



Impact of EASE Reforms on the Performance of Public Sector Banks

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Abstract

Indian banking was subjected to reforms since 1991 that led to gradual transformation on some dimensions of performance in the course of time, particularly with regard to efficiency, capitalization, technology, governance with equal emphasis on stability. Meantime Global Financial Crisis of 2007–2008 led to bank failures in many countries. However, Indian banks escaped from major catastrophic financial damages banks might have suffered. But it could not remain insulated from dampening effect of recession in Indian economy. It adversely impacted Indian economy with a time lag and then onwards it has been undergoing a crisis on account of Stressed Assets. Government has implemented a comprehensive 4Rs strategy of Recognising NPAs transparently, Resolution and recovery, Recapitalisation and Reforms to address this problem. PSBs' Whole Time Directors and Senior Executives at PSB Manthan recommended a six-point action plan on Enhanced Access & Service Excellence or EASE. **The main objective of the EASE reforms was to improve the performance of PSBs and ensure financial stability among others.** The Ease reforms which were launched in January 2018, and the subsequent edition of the program — EASE 2.0 built on the foundation laid in EASE 1.0 and furthered the progress on reforms. This paper examined the PSB EASE Reforms journey and its impact on the performance of PSBs and observed it had positive impact.

Key Words: EASE, Recovery, NPAs, Public Sector Banks

Introduction

Financial sector is treated as to be the back bone of the economy. Banks, major players of the financial system, help to channel savings to investments and encourage economic growth. Public Sector banks have been playing an important role in the economic development of the country. Indian banking was subjected to reforms since 1991 that led to gradual transformation on some dimensions of performance in the course of time, particularly with regard to efficiency, capitalization, technology, governance with equal emphasis on stability. Meantime Global Financial Crisis(GFC) of 2007–2008 led to bank failures in many countries. However, Indian banks with limited risk exposure to overseas operation escaped from major catastrophic financial damages banks might have suffered. But it could not remain insulated from dampening effect of recession in Indian economy. It adversely impacted Indian economy with a time lag and then onwards it has been undergoing a crisis on account of Stressed assets during the last few years and further AQR by RBI and discontinuation of special dispensation of restructured standard assets led to erosion of substantial banks' net worth and consequently, resulting in weakening of



Public Sector banking system. Realising without a sound and effective banking system, no country can have a healthy economy, the Government has implemented a comprehensive 4Rs strategy of Recognising Non Performing Assets(NPAs) transparently, Resolution and recovery, Recapitalisation and Reforms to address this problem.

As a result of transparent recognition of stress, Proactive fraud checking, Withdrawal of Special dispensation of restructured accounts and AQR by RBI, Gross NPAs peaked at Rs. 8.96 lakh crore (14.6%), 11 Public Sector Banks (PSBs) were placed under prompt Corrective Action (PCA) due to financial weakness and 19 PSBs were in loss by March 2018. As the banking sector plays an important and crucial role in the economy of a country, for its stabilization and balanced growth, it was felt major reforms/steps were urgently needed, to revive Indian banks. PSBs' Whole Time Directors and Senior Executives at PSB Manthan (Nov'2017) recommended a six-point action plan on Enhanced Access & Service Excellence or EASE. EASE is a common reforms agenda for participating banks aimed at institutionalising CLEAN and SMART banking, which has emerged based on the twin touchstones of customer responsiveness and responsible banking. **The main objective of the EASE reforms was to improve the performance of PSBs and ensure financial stability, improved governance, and clean, commercially prudent business practices and also to further improve performance under digitalisation and financial inclusion, near-home banking and micro- insurance.** PSBs have started taking steps in line with the reform priorities. The Ease reforms which were launched in January 2018, and the subsequent edition of the program — EASE 2.0 built on the foundation laid in EASE 1.0 and furthered the progress on reforms. This paper examines the PSB EASE Reforms journey and its impact on the performance of PSBs

Review of Literature

Shivamagi (2000) in his article discussed the reforms required in rural banking. He further stated that to be suitable for and effective in India, a rural banking system should be able to operate at the village level, advance a tailor made package of credit with a consumption component and closely supervise its disbursement to a large number of farmers in varied villages and provide technical guidance and marketing links. He concluded that the policy makers should give thrust to nurturing of special skills in institutions, a positive management attitude and a culture conducive to healthy rural banking.

Singh and Das (2002) tried to review the banking sector reforms introduced in India. They found that the various reforms undertaken over the past few years were indeed epoch making and provided the foundation for an efficient and well-functioning financial system thereby facilitating the next stage of the reforms. They opined that Human Resource Development, Technology, Industrial Relations and Customer Service are the four pillars of the banking system of the future.

Shete (2003) discussed priority sector advances of banks during the post reform period. He found that



the priority sector advances of banks have come down substantially during the post reform period, despite the expansion of scope/areas of priority sector definition. A large number of PSBs were not able to reach the prescribed target of lending to agriculture and weaker sections. The small and marginal farmers continued to be both credit and demand constrained.

Arora and Kaur (2006) stated that banking sector in India has given a positive and encouraging response to the financial sector reforms. Entry of new private banks and foreign banks has shaken up public sector banks to competition. Changing financial scenario has opened up opportunities for the banks to expand their global presence through self expansion, strategic alliances, etc. Banks are diverting their focus on retail banking so as to attain access to low cost funds and to expand into relatively untapped potential growth area.

Rajiv et. al (2016) 14, In their study on Banking Reforms mentioned that Public Sector Banks (PSBs) in India are struggling with high NPAs which have been rising steadily since 2009 -10. These banks continue to face the dual problem of significant asset quality stress and inadequate capitalisation, which has impacted their growth. Around 27 PSBs wrote off a staggering Rs 1.14 lakh crore of bad loans during FY12-15.

