

BANKS BOARD BUREAU

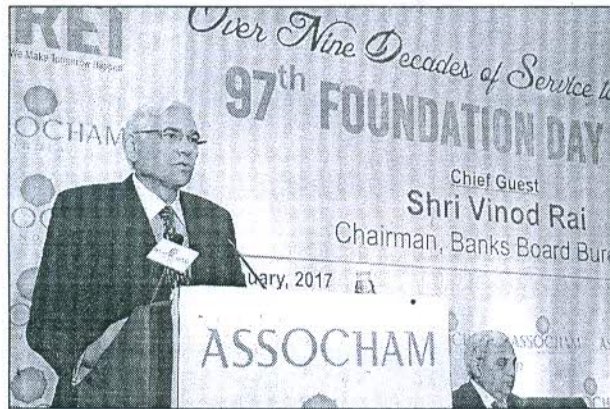
For retaining talent, Rai says need attractive pay, other perks

Also suggests that MDs of govt-run banks should be appointed for a minimum of 6 years

ENS ECONOMIC BUREAU
NEW DELHI, JANUARY 5

THE BANKS Board Bureau (BBB) plans to roll out an attractive compensation package comprising bonus, stock options and variable pay to retain and attract talent for public sector banks (PSBs) from next year, BBB chairman Vinod Rai said on Thursday. He also suggested that the managing directors of the PSBs should be appointed for a minimum of 6 years to ensure stability and accountability.

"In some ways the compensation package of these public sector institutions needs to be improved, maybe we are not able to do much with fixed part of compensation package but variable part we are hopeful that in the next financial year we will be able to introduce a far more attractive package which do have bonuses, ESOPs and other



BBB Chairman Vinod Rai addresses an 97th ASSOCHAM Foundation Day Lecture in New Delhi on Thursday. PTI

performance linked incentives as part of the package," Rai said at an event organised by industry chamber Assocham.

The finance ministry has held discussions with the state-owned banks to devise

Employee Stock Option Plans (ESOPs). The government had also discussed plans to share a higher portion of banks' profits with the employees.

Arguing for a longer tenure for the top officials of banks, Rai

said short tenure leads to a number of problems. "Also the attempt is being made with idea to enthrone accountability in the system to find executive director or whole time director or a chief executive officer at an age where he has got a minimum of 6 years or more to go in the institution so that he can be held accountable for the decisions," he said.

"A large number of problems have risen because the tenure of the people were very short, maybe 15 or 18 months and left behind a while trail of decisions which are being questioned now. If we provide 6 years of tenure to the professional, he will do their business with great degree of accountability that they are going to be subject to," he said.

BBB was set up as an advisory body by the government last year to recommend on appointment of directors in public sector banks and advise on ways to

raise funds and merger and acquisitions to the lenders among other things. Rai said discussions are on mergers in the banking sector are happening but it will take long time to materialise.

"The entire process is being thought of, it is not going to materialise in two or three months, it is a long drawn process, there is a lot of work which has to be done and once the roadmap is ready and hopefully in the next two to three years it will be rolled out," he said.

Speaking on demonetisation, he said that there is no harm in trying to cleanse the system and demonetisation one way of doing that. "Any attempt to cleanse the economy is a very noble attempt and we should lend our energies in ensuring that process of cleansing takes place...It is far too early for us to say it is a success or not a success," he said.

New norms likely for top PSU bank posts

The roles will be given to those with at least six years of service remaining, says Vinod Rai

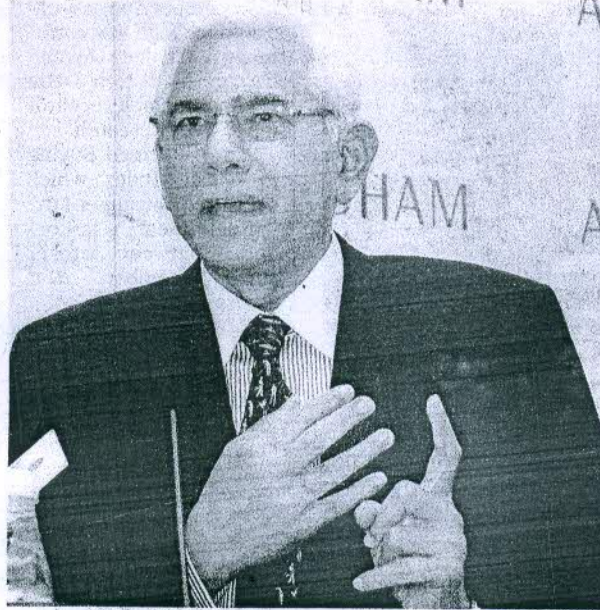
SPECIAL CORRESPONDENT

NEW DELHI: The Banks' Board Bureau is working to ensure that leadership roles in state-run banks would only be given to those with at least six years of service left, in order to ensure accountability of their actions, the organisation's Chairman Vinod Rai said on Thursday.

