Competition pushing some banks, NBFCs to unethical practices: RBI Dy Governor

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Managements of certain banks and non-banking finance companies (NBFCs) appear to believe the end justifies the means in the wake of intense competitive pressure and a desire to project short-term success, according to RBI Deputy Governor Swaminathan J.

He highlighted practices such as creative accounting, liberal interpretation of regulations, lenient policy frameworks, and inadequate internal controls in some boardrooms, necessitating supervisory intervention.

Though such instances may be limited, they risk eroding the public's trust in the integrity of the banking system, he said.

"Therefore, it is important to pursue growth with systems, people and processes that are aligned and rooted in ethical practices — from the boardroom to the branch," the Deputy Governor said in his July 25th address at the 109th Foundation Day of the Karur Vysya Bank.

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>
> **SWAMINATHAN J,**
> RBI Deputy Governor

VALUE OF STRATEGY

Swaminathan emphasised that strategy has little meaning, unless it is translated into action. For a bank, this means ensuring that intent at the top is reflected in outcomes on the ground.

"Policies made in the boardroom must find meaningful expression at the branch. The strongest frameworks — whether related to risk, credit, technology, or compliance — are only as effective as their execution at the customer interface level.

"Effective action requires clarity, coordination and accountability. Whether it is launching a new product, entering a new geography, or rolling out a compliance reform, success depends on how well goals are communicated, how clearly roles are defined, and how outcomes are tracked," he said.

Swaminathan said that in banking, resources are more than just financial capital. They include people, systems, institutional memory, customer trust and reputation. Sound resource management is all about the quality of decisions and the sustainability of outcomes.

GEOGRAPHIC FOCUS

The Deputy Governor cautioned that geographic concentration can bring familiarity, but it also introduces exposure.

"Regional slowdowns and policy changes can affect concentrated portfolios more acutely. Banks must continuously assess whether their branch network, sectoral mix and credit exposure are aligned with the emerging realities around them," he said.

Swaminathan observed that expanding into new markets or product segments brings promise, but this also calls for capacity-building in terms of people, processes, and local knowledge.