

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA
UNSTARRED QUESTION NO. 2137

ANSWERED ON – 22/3/2022

Status of Public Sector banks

2137. Shri S. Selvaganabathy:

Will the Minister of FINANCE be pleased to state:

- (a) whether Government has taken any steps to shore up the management and capital of Public Sector Banks (PSBs);
- (b) if so, the details thereof; and
- (c) if not, the reasons therefor?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(DR. BHAGWAT KARAD)

(a) to (c): Banks require capital on an ongoing basis both for credit growth and for meeting regulatory norms for capital adequacy. Public Sector Banks (PSBs) source capital through internal capital generation and mobilisation of capital from markets. Government infuses capital in PSBs from time to time to supplement their efforts to meet capital requirement. During the current financial year, up to 4.3.2022, PSBs have raised capital of Rs. 49,264 crore from market, in the form of both equity and bonds and the Government has also infused capital of Rs. 4,600 crore.

Government has instituted a comprehensive set of governance and human resources reforms that have shored up and strengthened the management of banks, and have enabled greater autonomy to Boards of banks while making them accountable and in line with global best practices. These steps include, *inter alia*, the following:

- (i) Position of Chairman & Managing Director (CMD) has been bifurcated into that of a non-Executive Chairman (NEC) and an MD & CEO in nationalised banks, strengthening independent Board oversight.
- (ii) Top-level appointments of Whole-time Directors and NECs of PSBs are made at arms-length through a professional Banks Board Bureau.
- (iii) Performance-based extension in term of office of top management.
- (iv) Non-official directors (NODs) are selected from a wider talent pool.
- (v) Boards have been given mandate to provide NODs with necessary induction and specialised training and have been entrusted the function of peer-reviewing the performance of NODs annually, on lines of provisions under company law.

Human resources (HR), the key to effective management in banks and to their ability to face challenges arising out of changing imperatives in the banking industry, which is being increasingly driven by technology and innovation, have been strengthened by institution of reforms including, *inter alia*, the following:

- (i) Number of executive directors in the larger PSBs has been increased and the Boards have been empowered to introduce Chief General Manager level to enable effective management of their increased business and diversity of operations and for proper oversight.
- (ii) Appraisal of top bank executives has been entrusted to a Board committee.
- (iii) Boards have been empowered to recruit the bank's Chief Risk Officer from the market, at market-linked compensation to attract best available talent for managing risk.
- (iv) The Risk Management Committee of the Board has been empowered to set and review the Risk Appetite Framework and to fix accountability for its observance.
- (v) At Banks Boards Bureau's recommendation, a creation of leadership pipeline in PSBs has been initiated through—
 - (a) launch of a quality leadership development programme tailored to the needs of senior PSB executives; and
 - (b) mandate to banks to formulate individual development plans for two senior most executive levels below the Board to enable succession planning.
- (vi) To enable the availability of personnel with requisite skill-sets and adequate experience in specialised banking areas.
- (vii) Creation of a leadership through leadership training to identified senior executives.
