

Date 10-07-2018

HeadLine: There is more freedom and flexibility for bank boards now

Newspaper: Business Standard

Language: English

Journalist: Debasis Mohapatra and Bibhu Ranjan

Edition: Ahmedabad, Bangalore, Mumbai, New Delhi

Page No. 4

Position: Centre

Height: 10

Column: 5

'There is more freedom and flexibility for bank boards now'

RAVI VENKATESAN, former head of Microsoft India, is one of the few private sector professionals to head a public sector bank like Bank of Baroda as its non-executive chairman. This was part of the broader reform agenda of the government to induct talent from private sector into public sector banks. As Venkatesan is all set to hang up his boots after completion of a three-year term next month, he speaks to Debasis Mohapatra and Bibhu Ranjan Mishra on the state of affairs at state-owned banks, challenges faced by the banking system and steps required for improvement. Edited excerpts:

How was your experience with two private sector giants and then heading a big public sector bank like Bank of Baroda (BoB)? Should this model be replicated in more PSBs?

Bank of Baroda is a fantastic institution and the opportunity to measurably strengthen it has been gratifying. What has already been replicated by the government is the separation of the chairman and managing director roles and they have brought good people to chair these banks from both the public and private sectors. The issue isn't about private sector talent. Rather, competent people with contemporary skills should lead these institutions. I think good talent in the private sector would be attracted to take up top jobs in PSBs if boards of banks become more empowered with talent and strategy.

How has your technology background helped your current assignment in BoB? Our bank has invested in upgrading its technology capability. The bank's core banking platform has been upgraded; this has enabled customer-friendly internet and mobile banking. You can see evidence of this. For instance, new savings accounts can be opened in a few minutes in a paperless format. From October, all our branches will go paperless. Also, new information technology-enabled products such as Supply Chain Financing, and Baroda DigitNext Cash Management have

been launched. Nearly 50 new enterprise applications, including a Loan Management System and Fraud Management System are being implemented. These will be fully deployed and integrated by the end of FY19.

What is the way forward for the bank? Do you see bad loan accretion in corporate loan book coming down? Is your focus on retail portfolio growth?

The way forward for BoB is very good. Because, you have 11 banks under Prompt Corrective Action (PCA) and several others whose balance sheets are very stressed. In that sense, BoB and SBI have a clear runway, with less competition. BoB has been historically a corporate lender with less of a retail portfolio. So, we are the disruptor in the retail assets space and I see big opportunity in this space for the bank. The next big opportunity comes from micro, small and medium enterprises, which are completely credit-starved. In the last three years, the bank has created capability to build up a good credit portfolio, which otherwise was kind of reckless. We have also seen growth coming back in the corporate lending front.

You have recently said that managing directors of PSU banks must be given five-year tenure. Why is it so?

Q&A

There must be management continuity for at least five years, so you can see through strategic changes, reengineer business processes, build new capabilities and shape the culture of the organisation. Three years is not enough to do these, and the next MD and the team usually resets and starts afresh rather than continuing what was started before. You can see the big advantage that SBI has where it promotes its own MD and gives the person a longer tenure.

What are the key learnings from the Punjab National Bank scam? Has BoB brought in enough measures to insulate itself from such frauds?

Over the last three years, there has been an effort to redesign processes and strengthen controls and compliance. The bank has moved to a modern front-end/back-end decision architecture. Account opening, processing retail loans, forex and trade finance transactions have been moved from branches to a centralised back office. Branches are only servicing customers; transaction processing is done in a Shared Services Center in Gift City, Gandhinagar. All processes are being digitised to provide greater transparency and control.

Have you seen any interference from the finance ministry regarding any business



decision or specific personnel during your tenure? I can say that systematically, the old system of loans does not exist now. I didn't get any such call and I am fairly confident that the management has been also free of such things. And the board has given the management great confidence, saying even if you get such calls, ignore it. We have a very strong

“Over the last three years, there has been a massive effort at Bank of Baroda to redesign processes and strengthen controls and compliance. The bank has moved to a modern front-end/back-end decision architecture. Account opening, processing of retail loans, forex and trade finance transactions have been moved from branches to a centralised back office”

RAVI VENKATESAN
Non-executive chairman,
Bank of Baroda

board in this respect.

There is a feeling that after the exits of Raghuram Rajan (as Governor of RBI) and Jayant Sinha (from finance ministry), the pace of banking reforms has slowed down. Your thoughts?

Some of the reforms planned under operation 'Indradhanush' have been implemented. For example, the separation of chief executive officer and chairman roles and phase one of recapitalisation have come through. There is definitely a lot more freedom and flexibility given to the boards. But, at the same time, some reforms have not been implemented. There was a suggestion by the PJ Nayak Committee that boards should have more powers. The fundamental power of the board is to appoint the chairman and CEO, which our boards don't have. Similarly, our boards cannot set the strategy, give targets and hold members accountable.

