



## 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.
- 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.
- It been set up to examine how the functioning and governance of PSBs could be reformed.
- The Bureau was entrusted with the task of choosing the top leadership of PSBs and improving governance norms.
- It is seen as a step towards increasing PSBs' independence and raising their level of competence.
- 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 power to oversee all senior appointments, including board-level choices.
- It was reduced essentially to recommending names of the heads of PSBs and financial institutions.
- Some new members of boards “non-official directors” are also members of the ruling, who act according to political desires.
- 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.
- Rather than going to the Cabinet for approval, its recommendations are re-scrutinised and sometimes overruled by the finance ministry.
- Its incomplete control over the choice of members of bank boards is also clearly visible.
- 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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