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2. Do you think long tenure for public sector banks chiefs will foster greater accountability? Comment

The central government has recently extended the tenure of managing directors and chief Executive officers of public sector banks to 10 years. Earlier, it was 3 years, extendable upto 5 years, with maximum age capped at 60 years. The move was seen as to foster greater accountability.

Need for extended tenure.

The move clearly shows the need to address the talent factor in public sector banks.

Issues with the tenure

1. Ideal tenure - has been long vexatious issue in public sector banks. RBI only recently extended the tenure of professional director to 14 years and for chief executive officer upto 75 years.

2. Long tenure, - In private banks, long tenure to top officials, led to ~~disproportionate~~ disproportionate influence over lending. But in public sector, short tenure (3 years), there is lack of accountability.

It is necessary for officials to complete at least 1 economic cycle, to understand the process. They can also learn from the bad decisions and improve on quality of lending.

3. Non-performing Assets

until 2018, it is norm for outgoing director to clean the bank books, through large writeoffs, leading to huge non-performing Assets. This issue is also linked with short tenure.

way forward,

1. Talent retention, to retain the talent at top level, there must be age relaxation flexibility rather capping at 60 years eg: private banks have age relaxation facility
2. Recruitment of Talents at entry and midlevel, and new routes to recruit talents eg campus placement
3. pay parity between public & private bank and variable pay to respect meritocracy.

Thus long tenure to top officials will address the issue of accountability factor.