The great Indian bank CEO shortage

The problem is unique to private sector lenders. Strict compensation norms and lack of succession planning are cited as key reasons

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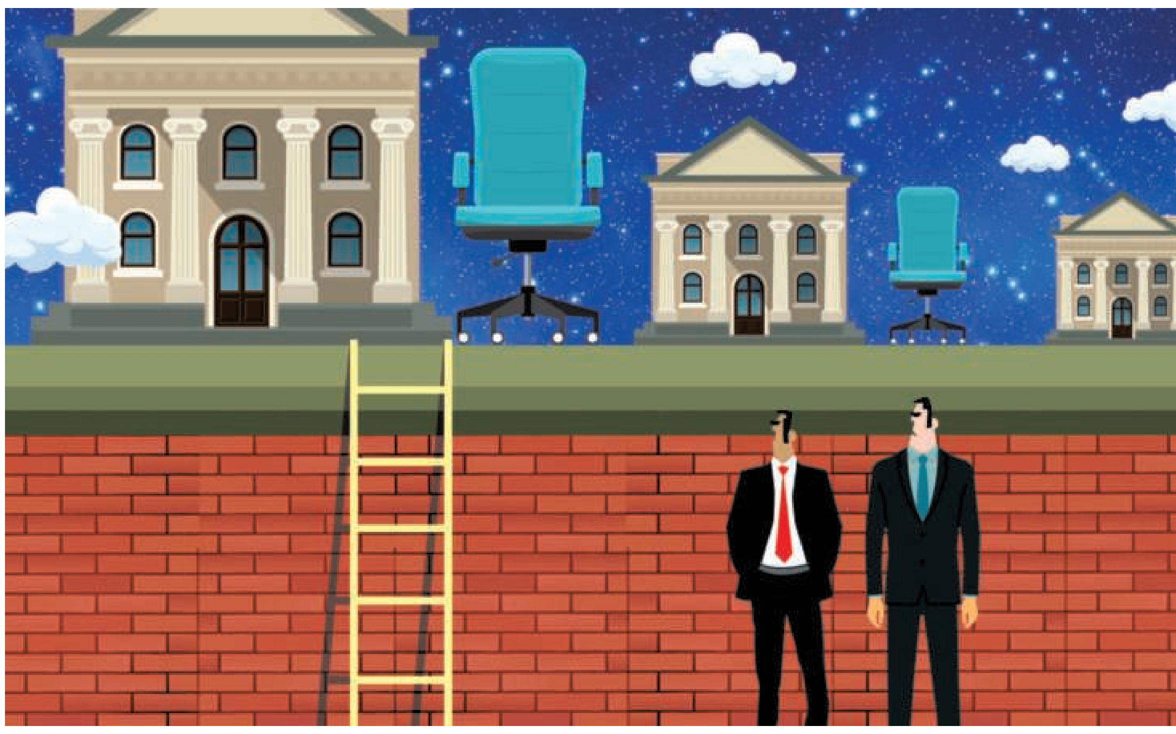

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Mumbai, 16 March

There was a time when ICICI Bank was known as the CEO-making factory among Indian lenders.

Several executives from the private sector bank who sharpened their skills under the watchful eye of former MD & CEO and then chairman K V Kamath between 2009 and 2015 went on to head financial services companies, banks, non-banking financial companies, private equity, and even regulatory bodies.

They include former Securities and Exchange Board of India (Sebi) chairperson Madhavi Puri Buch, former Axis Bank CEO Shikha Sharma, IDFC First Bank CEO V Vaidyanathan, Aditya Birla Capital CEO Vishakha Mulye, Tata Capital CEO Rajiv Sabharwal, and Renuka Ramnath, founder and CEO of Multiples Alternate Asset Management.

Things have changed — private sector banks are now grappling with a shortage of executives for the top post. The problem is unique to private sector lenders as chiefs of public-sector banks (PSBs) are appointed by the government.

Industry sources say banks as well as the regulator Reserve Bank of India (RBI) have had a tough time finding CEOs in the last couple of years. The RBI comes into the picture because banks need to get its approval for appointing a CEO — not just one name, they need to send off multiple names for the regulator's consideration, in order of preference.

The field's so narrow that last year two private banks were chasing one candidate to be their next CEO.

Empty field

That private sector banks are not producing enough leaders is evident from the fact that in the last few years, all the chief executive officers they appointed were outsiders. In the last two years, three CEOs appointed in private banks (one will take charge shortly) were bankers who had either retired or were on the verge of retiring.

For instance, Rajiv Anand, who was a deputy managing director at Axis Bank, took charge as MD & CEO of Indusind Bank in August last year — the month he was set to retire from Axis.

Many CEOs currently heading private banks are from the State Bank of India stable, directly or indirectly. Recently, private sector lender Yes Bank selected former SBI managing director Vinay Tonse who will succeed Prashant Kumar as MD & CEO, in April. Incidentally, Kumar was a deputy managing director of SBI when he was chosen to lead the reconstructed Yes Bank in 2020.

