

Swaminathan J: Transforming public sector banks for a Viksit Bharat

Address by Mr Swaminathan J, Deputy Governor of the Reserve Bank of India, at the PSB Manthan 2025, Gurugram, 12 September 2025.

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Secretary, DFS, Shri M. Nagaraju, other senior officials from the Government, Chairman and MDs of SBI, MD CEOs and EDs of Public Sector Banks, and my other colleagues, a very good morning to all of you.

I am honoured to be here at PSB Manthan 2025. Personally, this gathering feels like a homecoming, a return to a familiar space of dialogue and shared purpose, where the concerns, aspirations, and vision of our public sector banks take centre-stage.

The very word Manthan or churning has timeless symbolism in our traditions. It reminds us that progress rarely comes easily; it requires effort, reflection, and perseverance. Much like a family coming together to deliberate and debate for the common good, PSB Manthan brings together policymakers, regulators, and bankers to churn our collective experiences and insights so that we may draw out the nectar of transformation.

I commend the Department of Financial Services for nurturing this platform over the years, and for ensuring that it continues to evolve as a space where ideas are debated, challenges are confronted, and the future course of PSBs is shaped with collective wisdom.

The Context: Resilience amidst Global Headwinds

We meet today at a time when the global environment remains marked by uncertainty. Geopolitical tensions, shifting trade alignments, climate transitions, and rapid technological disruptions are reshaping the contours of growth and finance worldwide.

Yet, amidst these headwinds, the Indian economy continues to demonstrate resilience and stability. This confidence is not only evident in domestic sentiment but has also been reinforced by global assessments, most recently the upgrade of India's sovereign rating outlook by S&P.

Much of this resilience rests on the strength of our banking system. Over the past decade, Indian banks, and particularly our public sector banks, have undergone a remarkable turnaround. Balance sheets have been repaired, capital strengthened, and asset quality improved. At the same time, PSBs have deepened their traditional role as anchors of financial inclusion while also keeping pace with the wider digital transformation of the sector. Their contribution to Jan Dhan Yojana, to direct benefit transfers, and to the expansion of UPI in semi-urban and rural centres, reflects how PSBs combine scale with reach to serve the real economy.

Periods of comfort, however, can create the risk of complacency and mistakes are typically made in good times. Therefore, the challenge before PSBs today is not only to stay clear of the earlier shortcomings but to build on the gains of the past decade and

transform themselves further. PSBs have to remain strong, adaptable, and future-ready to contribute meaningfully to the vision of a Viksit Bharat by 2047.

The Banyan Tree Metaphor: Transforming PSBs from providers of stability to enablers of new growth

As we reflect on what this transformation entails, I am reminded of a powerful symbol from our own banking history. Many of you will recall that when the State Bank of India was established in 1955, its logo was a sprawling banyan tree. The choice was deliberate, for the banyan has long been revered as the tree of life. Its deep roots embody stability, its sturdy trunk represents resilience, and its wide canopy offers protection to all.

In later years, however, the banyan tree logo was replaced by the now familiar blue circle with a keyhole, designed by the National Institute of Design¹. While the banyan conveyed strength and shade, it also drew criticism for casting such a dense canopy that little else could grow beneath it, which seemed at odds with the image of a modern and accessible bank.

Today, for the PSBs, the task is not only to provide shade and shelter to millions of households and enterprises but also to ensure that beneath their canopy, new growth flourishes in the form of abundant and affordable credit to MSMEs, start-ups, women entrepreneurs, and rural enterprises.

In that spirit, I find the banyan tree still a fitting metaphor for our PSBs. Its roots, trunk, aerial roots, branches, and canopy together capture the five pillars on which PSBs can build their future. These five pillars in today's context are strong governance, financial resilience, innovation and adaptability, people and culture, and an all inclusive customer-centricity.

Deep Roots: Governance and Assurance – evolve to meet new risks

The banyan tree can survive storms because of its deep roots. They may not be visible, but they are the true source of its longevity and stability. For banks, these roots are strong governance and assurance.

It means boards that are engaged, leadership that is accountable, and decisions that are transparent and ethical. Regulation can guide, but governance must come from within. Supervisory intervention can fix, but it cannot substitute for an internal culture of integrity.

The assurance functions, including risk management, compliance and internal audit, give depth and resilience to governance. They provide boards with independent and reliable perspectives, helping them act with foresight rather than hindsight.

Governance today must also evolve with changing times. Boards need sharper tools, such as real-time insights that flag emerging risks or customer concerns. As banks

adopt artificial intelligence and data driven systems, assurance must also extend to these new domains. Ensuring fairness, transparency, and accountability in automated decisions is becoming as important as monitoring credit or operational risk.

Deep roots allow a tree not only to survive but also to nurture new growth. In the same way, strong governance supported by robust assurance will allow banks to take on fresh initiatives with confidence, knowing that these are built on a stable foundation of trust.