Sumon Kumar Bhaumik et al., (2018) observed that the Financial sector reforms does not have any significant impact on profitability of sample units. The analysis revealed that Structural measures and improvement in standards of disclosure and levels of transparency to align the Indian standards with best global practices does not have any favorable impact on the profitability and productivity of the banking sector. So the study concluded that there is no impact seen in the profitability of banking sector after the implementation of recommendations made by Narasimham committee II

Preeti Khadwal (2019) observed that reforms in various reforms have produced favorable effects on commercial banks in India and because of this transformation is taking place almost in all categories of the banks. It has also observed that the profitability of the public sector banks appears to have started improving because of capital infusion by government. However, public sector banks are still lagging behind regarding the various financial parameters in comparison with the foreign and private sector banks. It is concluded that PSBs are facing many internal and external challenges, which are hindering their performance and hence, there is a need for another set of reform to improve the performance of public sector banks.

Objectives

The specific objectives of the study are to examine EASE reforms journey and other measures taken to improve the ecosystem and to assess the impact of EASE reforms on the Performance and functioning of the Public Sector Banks.



Methodology

For this study Descriptive Design was adopted. The study is based on secondary data. The required data have been collected from the EASE annual reports Indian Banks Association Bulletins and MOF. The study period is 2018-2020. The following **hypothesis** were tested

H₁: There is no significant impact of EASE reforms on the performance of PSBs

H_A: There is significant impact of EASE reforms on the performance of PSBs

Results and Discussion

The results and discussions are discussed in this section according to the objectives of the study.

1A. EASE reforms journey: EASE 1.0

While PSBs have continued to pursue reforms over years since 1991, a greater thrust was required to address the challenges emanating from excessive stress in advances in the last few years and to make PSBs more responsive to evolving customer needs. As a part of the reforms, in January 2018, the Government and PSBs jointly committed to and launched common PSB Reforms Agenda for Enhanced Access & Service Excellence (EASE), on the recommendations of the group comprising of PSB Whole Time Directors and senior management and Government representatives at PSB Manthan Programme in November 2017. The recommendations present an action plan for PSB reforms on multiple fronts to drive towards CLEAN & SMART banking.

The EASE agenda comprising of 30 action points across six themes with 140 metrics. The details of six themes and 30 action points are

Theme 1: Customer Responsiveness: *EASE for Customer Comfort*

1. EASE of banking from the comfort of home
2. EASE in grievance redressed
3. EASE for senior citizens and the differently abled
4. EASE through forms simplification
5. EASE through pleasing ambiance
6. Introduction of EASE ranking Annually

Theme 2: Responsible Banking: *Financial Stability, Improved Governance, and Ease for Clean & Prudent Business*

1. Creation of a Stressed Asset Management Vertical (SAMV)
2. Corporate lending through rigorous due diligence Tie-up with Agencies for Specialised Monitoring (ASM) for clean & effective post-sanction follow-up in loans above Rs.250 crore

3. Institute efficient practices for large consortium loans, minimum 10% exposure
4. Strict segregation of pre- and post-sanction roles & responsibilities
5. Ring fence cash flows
6. Differentiated Banking Strategy
7. EASE through transparent and robust OTS

Furthering Financial Stability

1. Check aggressive and imprudent lending
2. Monetize realizable non-core assets
3. Rationalize overseas operations

Improving Governance

1. Board-approved strategic vision and business focus
2. Boards to evaluate the performance of Banks' Whole Time Directors
3. Strengthening and empowerment of Boards



Figure 1: Themes of EASE

Source: MOF

Theme 3: Credit Off-take: EASE for the borrower and proactive delivery of credit

1. Improving processes
2. EASE for the borrower
3. Proactive reach-out to borrowers
4. Strategy plans for key industry-based market segments



Theme 4: PSBs as UdyamiMitra for MSME

EASE of financing and bill discounting for MSMEs

1. Online application @Udyamimitra.com
2. Decision within 15 days
3. EASE of bill realization for MSMEs (through TReDS platform for bill-discounting)
4. EASE of financing for MSMEs
 - Having a board-approved policy for enhanced working capital to GST-registered MSMEs,
 - enabling MSME financing through cluster-based financing & FinTech,
 - time-bound and automated processing of MSME loan proposals
5. Single-point MSME Relationship Officers
 - For top-20 MSME accounts in every MSME-Specialised Branch
6. Revival Framework for stressed MSMEs
 - Identifying all SMA-1/2 MSME accounts and implement revival framework

Theme 5: Deepening Financial Inclusion & Digitalisation: EASE through Near-Home Banking, Micro insurance and Digitisation.

1. EASE through near-home banking within 5 Kms
2. Social security through micro insurance (PM Suraksha Bima Yojana and PM Jeevan Jyoti Bima Yojana)
3. EASE through digital payments (issuing RuPay debit card, Aadhar seeding, Aadhar-enable Point of Sale)
4. Customer protection against cyber-frauds (ensuring refund against any unauthorized debit within 10 working days, real-time alerts for customer protection, free customer-level security updates for apps & Internet-based utilities)

Theme 6: Ensuring outcomes: HR

Developing personnel for Brand PSB

1. Reward select top-performers identified through a Performance Management System (PMS)
2. End-to-end digitized Annual Appraisal Reports
3. Specialization through job families
4. Mandate annual role-based e-learning programme for all officers and a fellowship & training programme for senior executives



1B. EASE reforms journey: EASE 2.0

Having observed that Participating banks are continuing the reforms journey and have shown improvement across many reform areas, EASE 2.0 agenda built on the foundation laid in EASE 1.0 and introduced **new reform Action Points** across six themes to make reforms journey irreversible, strengthen processes and systems, and drive outcomes.

1C. EASE reforms journey: EASE 3.0

With EASE 1.0 and 2.0 laying a firm foundation of robust banking and institutionalized systems, PSBs are to transform into digital and data driven NextGen banks. EASE 3.0 aims to effect this transformation by making PSBs prime movers of smart lending and tech-enabled EASE of banking for an aspiring and inclusive India, while simultaneously hard wiring sound banking through IT systems and adopting a transformative agenda for governance and outcome-centric HR.