Mr. Rai also said that public sector bank employees' compensations would become more competitive in 2017-18, with increases in the variable pay component.

Instilling accountability

"An attempt will be made to introduce accountability in the system, to ensure that you appoint a whole time director or a CEO (chief executive officer) at an age where he has got a minimum of six years more to go in the institution so that he can be held accountable for the decision," Mr. Rai said while speaking at an Assocham event.



TOP HUNT: Compensation package for employees needs to be improved, says Mr. Rai. — PHOTO: KAMAL NARANG

The former Comptroller General of Accounts said that the main principle behind banking management should be transparency in

the accounting process and transparency in the decision making process.

"In some ways the compensation package of these

public sector institutions needs to be improved," Mr Rai said while speaking at an Assocham event.

"We may not be able to do much about the fixed component but we can change the variable component. From the next financial year, we should be able to introduce bonuses, E-sops, and performance linked packages. The idea is to provide monetary and non-monetary incentives to attract professionals."

Mr. Rai added that these incentives would apply to positions across all levels, not just to the middle and senior management.

Filling up vacancies

He also said that the Banks Board Bureau is in the process of filling up vacancies in the top management of the public sector banks.

"We are looking for the right people, and we are trying to ensure that we choose the best and not the second-best," he said.

"We are in the business of trying to collate people who are from different walks of life and who will be willing to join boards of PSBs and be able to provide that kind of expertise which these banks have not had in the past and the effort is to ensure that it is these boards which run the banks."

Corporate debt

Mr. Rai said that the Corporate Debt Restructuring Cell was created with noble intentions in the early 2000s, but it soon found itself unable to cope with the high volume of stressed assets in the system.

He said that while there were innumerable cases where project reports were inflated, balance sheets were manipulated and funds siphoned off, there was an equal number of cases where irresponsible or lazy lending took place, where due diligence was not performed and supervision was perfunctory.

Bank employees' pay to be far more attractive from April 1: Vinod Rai

Banks Board Bureau to bat for longer minimum tenure for top appointments

OUR BUREAU

New Delhi, January 5

Call this a New Year gift from the Banks Board Bureau (BBB) to public sector bank (PSB) employees. As part of the efforts to attract more professionals into the PSB space, the BBB will revamp the compensation package of employees and introduce bonuses, employee stock options (ESOPs) and performance-linked incentives from April 1 this year, its Chairman Vinod Rai said.

The BBB is also toying with the idea of ensuring a longer tenure for those appointed as executive directors and chief executive officers.

"If we provide, say, a six-year tenure, there is greater degree of compulsion of accountability that these officials will be subject to," Rai said while delivering the 97th ASSOCHAM Foundation Day lecture in the capital on "Good governance is essential for sustained economic development."

Rai said that the compensation package of the PSBs needed to be improved in order to attract more professionals. "We may not

be able to do much about the fixed component, but we can change the variable component.

"From the next financial year, we should be able to introduce bonuses, ESOPs and performance-linked packages. There would be both monetary and non-monetary incentives," he added.

Later, asked whether the improved package would be applicable only for senior management, Rai told *BusinessLine* that it would be available across all segments, including senior management and middle-rung executives.

On whether BBB was on track to fill up all vacancies at the helm of PSBs, Rai said the Bureau was doing the needful. "We are in the process of filling up vacancies. We are looking for the right people. We are trying to ensure that we choose the best and not the second best. Maybe there are one or two vacancies to be filled. But most of them have been done," he said.

In his lecture, Rai said the need for greater probity, transparency



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VINOD RAI
Chairman, Banks Board Bureau

and accountability in governance had gained added significance, going by India's experience in the past two decades since the opening of the economy in the 1990s.

"While we have performed well in almost all sectors in the economy since liberalisation and we could withstand the global

economic slowdown, we did fail to achieve the true potential of liberalisation reforms," Rai added.

Rai said there can be no denying the fact that there have been instances of lack of probity, transparency and accountability at various levels of government and corporations.

As a result, growth tapered off before fully exploiting the sizeable domestic market; profits of individual companies dipped; and investors' interest declined. The financial position of the government remained under pressure with not enough funds to spend on various welfare schemes.

"The gains reaped earlier may also get wiped out, if the government has to intervene financially to bail out individual companies or a sector," he said.

Demonetisation

Rai, who hailed the government's demonetisation move, said any attempt to cleanse the economy should be seen as a noble move and "we should lend our energies to ensure that the process of cleansing takes place". It is far too early to say it was a success or not, he added.

