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Bank of Maharashtra: An Indian Small Public Sector Bank Unshackling itself from the baggage of the Past

It was on summer evening in Pune in April 2022. The temperature in Pune had touched 40°C and Mr. A S Rajeev, the Managing Director, and the CEO of Bank of Maharashtra, a small/medium-sized Indian public sector bank, were having a cup of tea in his office before leaving the office. He had just declared the Q4 results of 2021-22 (i.e., January – March 2022) of Bank of Maharashtra when the net profit jumped by 115 per cent (from Rs. 1.65 billion to Rs. 3.55 billion). In a contemplating mood, he was thinking that the Bank has come a long way from his taking over the mantle of Bank of Maharashtra (BoM) in December 2018, when the image of the Bank got tarnished with allegations of governance issues and non-performing assets (a euphemism for loan default) looming large.

As he had started recapitulating this transformative journey of BoM in a pensive mood, various scenes of the history of banking in India started appearing as a montage in his mind's eyes.

Bank of Maharashtra and Public Sector Banks in India

Bank of Maharashtra (BoM) was established in 1935 with a vision that can be broadly couched in terms of mass banking in the industrialized state of Maharashtra in Western

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India. Later in 1944, it obtained the status of a Scheduled Bank.[1] Though BoM's operations in those days were largely local in nature and were confined primarily to the state of Maharashtra, in 1946, it opened its first branch outside Maharashtra in Hubli (in the erstwhile state of Mysore, presently part of Karnataka). In 1958 BoM was listed on the Bombay Stock Exchange. It was nationalized in 1969 as part of the nationalization initiative of the Government of India.

At this juncture, it may be pertinent to relate the story of BoM with the macro story of Indian banking, which has been quite unique. During the 1950s and the 1960s, India, banking sector has been predominantly private in nature. However, its ownership Structure was skewed, and industry houses used to own banks. Later a process of consolidation followed during the period, 1960 – 1969 involving, (a) 48 compulsory mergers, (b) 20 voluntary amalgamations, (c) 17 mergers with the State Bank of India, and (d) 125 transfers of assets and liabilities (RBI, 2008).

Despite some progress, banking was largely concentrated in urban areas till the end of the 1960s. Consequently, there was a clamor for control over banks. Such a view culminated in the nationalization of fourteen banks with deposits of over Rs.50 crore on July 20, 1969, nationalized.[2] The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1969 had laid down conditions for nationalization, whose objective was, "to serve better the needs of the development of the economy in conformity with national policy and objectives".[3] Bank of Maharashtra was one of the fourteen banks to be nationalized in 1969. Despite its predominant local character, at that time the BoM had 153 branches spread across 8 states.

Meanwhile, another set of banks, known as regional rural banks (RRBs) was set up under the RRB Act of 1976 with a focused initiative to provide rural credit. Their equity was held by the Central Government, concerned State Government, and the Sponsor Bank in the proportion of 50:15:35. BoM set up three RRBs in Maharashtra over the years, (i) "Marathwada Gramin Bank" with headquarters at Nanded in 1976; (ii) "Aurangabad – Jalna Gramin Bank" in 1981; and (iii) "Thane Gramin Bank" in 1986.

The Macro Environment

Since the early 1990s, Indian embarked upon a liberalization programme in which the financial sector reform process was a major element. Nevertheless, the banking structure that emerged by the early 1990s had the following entities, (a) State Bank of India (with its seven Associated Banks), being the market leader; (b) 20 nationalized banks (of which BoM is one); (c) private sector banks; (d) foreign banks; and

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1 The names of these scheduled banks have been given in the Second Schedule of the Reserve Bank of India Act, 1934.

2 These banks were the Central Bank of India, Bank of Maharashtra, Dena Bank, Punjab National Bank, Syndicate Bank, Canara Bank, Indian Overseas Bank, Indian Bank, Bank of Baroda, Union Bank, Allahabad Bank, United Bank of India, UCO Bank, and Bank of India.

3 The nationalization was a part of a larger economic ideology of the political establishment of India, dominated by the Indian National Congress Party. Describing the ethos of bank nationalization, Nayyar (1998) had commented: "The crisis in the economy and the political setback to the Congress Party… led to rethinking in economics and politics. There was a recognition of two realities. …First, there was a strong, new, emphasis on agriculture. …Second, poverty alleviation programmes began life in independent India, albeit on a modest scale…The slogan of *garibi hatao*, … captured the popular imagination. But the rhetoric went further to the nationalisation of banks and the abolition of privy purses."