It emphasizes on the use of digital, analytics & AI, FinTech partnerships across customer service, convenient banking, end-to-end digitalised processes for loan sourcing and processing, analytics-driven risk management as well as decision support systems for HR. The key areas

1. Smart Lending for Aspiring India
2. Tech-Enabled Ease of Banking
3. Institutionalising Prudent Banking
4. Hard-wiring sound Banking through IT systems
5. Governance and Outcome-Centric HR
6. Deepening of Financial Inclusion and Customer Protection



Figure 2: EASE3.0 Key Themes

Source : MOF

As such customers of public sector banks may experience under EASE 3.0 reforms agenda include, among others, facilities like:

- **Dial-a-loan:** Digitally-enabled doorstep facilitation for initiation of retail and MSME loans. Customers will have the facility to register loan requests through digitally-enabled channels
- **Customer-need driven credit offers** by larger PSBs to existing customers through **analytics**, e.g., for EMI on expenses like holidays/school-fees/jewellery/consumer capital enhancement based on sales jump.
- **Partnerships with FinTechs and E-commerce companies** for customer-need driven credit offers
- **Credit@click:** End-to-end digitalised, time-bound retail and MSME lending by larger PSBs, leveraging Account Aggregators, FinTechs and PSBloansin59minutes.com



- **Cash-flow-based MSME credit** by larger PSBs, using FinTech, Account Aggregator and other third-party data and transactions-based underwriting models
- **Tech-enabled agriculture lending**
- **Palm banking:** End-to-end digitalised delivery of a full bouquet of financial services in regional languages and with industry-best service quality
- **EASE Banking Outlets:** On-the-spot banking at frequently visited places such as train stations, bus stands, malls, hospitals, etc. through **paperless and digitally-enabled** banking outlets and kiosks

Doorstep Banking Services

- As part of the EASE Reforms, Doorstep Banking Services is envisaged to provide convenience of banking services to the customers at their door step through the universal touch points of Call Centre, Web Portal or Mobile App.
- Customers can also track their service request through these channels.
- The services shall be rendered by the Doorstep Banking Agents deployed by the selected Service Providers at 100 centres across the country.
- The services can be availed by customers of Public Sector Banks at nominal charges.
- The services shall benefit all customers, particularly Senior Citizens and Divyangs who would find it at ease to avail these services.

2. Other Measures taken by the Government to improve Financial Ecosystem

The Government introduced a number of system-wide reforms.

- In order to bring transparency and accountability in the larger financial system, 3.36 lakh inoperative (Shell) companies were identified for deregistration and their accounts were frozen by the end of FY 2019.
- National Financial Regulatory Authority was operationalised to regulate quality of audit and activities of compliance professionals.
- The Bankruptcy and Insolvency Code, 2016 which consolidated the existing frame works and created new institutional structure for resolution and recovery making one for bankruptcy by repealing two laws and amending 11 Acts
- **For strengthening risk management in PSBs and deterring willful default, PSBs were advised to collect passport details of borrowers and to check willful default in large NPA accounts.**
- **PSB CEOs were empowered to request issuance of look-out circular.**
- **Fugitive Economic Offenders Act, 2018 was enacted for effective and deterrent action against economic offenders who remain outside the jurisdiction of Indian courts to avoid prosecution.**



- **Centralised GST data bank was created which captures granular invoice –level data with triangulation mechanisms which will enable banks to access quality independent data thereby mitigating the risk of risk of misrepresentation and fraud.**
- **The Government also took multiple steps including the creation of infrastructure supporting digital banking and payments, last mile access to banking services, roll-out of Jan-Dhan-Aadhar-Mobile trinity, Industry-wide digital platforms for digital lending viz., psbloansin59minutes.com, TreDS platform and UdyamiMitra.com**
- **Along with initiatives for cleaning up the system, steps have been taken to improve governance. These include, inter alia, bifurcation of the position in to those Non-Executive Chairman and MD & CEO and their selection by Banking Board Bureau and widening banking pool for selection of MDs.**
- **With reforms strengthening the banks and instituting robust systems across PSBs, the potential for inter-bank synergy and scale benefits has been harnessed through the merger of 6 banks into State Bank of India and amalgamation of 13 PSBs into 5 PSBs would create NextGen banks with investments in technology and data-driven banking, better customer reach, wider array of products and services, enhanced lending capacity and improved operating efficiency**
- **Aadhaar and PAN Card authentication mandatory to file ITR.** With effect from April 1, 2020, any PAN Card not linked to Aadhaar will be considered invalid and people will not be able to file their income tax returns.
- **RBI made it compulsory for Banks to link the floating interest rates on loans to RBI's repo rate or to the other external benchmarks set by RBI from October 1st. 2019 resulted in reduction in rate of interests.**
- **Revised ATM Mechanisms for Safe and Secure Transactions**

3. Impact of EASE reforms on Performance of PSBs

Customer Responsiveness

The reforms undertaken for driving SMART banking have led to improved customer ease by enabling Banking from home and mobile and Near Home banking. It has increased availability of a wider set of services such as IMPS, NEFT, RTGS, intra-bank transfers, etc. through non branch channels and availability on regional languages on mobile banking and call centres. PSBs provide on an average 20 services on Home/mobile based platforms and 87 percent of customers of large banks can speak with their call centres in local language. Complaint redressal turnaround time reduced from the average of 9 days to 6 days. Recently introduced Doorstep Banking Services will provide convenience of banking services to the customers at their doorstep through the universal touch points of **Call Centre, Web Portal or Mobile App**. At present, **only non-financial services viz.** request for account statement, delivery of cheque book, demand draft, pay order etc are available to customers. **Financial services**



shall be made available from December 2020. The services shall benefit all customers, particularly **Senior Citizens and Divyangs** who would find it at ease to avail these services. Number of financial transactions from Home and Mobile banking increased from 29% in 2019 to 47% in 2020. (Figure3)

