

The author, Tamal Bandyopadhyay, called me a month ago and requested me to write a foreword for his forthcoming book on HDFC Bank Ltd—a unique story of the evolution of a modern bank in India, woven from several interviews. I was happy to write a foreword from respect and affection for the author, and decided to write only about him in the foreword. While he said he would be comfortable with whatever I wrote, he urged me to read the full manuscript and then decide what to write. I can now say that I'm glad I had the pleasure of reading the book even before it came into the public domain.

I have known Tamal for about fifteen years—first when I was deputy governor, and subsequently as governor of the Reserve Bank of India (RBI). He impressed many of us with the background information that he acquired on the relevant subject, before attending press briefings and interactions with us on money and banking. He used to come fully prepared for a discussion, both on the analytics and on the contemporary relevance. His questions were very thoughtful and incisive. He was trusted for discretion and for respecting confidentiality with regard to background briefing. He combined responsibility with forthrightness.

From my former colleagues at the RBI, I gathered that Tamal is liked by them for his personal integrity and professional abilities. His writings are characterized by not only curiosity but also public interest. He manages to be provocative without indulging in sensationalism in his presentations.

I have been reading his columns regularly. The analysis in his writings carries impressive credibility, since his sources appear generally authentic, and is based on appropriate background work. Often, there is a lot between the lines to buttress what he states briefly. He is free, fair and frank and can differ without offending. I continue to be impressed by his sincerity and devotion to duty, while loving what he does. I believe that many of these qualities are reflected in this book.

While reading a book, it is normal for people to relate their own life and experiences to the narration. It is also not unusual for readers to gain insights into subjects that matter to them and occasionally draw lessons. Many interesting aspects have been brought out in this narration. What constitutes leadership? What are the possible different management styles? How does a senior management team operate, which involves cooperation, dissent and acceptance of hierarchy? Is there value for austerity in some aspects of functioning and not in others? What is the importance of networking? How does it operate? How is a business culture created and nurtured? Is a peep into personal lives necessary to make narration more lively and more convincing?

The global crisis has brought into focus several issues related to banking. It is recognized that the financial sector is special and, in particular, retail banking is special. There is often a temptation for senior management to take excessive risks. There are often huge conflicts of interests in the functioning of universal banks. The alignment of shareholders' interest and management's incentives is important while loyalty of shareholders is desirable for all corporate entities. In some ways, these are alluded to in the narration.

An interesting statement of contemporary relevance for bankers all over the world is that a bank should not take advantage of the pain of customers, but try to alleviate it, if

possible. In fact, traditionally bankers cherished the trust of customers, but bankers' trust has been increasingly undermined by the emphasis on transactions-based banking in preference to relationship banking. Defining core values that govern the functions of an institution is, therefore, important. Whether or not one agrees with the adopted core values is unimportant; what is important is that there should be some core values which take an over-riding priority over compulsions of daytoday functioning at all levels.

I am happy to note that the first chairman of HDFC Bank was drawn from the RBI. In fact, he was in charge of regulation of foreign exchange in the RBI, a draconian regulatory regime. There is an important lesson here: the notion that regulators or professionals in the public sector may not have the leadership qualities essential for the private sector is misplaced. In fact, the government should encourage those working in public institutions to move to the private sector without creating obstructions based on mistrust. It is surprising that the leaders of the private sector active in business are trusted to be on the boards of public sector enterprises and institutions such as the RBI, whereas those who are associated with the public sector are often barred from moving to the private sector for some time, after retirement.

In the case of HDFC Bank, it had the benefit of having a senior RBI official, known for integrity and competence, as the first chairman, as mentioned in the book. He was succeeded by another respected official from the RBI soon after retirement. Perhaps, in the true spirit of public-private partnership, there should be a greater movement of professionals between public and private sectors in the best interest of the country.

The book makes references to two mergers in the banking system. In both cases, the RBI comes out as an enabler of mergers, which was most appropriate under the circumstances. It is also gratifying to note that the RBI levied penalties where it considered appropriate, and, even more important, that the institution concerned responded to the penalties not with denial, but with improvements. It is noteworthy that the RBI imposed penalties on the bank despite the fact that a former deputy governor of the RBI was the chairman of the bank. As the actions of the RBI and the response of HDFC Bank show, it is extremely important for bankers to exercise a banker's prudence in all transactions, including complying with 'know your customer' requirements.

This book starts a new trend in writing on the financial sector in India. It describes, with striking simplicity, the birth and evolution of a modern bank in which institutions, individuals, ideas and ideologies play a part in a mutually interactive manner. By and large, it reflects realities as recalled by the major participants. Is it the whole truth? Obviously not, since it is difficult to capture all aspects. Is it nothing but the truth? Yes, since on all accounts it appears to be based on revealed facts.

The book is timely, when trust in the financial sector, in particular in banks, is at an all-time low in the modern history of global economy. Fortunately, there is no such loss of trust in banks in India, but the narration is still useful in the context of current interest in issuing new banking licenses. The importance of fit and proper criteria, which involves several judgements, is clearly brought out in the story.

I found the narrative fascinating since I could relate to many of the events, some of the issues and quite a few of the people involved. It is a sort of recent oral history of a financial institution. I hope others will be inspired by this narrative to write similar accounts of success, and perhaps failure, of major financial institutions in India. I do believe Tamal has set a new trend in the dissemination of knowledge about some aspects of the financial sector in India.

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