(e) regional rural banks (Exhibit 1). These regional rural banks (RRBs) have been late entrants. It has been evident that till 1990, the share of public sector banks (i.e., nationalized banks and SBI & its Associates) accounted for nearly 90 percent of major banking aggregates. In the public sector-dominated banking industry, Bank of Maharashtra emerged as a niche small bank with localized operations.

From the vantage point of 2022, it appeared that the regime that followed bank nationalization has significant elements of financial repression, characterized by *(a)* explicit or indirect capping or control over interest rates; *(b)* government ownership or control of domestic banks and financial institutions and barriers to entry before other institutions seeking to enter the market; and *(c)* creation or maintenance of a captive domestic market for government debt achieved by requiring domestic banks to hold government debt. Thus, till about 1990s, the strategy adopted by BoM during was in line with its predominant local character geared towards social banking under government ownership within the regulatory perimeter of financial repression. In a caricatured manner, the strategy had three key elements: *(a)* deposit mobilization, *(b)* following RBI guidelines on mandated lending, and *(c)* extension of credit primarily in the state of Maharashtra. Nevertheless, as a key element of the financial sector reform process divestiture of ownership was allowed in public sector banks, and in 2004 the Bank of Maharashtra came up with Initial Public Offering (IPO).

For the CEO of any public sector bank in India, apart from the normal business-related and regulation-related constraints and tensions, three distinct stakeholders tend to play significant roles. First, often one hears about local and Pan-Indian political pressures and interest groups. Second, since the positions of CEOs are the outcome of a selection process where the Ministry of Finance has a big say and since there has been a government nominee on the public sector bank's Board, the influence of the Central Government in banks' decision-making has been a reality.[4] Third, bank-specific trade unions (called associations in the case of Officers) also act as another interest/pressure group. Thus, often the role of a CEO in a public sector bank involves subtle balancing in the complex cobweb of power and involves a walk on the razor's edge.

Bank of Maharashtra: The Era of Mr. A S Rajeev

Just to place the context, one may note that the experience of a crisis in the Bank of Maharashtra (BoM) has not been new. As India had initiated its financial sector reforms process in early 1990s, there were efforts to align Indian regulatory standards with the global norms. In particularly, following the Basel Committee standards, prudential norms were prescribed for capital adequacy, income recognition and provisioning. With the introduction of these prudential norms, ring-fenced Indian banks were shaken.

[4] The Report of RBI constituted Committee "to Review Governance of Boards of Banks in India" (2014) went on to say: "The boards are disempowered, and the selection process for directors is increasingly compromised. Board governance is consequently weak", and further noted, "Governance difficulties in public sector banks arise from several externally imposed constraints. These include dual regulation, by the Finance Ministry in addition to RBI; board constitution, wherein it has been difficult to categorise any director as independent; significant and widening compensation differences with private sector banks, leading to the erosion of specialist skills; external vigilance enforcement though the CVC (Central Vigilance Commission) and CBI (Central Bureau of Investigation) and limited applicability of the RTI (Right to Information) Act" (available at https://rbidocs.rbi.org.in/rdocs/ PublicationReport/Pdfs/BCF090514FR.pdf).

Besides, opening up of the sector to new private sector banks along with freeing of interest rates, led to enhanced competition and squeezed margins. BoM too faced difficult days that time and the bank went into the red with operating loss for two consecutive years (1992-93 and 1993-94) and net loss for three consecutive years (1992-93, 1993-94 and 1994-95). With concerted efforts, BoM bounced back, and came in profit in 1995-96. It successfully floated its initial primary offering in 2004 and did not look back until the next wave of regulatory shock in the form of asset quality review launched by RBI in 2016.[5]

When Mr. A. S. Rajeev had joined the bank as the Managing Director (MD) on December 2, 2018, Bank of Maharashtra (BOM) was probably facing its single biggest crisis since 1990s. It was a struggle for survival as an independent entity.

Prior to his taking up this role at BOM, Mr. Rajeev had been a career banker with nearly three decades of professional banking experience in three Public Sector Banks, viz. Syndicate Bank, Vijaya Bank and Indian Bank. A qualified Chartered Accountant, he had wide exposure in many important areas of banking including Corporate Credit, International Banking, Treasury, Risk Management, Credit Monitoring & Supervision, NPA Management, Planning & Development, Human Resources, Finance, Accounts & Taxation, Vigilance, Corporate Governance, Inspection & Audit, Cyber Security and Subsidiaries.

