Failure of Bank board bureau

What is the issue?

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- India’s public sector banks are going through a severe bad loans crisis caused primarily by poor governance.
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- The bank board bureau setup created to monitor public sector banks is being irrelevant.
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What are the duties of bank board Bureau?

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- The government step towards reform, public sector bank formed Bank Board Bureau headed by former Comptroller & Auditor General.
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- It been set up to examine how the functioning and governance of PSBs could be reformed.
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- The Bureau was entrusted with the task of choosing the top leadership of PSBs and improving governance norms.
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- It is seen as a step towards increasing PSBs’ independence and raising their level of competence.
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- Its main purpose was to separate the day-to-day governance and supervision of the banks from the concerns of their ultimate owner, the government.
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What are the issues with bank board bureau?

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- The Bureau when it was eventually formed did not have the powerto oversee all senior appointments, including board-level choices.
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- It was reduced essentially to recommending names of the heads of PSBs and financial institutions.
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- Some new members of boards “non-official directors” are also members of the ruling, who act according to political desires.
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- The Power, to choose the heads of institutions such as IIFCL, IFCI, SIDBI and Exim Bank, was taken away from it and given to the finance ministry.
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What is the reason of its ineffectiveness?

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- In many instances, its recommendations being simply ignored by the government.
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- Rather than going to the Cabinet for approval, its recommendations are re-scrutinised and sometimes overruled by the finance ministry.
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- Its incomplete control over the choice of members of bank boards is also clearly visible.
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- The government began the process of PSB reform with convening meetings of bank heads and launching Indradhanush reform programme.
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Source: Business Standard

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