

Hon'ble Finance Minister releases EASE Reforms Index that measures progress of Public Sector Banks (PSBs) Reforms Agenda

Hon'ble Union Minister of Finance and Corporate Affairs, Government of India Shri Arun Jaitley released the first report on EASE Reforms Index that independently measures progress on the Public Sector Banks (PSB) Reforms Agenda announced last January on 140 objective, benchmarked metrics. The Index measures performance of each PSB on 140 objective metrics across 6 themes and provides all PSBs a comparative evaluation showing where banks stand vis-à-vis benchmarks and peers on the Reforms Agenda.

The publishing of the independent report commissioned through Indian Banks' Association and authored by few consulting firms as knowledge partners, confirmed the effectiveness of Government's 4R's strategy in securing banking turnaround, with large 26% Index gain in Responsible Banking underpinning clean banking, and measurable progress in all six Enhance Access & Service Excellence (EASE) reform themes over the three quarters ending December 2018.

EASE report shows significant improvement in PSB performance on the back of Government's 4R's strategy :

Stress recognition almost complete: Standard restructured advances as a percentage of gross advances reduced from 7% in Mar-15 to 0.5% in Dec-18

GNPA trend reversed: GNPA reduced by Rs 31,168 crore, GNPA ratio have started declining after peaking in Mar-18 and has declined for three successive quarters post Mar-18.

Record recovery: IBC has led to record recovery- Rs 98,493 crore recovered by PSBs in first nine months of FY19, YOY growth of 103%.

PSB balance-sheet strengthened: PSB balance sheets strengthened through infusion of Rs 3.19 lakh crore including infusion by Government and market raising. This has helped five banks to come out of PCA restrictions and improve PCR from 46% in FY15 to 69% in Dec-18 leading to reduced risk.

Stress indicators improving: Fresh slippages reduced by Rs 58,000 crore in first nine months of FY19 compared to same period previous FY, Stock of overdue account reduced by 47%, credit risk weighted assets to gross advances reduced by 11%

Reforms: Multiple reforms implemented covering wider financial system and PSBs.

CLEAN Banking: EASE index tracks multiple steps are taken by PSBs to institutionalise CLEAN banking and avoid recurrence of NPA problem in future. This includes limiting consortiums to smaller efficient groups, special agencies for monitoring large loans, rationalisation of unviable overseas operations, strong risk appetite framework, focus on strong credit appraisals.

Smart Banking: PSB Reforms EASE Agenda lays strong emphasis on speedy and responsive customer service with an objective to drive SMART Banking. EASE Index shows that PSBs are significantly driving SMART Banking and initial results of the reforms are visible

SMART Banking leading to usage of triangulated data and risk minimization: Diligence across data sources, process digitilisation and analytics enabling robust underwriting, Fraud risk mitigation, Credit process compliance, and importantly customer ease.

PCA banks show 30% improvement in responsible banking theme of EASE Index: Underlying causes of weakness in PCA banks getting substantially addressed

- 6 banks without Stressed Asset Verticals fully operationalised SAMV
- Recovery of Rs 35,405 crore in three quarters (72% YoY growth)
- Corporate exposure reduced from 49% in Mar-18 to 40% in Dec-18 as per focus segment strategy

EASE Index: Sustainable Reform ingrained in PSBs: The Index provides all PSBs a comparative evaluation showing where banks stand vis-à-vis benchmarks and peers on the Reforms Agenda. The Index follows a fully transparent scoring methodology, which enables banks to identify precisely their strengths as well as

areas for improvement. Through periodic updates and by providing bank-specific scorecards and inter-bank comparisons, all PSBs are enabled to keep track of their progress on key reform priorities across time. The goal is to continue driving change by spurring healthy competition among PSBs and also by encouraging them to learn from each other.

Performance of PSB on EASE Index: PSBs have shown strong trajectory in their performance over 3 quarters post the launch of EASE Reforms Agenda. Overall score of PSBs increased by 15% between Mar-18 and Dec-18 with average score of PSBs improving from 56.3 to 64.5. Significant progress is seen across themes, with highest growth being in Responsible banking.

Some of the key areas with strong progress across themes are:

- Responsible Banking: PSBs strengthened large credit appraisal, monitoring, recovery processes and improved their risk management and capital management practices.
- Developing personnel for brand PSB: PSBs initiated roll out of Job-families, deployed online learning platforms, increased measurability in appraisals, etc.
- Deepening FI and digitalization: PSBs ensured Bank Mitras remain active, widened their bouquet of services, focused on improving adoption digital transactions, improved Aadhaar / mobile seeding
- Credit off-take and PSB as UdyamiMitra for MSMEs: PSBs reduced loan processing time in retail, focused on revival of stressed MSMEs, drove adoption of Trade Receivables Discounting System (TReDS), and deployed dedicated marketing teams & relationship managers, etc.
- Customer responsiveness: PSBs focused on improving customer satisfaction, identifying and reducing complaints in top-5 complaint categories, reducing complaint resolution time.

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Warm Regards,
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