Taking mantle of BOM as MD &CEO, at a time when the Bank was put under Prompt Corrective Action (PCA) by the Reserve Bank of India (RBI) because of its losses and quantum of Non – Performing Assets (NPAs) (Exhibit 2), was going to be an arduous task. On top of that, the morale of the bank and all its employees were very low as the previous senior leadership of the bank were under the cloud in early 2018 for certain alleged irregularities but the air was cleared later.[6] Would he be able to embark on his journey with the Bank by taking the employees along with him, by winning their trust and to come out of the PCA imbroglio unscathed?

Interestingly, the increase in NPA was a generic problem of the Indian public sector banks. After experiencing a secular fall from the early 1990s till the advent of the global financial crisis in 2008-09, NPAs of Indian banks had started rising, initially at a low pace and later at a sharp rate till 2019-19 (Exhibit 3).   Four factors were identified in the context, *viz., (a)* falling commodity prices; *(b)* regulatory forbearance; *(c)* initial exuberance in infrastructure projects punctured by a downward phase in business cycles (leading to substantial debt accumulation of select big corporates); and *(d)* governance failure in select public sector banks (PSBs) (Mohan and Ray, 2022). Bank of Maharashtra too were not free from the generic trend.

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5 Since the onslaught of the global financial crisis, various measures of regulatory forbearance were introduced in India in 2009 and 2009. The Asset Quality Review of 2016 refers to assessment of the then current position of bad debt and the eventual of the measures of regulatory forbearance.

6 The arrest of a few senior executives of the Bank had led to, "protests by the banking industry and prompting senior government officials in New Delhi to step in and engage with the Maharashtra government as such cases are referred to and handled by the CBI. "We had filed a closure report under Section 169 of the CrPC as we didn't find any evidence against the three bank officials," Pune police commissioner K Venkatesham told The Indian Express" (*Indian Express,* October 21, 2018; https://indianexpress.com/article/cities/mumbai/bank-of-maharashtra-officials-get-clean-chit-in-dsk-loan-case/)

Mr. Rajeev also had another challenge; he was very shortly to have a new Executive Director (ED) join the bank and thus both the MD and one of the EDs would be new to BOM. And the new ED, Mr. Hemant Tamta had joined BOM on December 31, 2018 from Canara Bank. Prior to joining BOM, Mr. Tamta had worked in various roles within Canara Bank; for example, Recovery, Credit Administration & Monitoring and Retail Assets.

Thus, on January 1, 2019, BOM had the fortune of getting a significant part of the senior leadership team that was new to BOM. The duo of Mr. Rajeev and Mr. Tamta, both new to the Bank, took it head on to salvage and turnaround BOM. For this, they had the support of existing Executive Directors, Mr. A.C. Rout, Mr. Y. Nageswara Rao, and the Board of Directors, who were all hand-in-hand to resurrect BOM and its image in the eyes of its stakeholders. In fact, there were hardly any other workable option – the other options were either bankruptcy and liquidation or a merger with another larger and more profitable bank. Resolution could lead to the end of the saga of BOM and potentially be disadvantageous to all the existing stakeholders. Thus, the only option ahead of them was to try, and get the bank out of the PCA framework, which would happen by reduction of NPAs on one hand and increasing business on the other to steer the beleaguered bank into profitable territory.

Given this background, the duo of Mr. Rajeev and Mr. Tamta had got around to first identifying the cause of the crisis to apply appropriate correctives. One of the first things that was observed was that there was hardly any growth in the 2016 – 2017 period – in fact, there was no average growth of the business. In attempting to find the cause of the problem, what they came across at a broad level was that BOM was a very conservative bank with lending activity remaining very subdued – a state that can never take the bank forward amidst deafening competition. It was also a notable point that a few corporate accounts that existed were not really performing well leading to the NPAs that led to the invocation of the PCA rule by RBI. All the same, they could figure out too, the bank's innate strengths particularly in Maharashtra, considering the local support it enjoyed. This also gave the bank a healthy current and savings account balance (CASA), which probably was useful in the survival of BOM.

Bank of Maharashtra and its Agile Transformation

The first step of Mr. Rajeev and Mr Tamta was to take the entire BOM staff across all cadres in their stride, by infusing confidence in them, as only motivated force could enable the turnaround of the Bank; to break the PCA shackles and to restore the glory of Bank of Maharashtra. Concrete measures with respect to business operations coupled with morale-boosting of staff yielded results on two fronts:

1. Know thy strength: The presence of the senior-most management engaging with the staff on the ground obviously had re-motivated the staff to deliver and more importantly, believe in themselves and their potential to deliver.

