


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