

Failure of Bank board bureau

What is the issue?

\n\n

\n

- India's public sector banks are going through a severe bad loans crisis caused primarily by poor governance.

\n

- The bank board bureau setup created to monitor public sector banks is being irrelevant.

\n

\n\n

What are the duties of bank board Bureau?

\n\n

\n

- The government step towards reform, public sector bank formed Bank Board Bureau headed by former Comptroller & Auditor General.

\n

- It been set up to examine how the functioning and governance of PSBs could be reformed.

\n

- The Bureau was entrusted with the task of choosing the top leadership of PSBs and improving governance norms.

\n

- It is seen as a step towards increasing PSBs' independence and raising their level of competence.

\n

- 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.

\n

\n\n

What are the issues with bank board bureau?

\n\n

\n

- The Bureau when it was eventually formed did not have the power to oversee all senior appointments, including board-level choices.
\n
- It was reduced essentially to recommending names of the heads of PSBs and financial institutions.
\n
- Some new members of boards “non-official directors” are also members of the ruling, who act according to political desires.
\n
- 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.
\n

\n\n

What is the reason of its ineffectiveness?

\n\n

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

\n\n

\n\n

Source: Business Standard

\n