2. The other most important learning that they gleaned out of this exercise were some of the approaches of BOM such as restrictive retail lending and others that were plaguing the bank.

This duo identified that a number of BOM branches across the country were not lending at all in the market and for a bank not to lend is like depriving itself of the opportunity of earnings; After all one of the fundamental pillars for a bank to exist is to lend at appropriate rates to acceptable levels of credit quality.[7]

Based on these inputs, the new team had engaged in a skew of measures that would put the bank back onto the track. In fact, the *mantra* of *"Management by Passion, Management by Compassion"* were coined, adopted and religiously followed through across the entire bank to infuse and instill new energy and confidence into the human resources to deliver effectively.

The basic concepts like Celebration of People within had gained ascendancy. 'Take care of Your People; the process takes care of the products' – it has been internalized in the HR philosophy of the bank to optimize human productivity. Various innovative initiatives were taken (Details of the initiatives has been given in Exhibit 4).

All of these initiatives had started showing significant results. BOM has become the first bank to come out of the PCA framework imposed by RBI, in January 2019; in fact, it turned profitable as well and are currently recognized as the "*MOST PROFITABLE PSU BANK"* in the country, in percentage terms. The following data succinctly support the above observation.

BOM has shown a consistent increase in its operating profit over the last 5 years. Though the net profit had dipped into losses between 2016 – 2017 and 2018 – 2019 (this was the period corresponding to the turbulence in the bank as mentioned earlier) the bank significantly turned itself around, and the net profit became positive in 2019 – 2020 itself, continuing to increase at a very fast pace reaching an amount of INR 11.52 billion in 2021 – 2022. Also, the most important yardstick of the performance measurement of a bank, the Non-Performing Assets (NPA) numbers have also significantly improved with the Gross NPA (GNPA) being at 3.94% and the net NPA (NNPA) being at 0.97% respectively in 2021 – 2022 –the GNPA peaked in 2017 – 2018 to 19.48% and the NNPA peaked in 2016 – 2017 to 11.76%. All these reaffirm were not only a stellar turnaround by BOM but also its ability to hold on to the performance and improve it year on year over the last few years (Exhibit 5).

Current Dilemma

BOM has probably turned over thanks to the untiring efforts of Mr. Rajeev and his team, currently comprising 12,700 employees and two Executive Directors, Mr. A V Vijayakumar, and Mr. Asheesh Pandey. The combination of hard banking as well as addressing the softer aspects in a fair and transparent manner helped BOM decisively emerge out from the brink and become a glittering example to the banking fraternity.

As Mr. Rajeev gets into his car, he starts to contemplate that despite the fairy tale - like revival, the way forward would be not a bed of roses and there are stiff challenges ahead.

Bank has turned around completely from a Bank inflicted with high NPAs and low profitability ratios to a Bank which is "numero uno" on CASA, deposits and advances growth, and in reduction of Gross NPAs and Net NPAs amongst all PSBs consecutively

[7] In fact, around 1100 branches out of the total of 1853 branches had not disbursed a single loan in the period April 1, 2018 and December 31, 2018.

over the last six quarters. Even some of the Private Sector Banks are finding it hard to match the stellar performance of bank.

Reaching the pinnacle is challenging. But to remain at the pinnacle is more than marathon. The formidable challenge is to ensure that the bank does not slide back. Especially so amidst a competitive market space and to keep pace with the kaleidoscopic changes in customer preference and the dire need to keep pace with the ever-changing times.

Retention of new and skilled staff in wake of significant retirements and for carrying out the technological developments and the specialized jobs is an imperative for Bank in the future.

Technology has transformed the entire banking landscape. Given its nascent tech footprint, continuous technology upgradation is going to be a costly affair for the bank. Collaborating with the right fintech partner with right technology solution may be a challenge for the bank with its present scale.

Finally, going by media reports, there has been the pressure of privatization across all public sector banks.[8]

Mr. Rajeev commented, “We ardently believe that working under pressure gives fillip to innovativeness to emerge stronger”. Admittedly, the strategic direction rests on / revolves around the Leadership.

Recent numbers for the April – June quarter of 2022 has been very encouraging with a more than two-fold jump in net profit to Rs 452 crore, accompanied by a healthy net interest income and improvement in asset quality.[9]

The future, thus, seems to be interesting and challenging as it is full of growth potential.