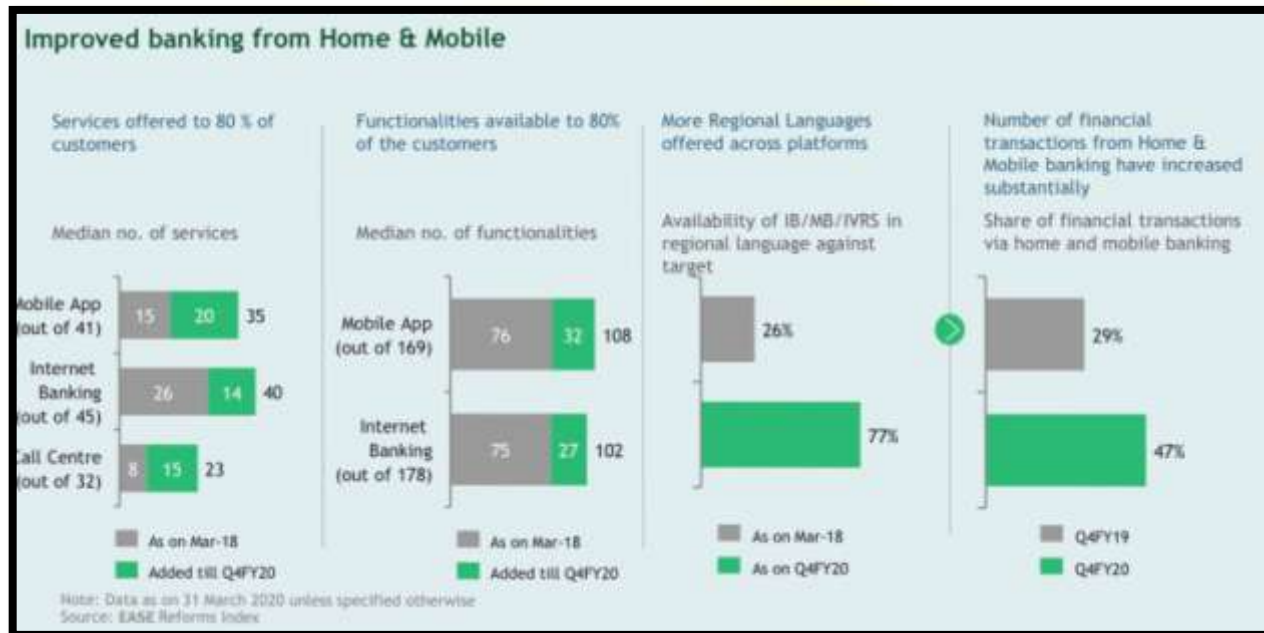


Figure 3: Progress on Banking from Home and Mobile Source: EASE Annual report, 2020

Responsible Banking

Strengthened underwriting

For prudential lending, PSBs are now systematically keeping watch on adherence to risk-based pricing and have in place data driven risk-scoring for appraisal of high-value loans that factors in group-entities and improvement observed in

- ✚ 3.38 lakh "shell" companies de-registered and their accounts frozen
- ✚ Back-testing and re-calibration of internal rating systems
- ✚ Credit history check in-built in appraisal: Bureau report pull rate up to 86%
- ✚ Consortium membership limited to 7 to 9
- ✚ Time-bound lending decisions by members In-house TEV cells created
- ✚ Risk based pricing adherence up from 41% in 2018 to 82% in 2020

Robust monitoring and recovery

IT-based EWS systems leveraging third party data have enabled early, time-bound action in stressed accounts.



11 out of 13 PSBs have a objective risk scoring system in place for appraisal of high value loans. Number of cases deviating from Risk based pricing has come down drastically from 59% to 20%. (Figure 4). All PSBs have setup dedicated Stressed Asset Management Verticals (SAMVs) with overall control (prevention and recovery) in respect of large value NPA accounts. There has been sharp fall in stressed loans. Eighty nine percent of large value NPA cases transferred to SAMVs by December 2018 as compared 35 percent as on March 2018. Ninety percent of SMA1 & 2 cases were under monitoring at SAMVs by December 2018 as compared to 15 percent in March 2018. Stressed Asset Management Verticals recover ₹ 1.21 lakh crore; Listed entities proactively monitored: Published results of borrowers with loans of ₹ 7.2 lakh crore now tracked. Quarterly Specialised agencies monitor ₹ 2 lakh crore high-value loans. (Rs, 250 crore and above).