The Sturdy Trunk: Financial Strength and Resilience

The trunk of the banyan tree stands tall and sturdy, holding the entire tree together through calm and storm. For our banks, the trunk is financial strength and resilience.

Over the past decade, PSBs have strengthened their capital position and improved asset quality. These gains must now be protected and deepened. Banks should hold forward looking capital buffers that reflect their risk profile and growth ambitions rather than simply complying with regulatory floors. Asset quality must also be managed with a preventive mindset, using early warning systems and predictive analytics to identify stress before it becomes a crisis.

True resilience today goes beyond capital and credit. It also means operational resilience. With customers relying on banks for 24x7 digital access, even short disruptions can erode trust and create systemic impact. Banks must therefore strengthen their technology infrastructure, cyber safeguards, vendor oversight, and business continuity planning so that services remain secure and uninterrupted under every circumstance.

A strong trunk allows the tree to support new branches and new growth. For PSBs, resilience both financial and operational is what will allow them to expand and support India's development priorities with confidence.

Aerial Roots of Renewal: Innovation and Adaptability – for an open, adaptive, tech driven banking

The banyan tree constantly sends down aerial roots, which in time become fresh pillars of support. For our banks, these aerial roots are innovation and adaptability.

In today's financial landscape, technology is no longer optional. Modernising core IT systems and adopting advanced analytics are essential to remain competitive. AI/ML can strengthen fraud detection, improve credit assessment, and personalise customer engagement.

Innovation is not just about new tools. It is also about smarter ways of delivering them. PSBs should consider shared technology platforms and joint development of digital infrastructure to leverage economies of scale, reduce costs, and ensure consistency in customer experience. They can also experiment with what is known as a digital twin², a

virtual model that mirrors a real process such as the working of a branch or the journey of a customer applying for a loan. By testing changes on the digital twin first, banks can identify bottlenecks and improve efficiency before making changes in the real world.

Adaptability also means openness to new partnerships. Collaborating with FinTechs including the Unified Lending Interface (ULI), and using other open banking interfaces can bring the best of both worlds - the reach and trust of PSBs combined with the agility of innovators.

Yet, greater reliance on technology inevitably increases vulnerability. Cybersecurity, vendor oversight, and business continuity must therefore be built into every digital initiative by design.

Aerial roots renew the strength of the banyan tree and allow it to spread further. For PSBs, continuous innovation and adaptability will ensure that their canopy remains relevant, and that fresh growth can thrive beneath it.

Living Branches and Leaves: People and Culture – from process-oriented service to empathetic people centric culture

The branches and leaves are what people first notice when they see a banyan tree. For banks, they represent employees who bring strategy to life through everyday actions.

A large, committed workforce remain the most valuable asset of PSBs, even in an age of artificial intelligence. No algorithm can replace trust, empathy, and human judgment. To keep the branches strong, investment in human capital is vital. Staff must be equipped with new skills in digital banking, cybersecurity, and analytics. Training should be practical and engaging, including simulation-based learning.

Equally important is staff attitude and culture. Every customer should feel respected, not merely processed or attended to. True service comes from an empathetic customer first approach. PSBs must therefore nurture a culture of professionalism, empathy, and accountability so that their people remain the strongest ambassadors of trust.

The Canopy of Trust and Inclusion – from transaction driven banking to customer centric, trust-based inclusion

The canopy of the banyan provides shade to all. For PSBs, it represents their enduring role in customer centricity and financial inclusion. From Jan Dhan to direct benefit transfers, from self-help groups to MSME lending, PSBs have given millions of Indians financial dignity. This role must continue and evolve, for today's customers expect not just access but also convenience, speed, and fairness. Meeting these expectations requires services that are transparent and responsive.

Customer centricity begins with trust. Every complaint is a test of confidence. By not giving room for complaints and by resolving issues, when they arise, promptly and fairly, banks can strengthen that trust and ensure that customers feel empowered in every interaction.

Conclusion

In villages, it is under the banyan tree that people gather to seek counsel, to deliberate, and to find shade in times of need. In much the same way, citizens look to PSBs not only for loans and deposits but also for inclusion, stability, security, and progress. Let us commit to nurturing this banyan tree so that it remains a symbol of trust and resilience and contributes decisively to the realisation of a Viksit Bharat by 2047. Thank you. Jai Hind.

¹ The Hindu Business Line. "From Banyan Tree to Keyhole: NID Designed the New Iconic Logo for SBI." The Hindu Business Line, August 10, 2022. Available at: <https://www.thehindubusinessline.com/money-and-banking/from-banyan-tree-to-keyhole-nid-designed-the-new-iconic-logo-for-sbi/article64328336.ece>

² IBM. "What Is a Digital Twin?" IBM Research – Think, 5 August 2021. Available at: <https://www.ibm.com/think/topics/what-is-a-digital-twin>