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8 https://www.india.com/business/bank-privatisation-news-100-per-cent-privatisation-of-public-sector-banks-soon-know-here-5479708/

9 https://bankofmaharashtra.in/writereaddata/documentlibrary/7ee4aa72-2c4d-4f0f-902a-ecda8a19f3c8.pdf

Exhibit 1
Structure of Indian Banking

Year	Bank Group	No. of Banks	**Deposits**		**Investments**		**Advances**		**Total Assets**		***Return on Assets***
			(Rs. Billion)	*(Percentage share)*	(Rs. Billion)	*(Percentage share)*	(Rs. Billion)	*(Percentage share)*	(Rs. Billion)	*(Percentage share)*	
1980	State Bank of India & Its Associates	8	117.1	*27.3*	39.3	*29.2*	87.0	*31.9*	182.0	*31.3*	*0.04*
	Nationalised Banks	20	274.8	*64.1*	83.7	*62.2*	161.8	*59.4*	344.7	*59.2*	*0.11*
	Private Sector Banks	34	22.4	*5.2*	6.9	*5.1*	12.2	*4.5*	28.8	*4.9*	*NA*
	Foreign Banks	13	12.3	*2.9*	4.4	*3.3*	9.0	*3.3*	22.6	*3.9*	*NA*
	Regional Rural Banks (RRBs)	84	2.2	*0.5*	0.2	*0.2*	2.6	*1.0*	4.3	*0.7*	*NA*
	All Scheduled Commercial Banks (Excl. RRBs)	75	426.5	*99.5*	134.3	*99.8*	270.1	*99.0*	578.1	*99.3*	*NA*
	All Scheduled Commercial Banks (Incl. RRBs)	159	428.7	*100.0*	134.6	*100.0*	272.7	*100.0*	582.4	*100.0*	*NA*
1990	State Bank of India & Its Associates	8	568.2	*27.5*	201.4	*29.6*	420.4	*32.8*	974.4	*33.3*	*0.07*
	Nationalised Banks	20	1,288.3	*62.4*	425.3	*62.5*	729.2	*56.9*	1,633.1	*55.8*	*0.19*
	Private Sector Banks	25	78.3	*3.8*	25.8	*3.8*	42.4	*3.3*	98.8	*3.4*	*0.03*
	Foreign Banks	22	89.3	*4.3*	27.2	*4.0*	55.6	*4.3*	160.6	*5.5*	*1.46*
	Regional Rural Banks	196	40.2	*1.9*	0.6	*0.1*	33.8	*2.6*	60.8	*2.1*	*0.11*

	All Scheduled Commercial Banks (Excl. RRBs)	75	2024.1	*98.1*	679.7	*99.9*	1247.6	*97.4*	2,866.9	*97.9*	*0.39*
	All Scheduled Commercial Banks (Incl. RRBs)	271	2,064.4	*100.0*	680.3	*100.0*	1281.5	*100.0*	2,927.7	*100.0*	*0.20*
2000	State Bank Of India & Its Associates	8	2,562.9	*27.5*	1211.3	*28.7*	1290.3	*28.3*	3,363.3	*29.2*	*0.40*
	Nationalised Banks	19	4,810.2	*51.6*	2122.9	*50.3*	2230.8	*48.9*	5,546.3	*48.1*	*0.55*
	Private Sector Banks	32	1,136.7	*12.2*	507.9	*12.0*	557.4	*12.2*	1,365.7	*11.8*	*0.35*
	Foreign Banks	42	493.2	*5.3*	296.6	*7.0*	356.2	*7.8*	828.5	*7.2*	*0.94*
	Regional Rural Banks	196	322.3	*3.5*	77.6	*1.8*	124.3	*2.7*	422.4	*3.7*	*0.68*
	All Scheduled Commercial Banks (Excl. RRBs)	101	9,003.1	*96.5*	4138.7	*98.2*	4434.7	*97.3*	11,103.7	*96.3*	*1.28*
	All Scheduled Commercial Banks (Incl. RRBs)	297	9,325.3	*100.0*	4216.3	*100.0*	4559.0	*100.0*	11,526.0	*100.0*	*0.69*
Source: Statistical Tables relating to Banks, RBI, various Issues.											

Exhibit 2
The Framework for Prompt Corrective Action

RBI considers 4 key factors in the determination as to whether a bank needs to be brought under the PCA. The 4 categories are:

- The first criterion is the Capital Adequacy Ratio (CAR). The PCA kicks in if the actual CAR of the bank falls more than 250 bps short of the modified CAR as defined by the RBI.