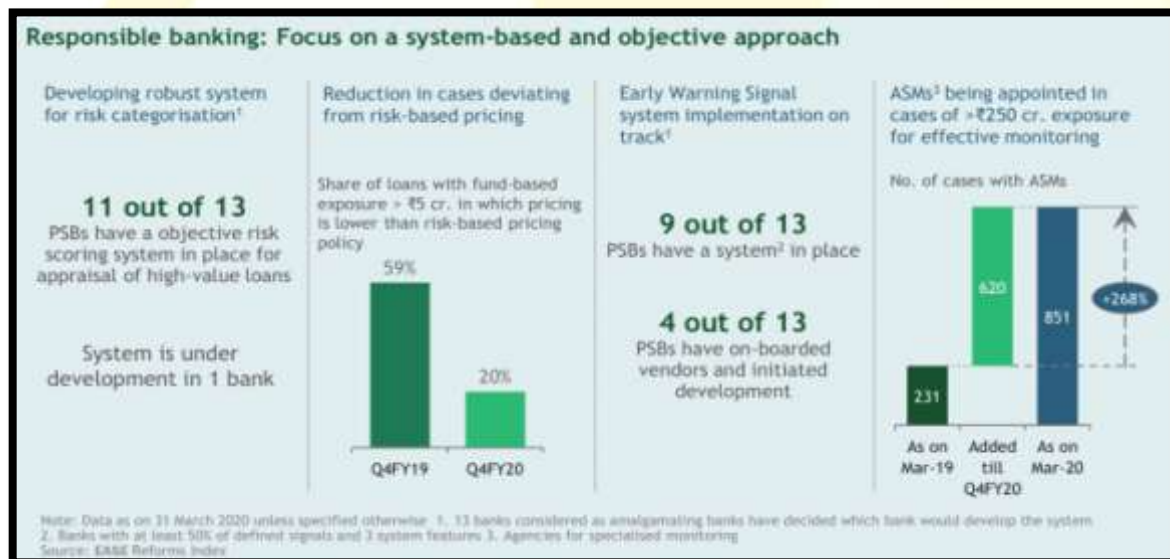


Figure 4: Responsible banking Source: EASE Annual report, 2020

PSBs have filed 9363 suits for recovery and 2751 FIRs registered against willful defaulters by September 2018. NPAs of over Rs. 3.98 lakh crore checked for fraud and wilful default. Proactive checking of legacy high-value NPAs and fraud prevention reforms, initiated in 2015 have led to a sharp decline in fraud occurrence from 0.65% of advances during FY10-FY14 to 0.06% in FY19-20. EWS-triggered dynamic internal rating review instituted. Credit Information companies disclosed 28165 suit filed cases on their websites which is acting as deterrent against credit default and expediting recovery. In NPA cases of above Rs. 5 crore, cases with SARFAESI action initiated accounted for more than Rs.3.8 lakh crore outstanding as on December 2018. With stress recognition largely completed, significant resolution under the IBC and reduced slippages GNPA's of PSBs have declined from Rs. 8.96 lakh crore in FY2018 to Rs.8.64 lakhs crore by Dec 2019.



Slippage into NPA has reduced from 4.33 lakh crore in March 19 to 1.46 lakh crore in March 2020. (Figure 5) The Provision coverage ratio has improved substantially from 46 percent in 2015 to 62.7 Percent in 2018 and 65.4 percent in 2020. They made record recovery of Rs. 2.27 lakh crore in FY19-FY20. 87% of one-time settlement (OTS) cases are now tracked through dedicated IT systems. PSBs have adopted digital platforms such as online OTS, e-भूत, e-DRT for expedited recovery.

PSBs strengthened lending processes to address identified gaps and increased efficiencies by limiting to minimum 10 percent share in consortium. 100 percent segregation of Pre and Post sanction roles with respect to large value loans. PSBs have adopted new ways of credit. For prudential lending, PSBs are now systematically keeping watch on adherence to risk based pricing, and cases with deviation have reduced from 59% to 20%, and have put in place **data-driven risk-scoring** for appraisal of high-value loans that factors in group entities.

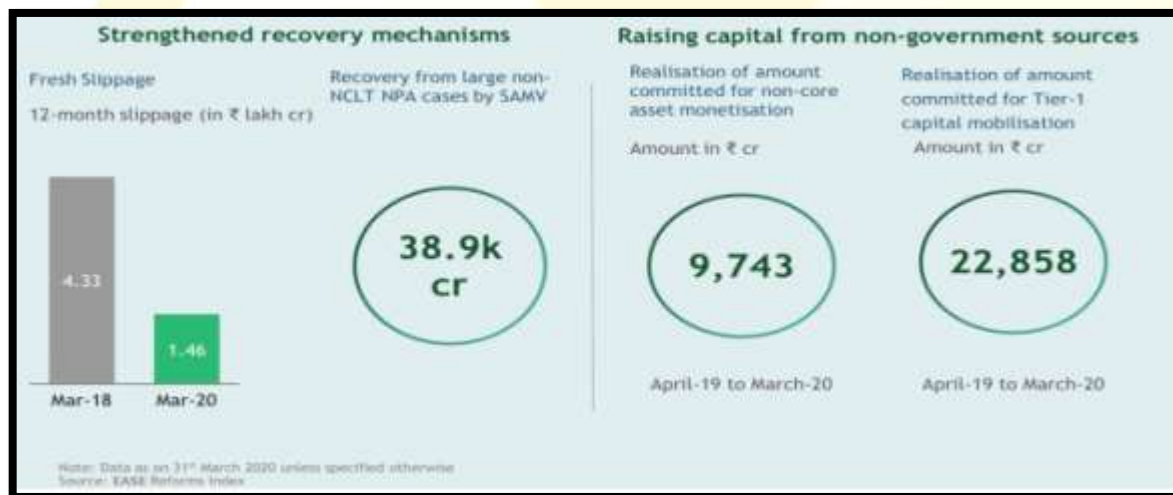


Figure 5: Progress on recovery and raising capital (other than Govt.) Source: EASE Annual Report

Credit Off-take

PSBs improving comfort for borrowers, through measures such as online applications for credit, automated processing of retail loans and schematic lending, rationalizing decision making layers in loan appraisal, setting up retail Loan Management Systems and reducing turn around time in retail loan segments and introducing digitized tracking of application status. There was reduction in retail loans turnaround time to average of 10 days from approximately average of 30 days.