Partha Pratim Sengupta, who took charge of Kolkata-based Bandhan Bank in November 2024, is another example. He was a deputy managing director in SBI, from where he moved to another public sector lender, Indian Overseas Bank, as MD & CEO. Sengupta retired from IOB in December 2022.

Over half a dozen CEOs in different private sector banks are from SBI — a trend put down to the shortage of talent in private sector banks.

Kumbakonam, Tamil Nadu-based City Union Bank looks like the only exception where there was proper succession planning, with the RBI approving R Vijay Anandh, the current executive director, to become the next CEO from May 1, 2026.

Compensation conundrum

What is the reason behind this drying up of talent for the top post in private banks?

If you ask bankers, they will unequivocally say (albeit off the record) that it's to do with the way salary packages are structured.

The compensation package of CEOs and whole-time directors is tightly regulated, particularly in comparison with other entities in the financial sector, like investment banking, private equity, or even NBFCs. The compensation package of public sector banks is fixed by the Centre, and it is uniform across the sector.

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By contrast, the RBI has stringent norms on compensation for private banks which state, among other things, that they should ensure that their cost-to-income ratio supports the compensation package, consistent with maintaining a sound capital adequacy ratio.

For CEOs, the rule is that salary and perks should be adjusted for all types of "risks". For instance, it is mandated that for all "material risk-takers" including CEOs and whole time directors, the variable pay component should be at least 50 per cent of the fixed pay. The higher the level of responsibility, the higher the proportion of variable pay. The total variable pay is capped at 300 per cent of the fixed pay.

Moreover, 50 per cent or more of the variable pay should be "non-cash", such as shares etc. And a minimum of 60 per cent of the total variable pay must be under deferral arrangements — they don't get the entire variable pay in one particular year. A portion of it is deferred.

'Encouraging mediocrity'

"If you pay peanuts, you get monkeys," said a senior official from a financial services entity. "If you don't pay for performance it encourages mediocrity. You need to have the right talent for the right upside," the person said.

"The talent pool is limited," said a former chairman of a private bank.

"There is a lot of talent available in NBFCs and other sectors. But not many of them want to join private sector banks because the compensation is controlled by the regulator — which is very different in other countries where compensation is not controlled, but the regulator has oversight of the bank. They have an oversight on the performance of the bank," said a senior official from an advisory firm.

OVER HALF A DOZEN CEOs IN DIFFERENT PRIVATE SECTOR BANKS ARE FROM SBI — A TREND PUT DOWN TO THE SHORTAGE OF TALENT IN PRIVATE SECTOR BANKS

From a regulatory point of view, the RBI looks for leaders who are transformative and who will take the institution to a higher trajectory. "Most of them (the leaders) are good at managing a bank's routine affairs but lack vision," said a senior banking industry official. "There is a short supply of such leaders."

Till about the turn of the century, banking was considered to be a 'boring' job, but it was the only sector for financial services professionals. However, in the last 15-20 years, other avenues have opened up, including private equity, investment banking, mergers and acquisition consulting and, more recently, fintechs.

Unencumbered by the private banking sector's salary restrictions, a lot of talent was drawn to these areas, leaving a void when regulation became even tighter, particularly in the aftermath of the 2008 global financial crisis.

Changes in the offing?

"I believe this issue [of talent shortage for top posts] will get addressed in the next five to seven years. Because since 2015, there has been a shift of people moving to banks because of the whole focus on differentiated [small finance, payments bank] bank licences that came in," said Vivek Iyer, partner and financial services risk leader, Grant Thornton Bharat.

"Banking, with a lot of opportunities, will also attract a lot more talent. The reason I said 5 to 7 years is because the people who are in the banking segment at the age of 45 will be in their early 50s, ready to take up the CEO role in the organisation. So there was this period of 15 years (2000-2015) which caused the issue," Iyer said.

The importance of succession planning in private banks cannot be overemphasised. Rarely has a deputy CEO of a private bank been made a CEO in at least the last 10-15 years.

Succession planning in private banks is complicated by an anomaly in the superannuation age limit.

Post Covid, most CEOs who took charge at private banks were around the age of 60. Even if a CEO begins succession planning after completing the first three-year term — the typical tenure approved by the RBI, which may be extended — and identifies a successor who is about 55, there is a strong likelihood that the chosen successor would retire before the CEO.

This stems from a regulatory mismatch. RBI norms allow a bank CEO to serve up to the age of 70, subject to a maximum tenure of 15 years. However, the retirement age in most private banks is 60 years, and in some cases even 58. This discrepancy is widely seen as a constraint on effective succession planning.

RBI governor Sanjay Malhotra, who took charge in 2024, has announced that all the regulations should be reviewed periodically. Accordingly, a Regulatory Review Cell (RRC) was formed in the Department of Regulation (DoR), with effect from October 1, 2025.

The mandate of the six member RRC is to ensure that all the regulations issued by the RBI are subject to a comprehensive and systematic internal review every 5 to 7 years. Senior bankers eyeing the top spot will hope the compensation package issue will get an early look-in.