- The second criterion is based on the asset quality which is defined as the net Non-Performing Assets of the bank, net of provisions and is invoked when the net NPAs of the bank crossed the 6% mark.

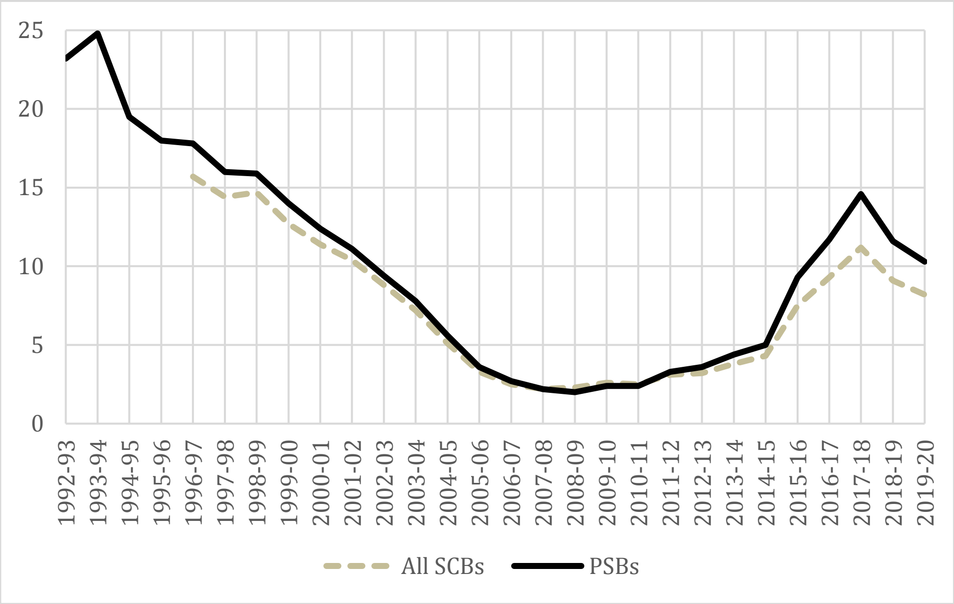
- The third criterion is profitability with Return on Assets (ROA) being the benchmark for profitability. The first threshold of PCA is triggered if the bank reports 2 years of consecutive negative ROA. 3 years of consecutive negative ROA will trigger the second threshold of PCA for the bank.

- The last criterion is the financial risk of the bank as measured by the total debt level or leverage. Threshold 1 of the PCA is triggered when the total leverage crosses 25 times the Tier 1 Capital and Threshold 2 is triggered when the total leverage crosses 28.5 times the Tier 1 Capital.

Each criterion has a threshold and a threshold breach causes RBI to take some steps – some are mandatory while some are discretionary. Threshold 1 breach causes RBI to impose restrictions on the quantum of dividend distribution and repatriation of profits in the case of foreign banks. RBI may also call on the promoters of the banks to shore up the capital base through the infusion of fresh funds. Breach of Threshold 2 is more serious. The measures, in this case, will be an addition to the measures already taken on the breach of Threshold 1. Additional measures will include restrictions on the domestic and overseas branch expansion of the bank. RBI may also instruct the banks to provide more for asset impairment. Threshold 3 breach constitutes a very grave situation. Before looking at remedial measures like mergers, acquisitions, strategic sale of the bank's assets, etc, RBI will impose restrictions on pay hikes, director's fees promotions, annual hikes and recruitments. Senior management compensation will come under severe restraint in this situation.

Exhibit 3
Evolution of NPA

Chart 1: Gross NPA as % of Gross Advances: 1992 - 1993 through 2019 – 2020



Legends: SCB: Scheduled Commercial Banks; PSBs: Public Sector Banks.

Source: Mohan and Ray (2022)

Exhibit 4
Some of the key initiatives taken by the Bank of Maharashtra in recent Times

1. Direct engagement with officers across all cadres was initiated. Top Management realized that the staff were highly qualified and just needed motivation to perform and that is what they constantly provided. In fact, the Managing Director (MD) of the Bank got certain positive interventions in place, to devote a good deal of time, in addressing staff across operations using an Audio / Radio bridge. He also conducted a number of Town Hall meetings across all levels of the bank to keep the workforce abreast of the bank's goals and the road ahead.

2. BOM actively enabled usage of the social media channels to reach out internally as well as externally.

3. The Head Office was transformed to work more as an enabler and facilitator. In this context, branch-level activities were seamlessly tracked to guide and handhold.