UdyamiMitra

PSBs have adopted tech-enabled, smart banking in all areas, setting up MSME Loan Management Systems for reduced loan turnaround time, PSBloansin59 minutes.com and TReDS Seventy three percent of all PSB inland bills are now discounted through online TReDS, Forty percent YoY growth in the quarterly value of loans disbursed through psbloansin59minutes.com

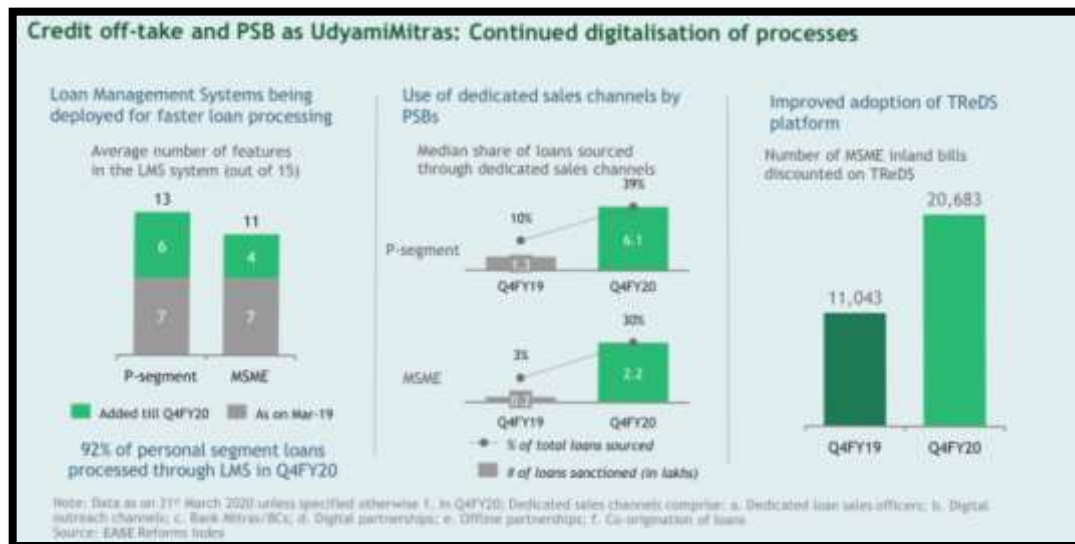


Figure 6: Progress on UdyamiMitra

Source: EASE Annual Report

PSBs have instituted real-time visibility to MSME customers on the status of their loans. sourcing of MSME and retail loans has increased nearly 5 times to 8.3 lakhs from 1.5 lakhs. The marketing tie-ups and dedicated salesforce has contributed to this rise. 92 % of MSME loan applications processed through LMS in Q4 of 2020 and improved use of TReDs platform discounted 20683 bills during the same quarter. (Figure 6)

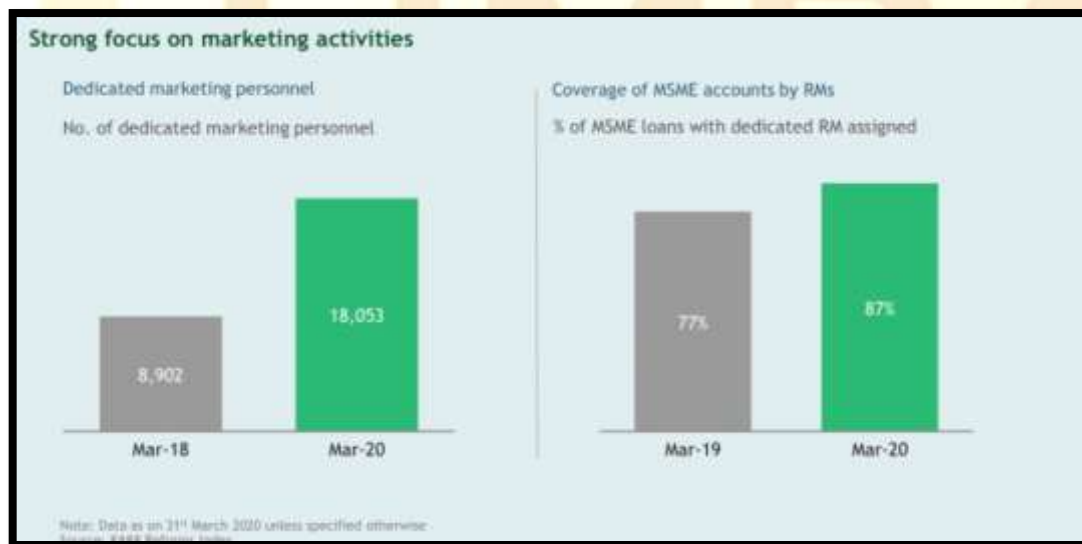


Figure 7: progress on Marketing activities

Source: EASE Annual Report

Participating banks have leveraged relationship managers and deployed dedicated marketing personnel in business generation. Dedicated marketing personnel doubled in two years from 2018 to 2020 and 87% of MSMEs covered by Relationship managers. (Figure 7)

