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EVERY SOLUTION HAS A PROBLEM

*If it ain't broke, don't fix it, is what Americans say.
What if a system that is not "broke" needs improvement?
Can changes create problems of their own?*

On October 08, 2025, the Government of India issued consolidated revised guidelines for appointment of Whole Time Directors (WTDs) in Public Sector Banks (PSBs). These guidelines supersede all the earlier guidelines issued in this regard, and to that extent, is a welcome move in that one does not have to refer to several documents to ascertain the current position.

The consolidated guidelines pertain to the appointment of Chairman, State Bank of India (SBI), Managing Director(s) (MD) in SBI, MD and CEO of Nationalised banks (NBs), and Executive Directors (EDs) of NBs (whether NBs should be continued to be called NBs after the Government of India has moved from sole owner to majority shareholder is worth thinking about). The manner of appointment of persons to these senior positions in the SBI and in other PSBs has undergone changes from time to time. Before the process of consolidation was initiated, there were 19 NBs (PSBs) after the merger of New Bank of India with Punjab National Bank. The SBI family comprised, in addition to the SBI, 7 Associate banks. Each of the NBs had 1 Chairman cum Managing Director (CMD) and 1 ED. SBI initially had 1 Chairman and 2 MDs, later increased to 4 MDs. In the case of the SBI, the Chairman was, except in 2 cases, a person from within the SBI, the only 2 exceptions being Mr DN Ghosh and Mr Goiporia. It was always believed that given the size and the complexity of the bank, the number of branches within and outside the country, and the preeminent position that the bank occupied, only a candidate, who had served for long years in the bank, would be fit to lead the bank. What is presently contemplated under the consolidated guidelines is to consider only internal candidates from within the SBI. This position is not proposed to be opened to persons from outside the bank. An open question is whether the MD, who comes into the bank in the 'open vacancy', should also be considered, after a couple of years, for the Chairman's position.

The selection process *inter alia* states that there shall be no marks for Annual Performance Appraisal Reports (APARs), and that candidates shall be awarded marks out of 100 on the basis of performance during interaction with Financial Services Institutions Bureau (FSIB). What this means is that the entire past service record of the official will be ignored, and only what emerges during the interaction with FSIB will be taken into account. It is informally understood that each of these interactions does not last more than one hour. Resultantly, the choice for the top job in India's banking sector will be determined only by an hour's conversation with members of the FSIB.

While the APARs will not be taken into account for allocation of marks, there is no indication whether negative observations in the appraisal reports will be taken into account.

As far as educational qualifications go, all that is required is that the candidate must hold a graduate degree of any university or deemed university. Considering that this is a specialised domain, it is fair to ask whether the person holding the top job should not have a CAIIB (Certified Associate of Indian Institute of Bankers) qualification. The guidelines stipulate that consultation with RBI shall be required before the submission of the proposal to the Appointments Committee of the Cabinet. Considering that the RBI has 2 representatives on FSIB, is further consultation with RBI necessary? Can the views of the RBI not be communicated to the FSIB through these 2 representatives?

There is also a provision for the holding of additional charge, which provision *inter alia* mentions that the additional charge arrangement may be extended initially by 3 months, and then by a period of 6 months, from the date of vacancy, only in the cases where the selection process is underway. This gives rise to the question whether such a provision should at all be necessary, since the date of the impending vacancy is known well in advance, and the selection procedure should be completed before the vacancy arises. For important posts such as these, it might be useful to have the selected candidate serve for a period of 1 month alongside the incumbent, so that the overlapping could lead to continuity of practices and procedures, and ensure that the change is not disruptive. Any provision for extension could lead to a leisurely selection process.

As far as the positions of the MDs of SBI are considered, it has been provided that 3 positions will be filled from among the internal candidates from PSBs, and 1 position will be filled from among eligible “private candidates”. The catchment area for the positions of MDs is Deputy MDs, with at least 2 years of service as DMD, the EDs of NBs, with at least 2 years service as ED, and the MD and CEO of NBs, with at least 2 years service as MD and CEO in the present posting, with a residual service of 2 years, treating 60 years as the date of superannuation. DMDs with 2 years of service as DMD, are being equated to EDs of NBs, with at least 2 years of service as ED. Some of the latter category of banks have lesser business than even one of the circles of the SBI, and therefore equating DMDs of SBI with EDs of NBs, in terms of experience, seems inappropriate. Further, by the time a person becomes a Chief General Manager (CGM) in SBI, he/she would have had firsthand experience of all facets of commercial banking. What is more puzzling is that an MD and CEO of an NB should have at least 2 years as MD and CEO in the present posting. What happens if such a candidate has served for more than 2 years as ED, and has been MD and CEO for less than 2 years? Is he/she inferior in terms of experience compared to EDs with 2 years service?

3 of the positions are to be filled from “internal candidates”, as discussed in the preceding paragraph. The fourth position for private candidates envisages selection from among candidates with a minimum of 21 years of experience, with at least 15 years of banking experience, with at least 2 years at the bank Board level, or at least 3 years at the highest level below the bank Board level. Is it to be understood that a person who has been at one level below the Board level of a private bank for a period of 3 years, would be suitable for appointment as MD of SBI, India’s largest bank by several miles.

For candidates from the private sector, clearances from the Intelligence Bureau (IB) are required, whereas for candidates from the PSBs, clearances from the Central Vigilance Commission (CVC) are required. As far as banking is concerned, this might be a new area for IB.

This new process will be put to test very quickly since the guidelines provide that the first vacancy of MD, SBI coming into force from the date of these guidelines shall be treated as an open vacancy.

For the positions of MD and CEO of NBs, DMDs of SBI, with at least 1 year of service as DMDs, are eligible. Also, EDs of NBs, with at least 1 year of service as ED, will be eligible. Here again, an ED with 1 year experience is being equated to a DMD of SBI with 1 year experience. Considering that most of the NBs have 4 EDs, with the workload being distributed among them subject wise, it is useful to ask whether a candidate with 1 year experience as ED would be a good choice to be the MD and CEO of a bank.

We then come to the candidates from the private sector. Here again, 15 years of banking experience, with at least 2 years at the Board level, or 3 years at one level below the Board will render a candidate eligible. The apprehensions expressed in regard to selection for the posts of MDs of SBI will apply mutatis mutandis in these cases.

Selection for the positions of EDs of NBs merit comment. Here again, one position of ED shall be open for all the eligible candidates. Eligible candidates would include persons with a minimum of 12 years of banking experience, including 3 years at the highest level below the Board level. For the 3 positions to be filled from internal candidates, the minimum service prescribed is 4 years as CGM and General Manager (GM) till FY 27-28, and thereafter, as CGM, with 2 years of experience. Whether a CGM with 2 years of service should be compared with a person who has 12 years of banking experience, with 3 years below Board level, is a question that needs to be addressed.

There is a material difference in the selection procedure relating to EDs. It says that for internal candidates, 30 marks will be awarded for APARs for 5 years, whereas, for the open position, there shall be no marks for the APARs.

The FSIB will clearly have its task cut out. Firstly, it will deal with 2 completely different categories of candidates to decide who among them is fit for the senior position that is vacant. Secondly, in the absence of any weightage given to APARs, the choice will depend only on the interaction, which might last for a maximum of one hour. What impact this will have on motivation and morale is a question that cannot be ignored.

The FSIB has members with excellent credentials and track records. Do they have adequate firsthand experience of public sector commercial banking?



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