4. Bank started offering non-cash rewards and incentives to the staff–activities like *"Lunch with MD*" were introduced and became highly successful and attractive to the junior level employees across the bank, triggering involvement.

5. The bank facilitated career progression based on performance in a transparent manner. No unwarranted pressures / recommendations worked in favour of the non – performers. Most importantly, drove this message down the rank and file of the bank employees thereby boosting their confidence in terms of delivery. At the same time, they were extremely hard on the non – performers by withholding promotions and increments of such individuals as well as not hesitant to offer them the provision of respectable exit in extreme cases. Thus, merit replaced mediocracy significantly.

6. The bank ensured that all outstanding disciplinary issues and compassionate ground-based cases that were lying unresolved were resolved at a fast pace with a humane approach to bolster active involvement in bank's progress for all *bonafide* engagements.

7. Bank also set up a Think Tank Team (TTT) – a set of officers chosen from across the bank who would spend time in thinking and designing new initiates and activities to improve the banks financial health and employee engagement. The TTT members conducted these activities beyond their regular banking activities, with innovative minds.

8. Some of the major changes that were brought about in the banking space of BOM, resulting in increased efficiency and reduced cost, were:

    a. The bank was moved into a direction where no branch of the bank could remain a zero-lending branch. This was followed through very aggressively and by August of 2019, BOM had no nil lending branch.

    b. The bank's portfolio was moved from being predominantly corporate-driven (and thus being subject to potential NPAs due to non–payment by the corporates) to a Retail, Agriculture, and MSME (RAM) driven portfolio. From over 60 per cent corporate exposure in BOMs portfolio, they successfully moved it down to about 40 per cent and the balance of 60% was the RAM portfolio. This reduces the chance of large NPAs and thus keeps the bank in better financial health.

c. The bank actively maintained the strong CASA status through relationship building with customers.

d. The bank started playing the volume game – thus they managed to offer cheap credit to eligible customers but any loss on account of the cheap credit offered was offset by the enhanced volumes of transactions and other fee – based income.

e. Expenses such as opting of CAPEX model ATMs instead of OPEX model, monetization of assets were rationalized.

f. Business processes were reviewed, and necessary improvements were implemented. These included the development of in–house software, digitization of notes and the process for sanction of GECL; changes in the conduct of inspections to make it more time-bound; etc.

g. Expenses such as posting of excess guards, physical travel (even in the pre-pandemic era) and others were reviewed and rationalized.

h. Rationalization of Products both at deposits side as well as assets side was done. Bank has rationalized its loan products to more particular products under RAM sector which have yielded quality advances with improved TAT.

i. Rationalization of perquisite paid to employees such as, AGMs are now paid with reimbursement of vehicle expenses instead of allotment of banks vehicle, shifting of guesthouse from rented property to owned property.

j. Rationalization of Branches was done. The Bank closed 10 service branches, and merged 15 branches, resulting in cost saving of about 110 million in operating expenses on per annum basis.

9. Focused approach on quality advances by strengthening the underwriting process, formation of project appraisal cell at Head Office level, rationalization of products and policies, re-engineering of some of the processes and revamping of CPCs has resulted in quality advances with improved TAT and greater efficiency.

10. To improve the non-interest income bank has adopted strategies such as rationalization of service charges, playing with the volume game by focusing more on lending under RAM segment, recovery of unrecovered service charges and rationalization of BG / LC Margin.

11. Digitization is playing important role in success and development of banking space. Some of the developments in digital front included focus on Mobile banking App, Internet banking, Online account opening, what’s app banking, Online opening of OD against own deposits, digital personal loan etc.