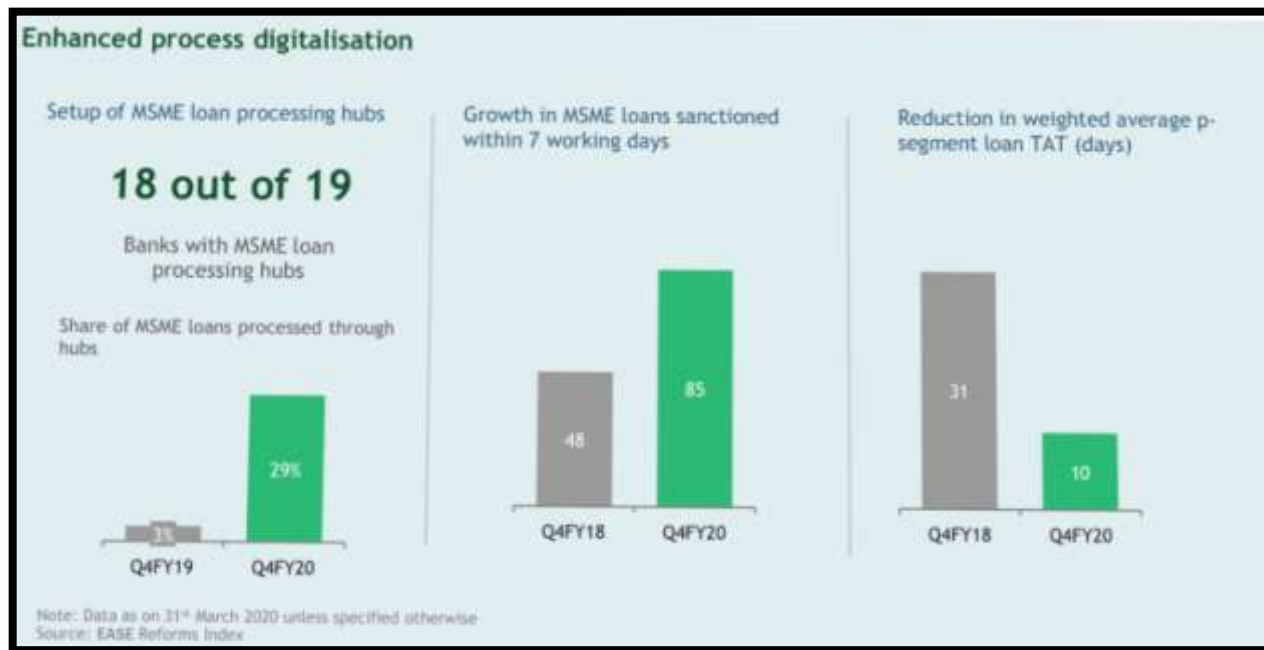


Figure 8: MSMEs –Digitisation Source: EASE Annual Report

Participating banks have introduced centralised processing hubs for faster time-bound processing for MSME loans. 85% of MSME loans sanctioned with in 7 days. (Figure 8)

Deepening Financial Inclusion and Digitisation

Notable improvement in financial inclusion through scale-up of coverage under PMJDY and social security schemes by PSBs. Activation of Bank Mitras and offering of near-home delivery of 20 services responsible for this improvement.

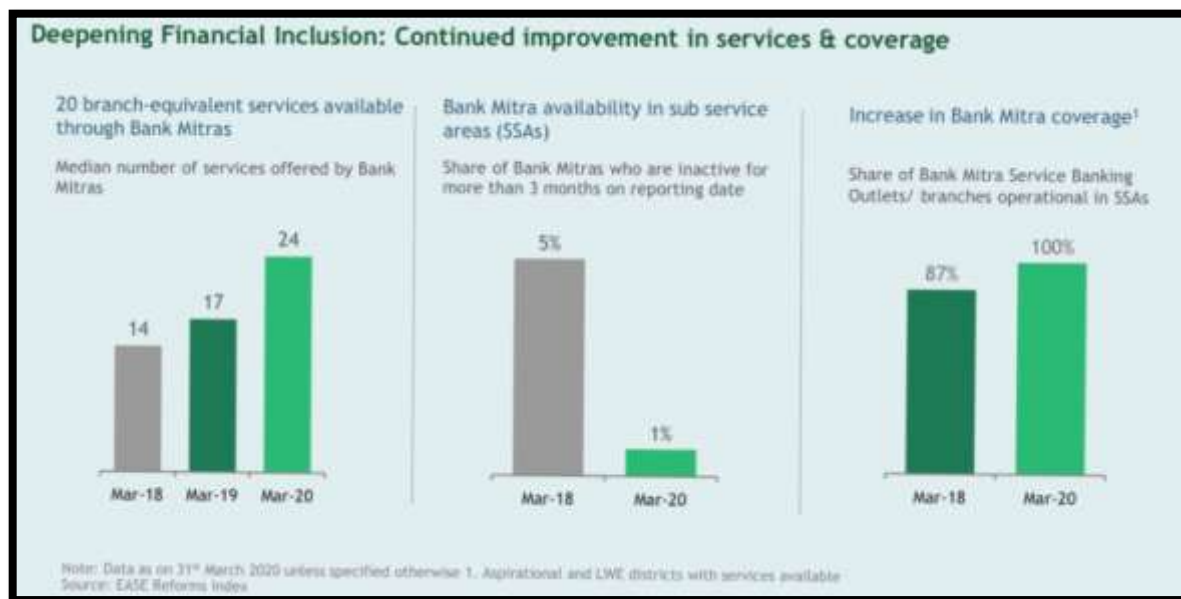


Figure 9: Financial Inclusion Source: EASE Annual Report

Bank Mitras who are inactive for more than 2 months have come down to one percent and Bank Mitra coverage increased during the period. (Figure 9). PSBs deployed interoperable Bank Mitras in 1.23 lakh SSAs out of identified 1.26 lakh SSAs. Nearly all households in the country are banked. The monthly transactions through Aadhaar enabled Payment System (AePS) crossed 21.6 crore for March 2020. There are approximately 4 crore active customers on internet banking and mobile banking. Financial transactions increased by 140% through mobile and internet banking. 50% of the financial transactions were through digital channels. Dedicated IT systems are now used to track 88% of one-time settlement (OTS) cases. 23 crore basic savings account customers received RuPay credit cards from Public Sector Banks.

Governance and HR

Governance reforms

Building on earlier governance reforms in terms of arm's length selection of top bank management through Banks Board Bureau and introduction of non-executive chairpersons, Government widened the talent pool for such selections, empowered bank Boards, strengthened the Board committees system, enhanced effectiveness of non-official directors, and initiated leadership development and succession planning for the top two levels below the Board. In larger PSBs, Executive Director Strength has been increased and Boards empowered to introduce CGM level for increased business. 15 PSBs have fulfilled more 70% of job family positions and 57% auto populated APAR scores created. (Figure 10)

