PREFACE AND ACKNOWLEDGEMENTS

My journey down the road of Banking covering a period of 30 years has left nagging questions in my mind about the supervisory and regulatory aspects of the Sector. Having joined a Public Sector Bank (PSB) as a Probationary Officer immediately after Nationalisation, I was able to appreciate the benefits of the move in spreading the habit of Banking among masses and the wave of social lending to the neglected sectors of the economy, which could not be achieved with the plethora of social control and other measures of the Government. The explosion in the number of rural branches, drop in the per Branch population, the increase in the Priority and hitherto neglected weaker Sections of population etc. have enthused me so much that I became an ardent fan of the Government’s decision to nationalise the Banks.

As the years rolled by the euphoria faded, and assuming higher responsibilities of running major Branches and Regional Administration as a senior officer of the Bank, I started becoming critical of the same measures and developed a feeling that soon the Indian Banking Industry would be in dire straits. Directed lending, pre-emption of Banks’ resources by unimaginatively high Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR), regulated interest rates, lack of functional autonomy for the Bank Managements, forced spread of unviable Branches etc. had impoverished the Indian Banks
and made their Managements helpless and frustrated. The consequential effects of mounting burden of Non-Performing Assets (NPAs), abysmal or negative Return on Assets (ROA), negative capital adequacy, the international frowning on the Indian Banking system had all forced the Govt. to think in terms of reforming the Banking Sector. The period between 1969 and 1990 were marked by the Regulator’s apathy to the state of the deterioration of the Banking system’s performance. Their role was confined to customary oversight by on-site transaction based inspections and audits. Consequent to the Reforms and in line with the recommendations of the Narasimham Committees (I and II) the Reserve Bank of India (RBI) had initiated a number of Risk Based Supervisory measures to put the ailing Indian Banks on an even keel.

By this time I had joined a Foreign Bank and worked as the Country Head and CEO for Indian Operations. My subsequent assignments into Academics as a Faculty in Risk Management at the Institute of Insurance and Risk Management(IIRM), Hyderabad and as Guest Faculty at ICFAI Business School(IBS)and Jawaharlal Nehru Technological University Hyderabad(JNTUH) enabled me to keep my interest in Banking alive.

Having been exposed to the work ethos in both Indian and Foreign Banks, at the field level along with academic exposure, I have been nurturing a desire to study the role of the Regulatory and Supervisory methods adopted by the RBI and their efficacy in
securing the soundness of the Indian Banking System. The present paper is the result of this quest.

Firstly I would like to acknowledge my deep gratitude to my Guides Dr.Y.G.Sivaram, Associate Dean, Icfai Business School and Dr.A.Ramachandra Aryasri, Director School of Management Studies, JNTUH for their valuable guidance without which my study objective could never be achieved.

I wish to record my gratitude to Mr.Vepa Kamesam, Managing Director, IIRM, Former Dy. Governor, RBI and Managing Director, State Bank of India. Working under his guidance, I was the programme co-ordinator for Risk Management Programmes conducted for senior Bankers from Public Sector Banks like State Bank of India, State Bank of Travancore etc.

I would like to thank Mr.P.R.Gopala Rao, Executive Director, RBI (Retd.) and Dr.Y.R.K.Reddy of Academy of Corporate Governance who gave me the opportunity to be Programme Director for conducting Work Shops on Internal Controls and Compliance from a Central Bankers perspective, under the IFC sponsorship for empowering the Bank Supervisors of less developed countries like Bangladesh, Nepal etc.

I am grateful to Dr.Nagaraju, Professor at National Institute of Bank Management(NIBM), Pune for his support. He spent hours on end away from his busy schedule enthusiastically discussing my
work and enriching the same. I also thank Dr. V. M. Prasad of JNTUH for sparing his valuable time and helping me with my project.

I am most obliged to the Librarians at the NIBM, Pune, RBI Central Office Library at Mumbai, Institute for Development and Research (IDRBT) Library, Hyderabad who had been a tremendous help in my Research Work.

Thanks are also due to my wife Lalitha, who stood by me and left me free to pursue my Research Project with minimal domestic responsibility. More thanks are in order to my other family members and friends, my daughters, sons-in-law and grand children who valued my initiative in Doctoral pursuits.

Needless to say, I retain the responsibility for any gaps or errors in this work. As the work of typing and printing of the Thesis has been done by me, I take full responsibility for any omissions and commissions.