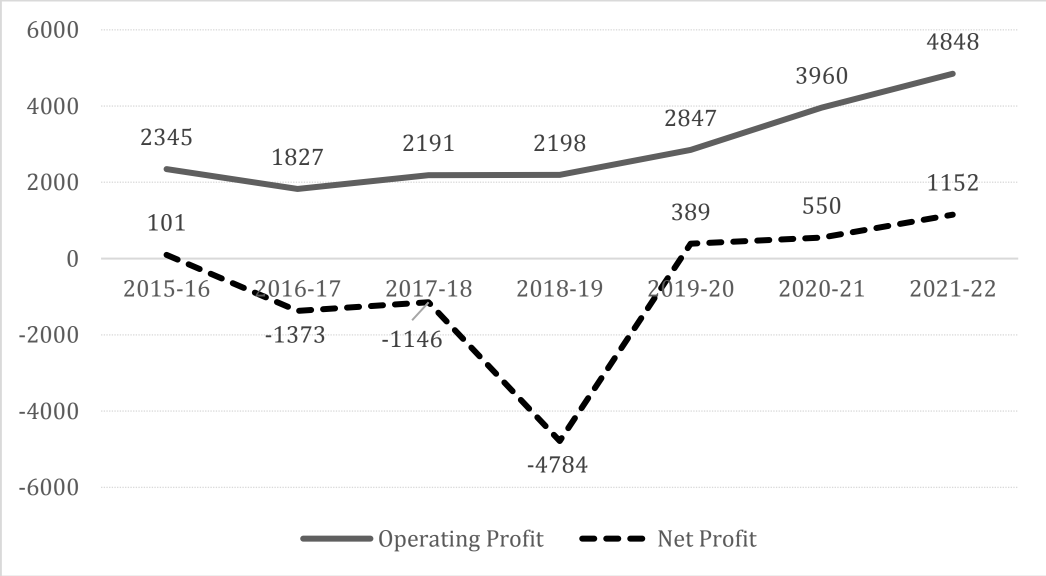
12. Bank leveraged on its past employees – the veterans who contributed to the bank's growth while in service. Retirees were taken on board via a number of measures and cash incentives to energize them to ever remain the real Ambassadors of the bank they passionately worked for decades. Town Hall meetings were organized to honour them and to revive contacts with them to mutual advantage.

13. As part of the drive to develop its image of a customer-centric and customer-oriented Bank, Bank opened 49 customer service points and increased the number of banking outlets to 2022 as on March 31, 2022; revamped its CPC (Central Processing Cell) Model for improving the turnaround time (TAT). As part of the prompt compliant redressal system, the TAT improved to 6 days in March 2022 from 19 days in September 2019.

14. Finally, top management took a holistic approach by developing a "Happiness Index" for its employees to bolster their confidence in the Institution. Enhanced quantum of housing and vehicle loans, and other welfare measures for employees were taken up. In addition, training programs were undertaken to for enriching the staff with current knowledge and management skills. In particular, the highly performing employees are being divided into groups of Achievers and Super Achievers to foster healthy competition among the staff. These selected employees are being additionally rewarded through access to advanced management programs in reputed institutions.

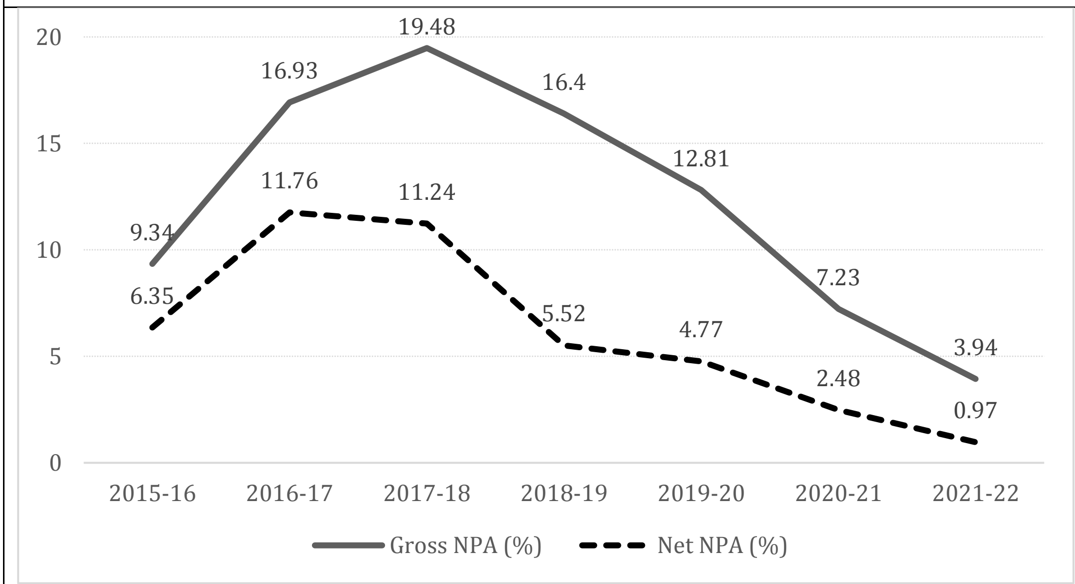
Exhibit 5
Some Financials of Bank of Maharashtra

5A. Profitability chart of BOM between 2016 till date (Rs Crore)



Source: Bank of Maharashtra

5B. Profitability and NPA of Bank of Maharashtra



Source: Bank of Maharashtra

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