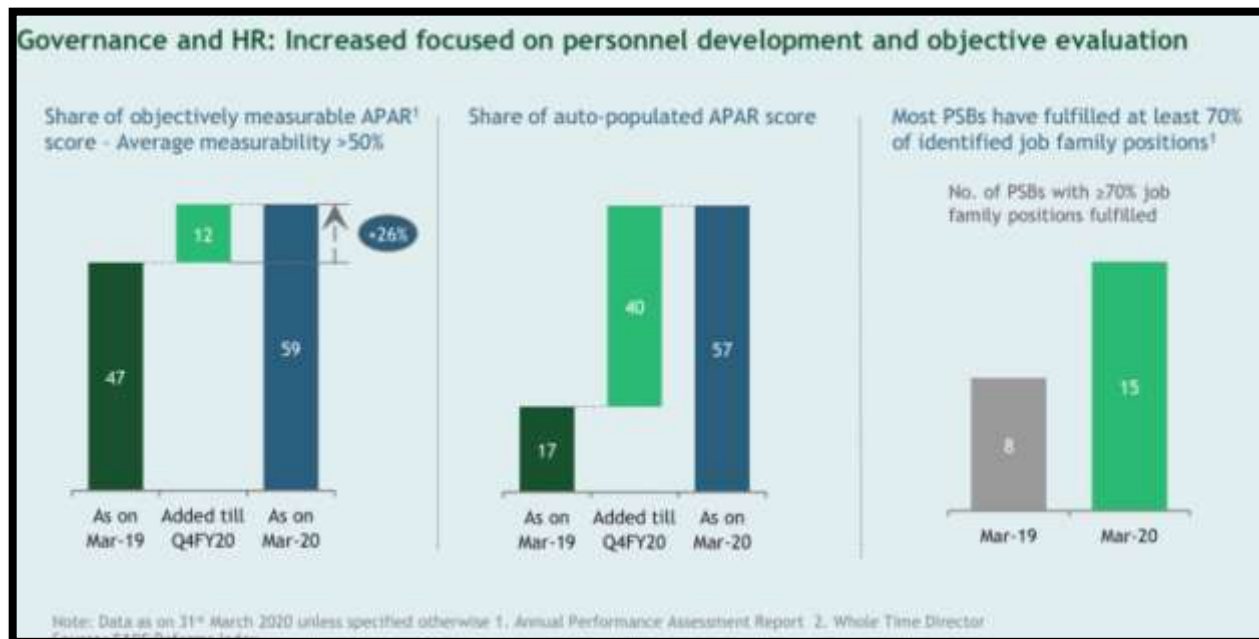


Figure 10: Governance and HR Source: EASE Annual Report

The EASE Reforms Index

The EASE Reforms Index was conceptualised to provide a comprehensive, independent and benchmarked measurement of performance of PSBs based on transparent methodology. The Index, a robust mechanism has been created for tracking continuous improvement of PSBs performance along with in-depth insights, benchmarks and also inter-banks comparison.

The **Responsible Banking** theme saw the highest improvement of 56 percent from March 2018 to December 2018. This has resulted from the significant progress made in the areas of adopting a system-based approach for credit underwriting, monitoring and NPA recovery, setting up and operationalisation of SAMV, strengthening of policies and processes to improve credit appraisal and monitoring and improved risk management practices.

In the **Governance and HR** theme, Developing Personnel brand PSB theme also have shown good performance a 39 percent improvement during this period. This has resulted from the initiatives taken by PSBs on introduction of the job families system, implementation of role-based e-learning programmes and strengthening of performance management IT systems.

UdyamiMitra for MSMEs theme saw PSBs improving experience (37%) for MSME customers by appointing relationship managers and improving lending process through dedicated MSME vertical and



loan processing centres. All PSBs registered themselves on TReDS platform, which enabled online bill discounting for MSME customers

Credit Off-take theme saw PSBs further improving comfort for borrowers,(36%) through measures such as a rationalizing decision making layers in loan appraisal, reducing turn around time in retail loan segments and introducing digitized tracking of application status



Figure 11: EASE Index-Theme wise Source: EASE Annual Report

In the theme of **Deepening Financial Inclusion**, the focus has been on providing branch equivalent services such as account opening, fund transfers, insurance, etc. through Bank Mitras. (26 %)

Customer Responsive theme witnessed a growth of 23 percent in terms of increase in transactions through call centre, mobile and internet banking channels, strengthening grievances redressing mechanism and overall positive feedback from customers.

Participating banks progressed across all six themes of EASE Reforms Agenda, most notably in the themes of Responsible Banking and Governance and HR.(Figure11)

EASE Reforms Index – Overall Progress

Participating banks accelerated reforms with an overall improvement of 37% in the Index in the financial year ended 31 Mar 2020. The overall score of participating banks increased by 37% between March-2019 and March-2020, with the average EASE index score improving from 49.2 to 67.4 out of 100. Figure12)

Participating banks are continuing the reforms journey and have shown improvement across many reform areas.



Figure 12: Overall EASE Reforms Index Source: EASE Annual Report

Root causes of weaknesses in PSBs have been systematically addressed through the annual EASE Reforms for FY19 and FY20 (EASE 1.0 and EASE 2.0). These have equipped Boards and leadership for effective governance, instituted risk appetite frameworks, created technology and data-driven risk assessment and prudential underwriting and pricing systems, set up loan management systems for faster processing and tracking, introduced Early Warning Signals (EWS) systems and specialised monitoring for time-bound action in respect of stress, put in place focused recovery arrangements, customer responsiveness, digitized lending for retail and MSMEs and financial inclusion established outcome-centric HR systems.

Reforms is a continuous journey and sustaining the momentum of reforms will help the PSBS to further improve performance and build the platform capabilities for the future because a changing India needs a revitalized Banking Sector.

Conclusion

Build-up of stress from 2009 to 2015 had led to deterioration in key performance of PSBs. To address this and to improve overall improvement in Customer responsiveness, Governance, HR, Digitisation etc., common PSB reforms agenda EASE was launched. The EASE Reforms Index, which measures PSB performance on number of metrics against bench marks, has shown that the PSBS have made good progress across different action points during EASE 1.0 and EASE 2.0 period. EASE 3.0 launched during 2020-21 aims to transform PSBS in to digital & data driven and tech-enabled NextGen banks on the solid foundation laid by EASE 1.0 and EASE 2.0



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