

Hon'ble Finance Minister reviews performance of the banks with focus on supporting credit needs of the economy

Hon'ble Finance Minister Smt. Nirmala Sitharaman, reviewed the performance of the banks with top management of Public Sector Banks. She also reviewed at length the implementation of series of measures, following extensive stakeholder consultations, announced since 23.8.2019, including consolidation, to support economic growth. A number of these related to the banking sector and progress in implementation of these was reviewed with chief executives of Public Sector Banks.

The discussion on the performance of the banks was carried out with focus on supporting credit needs of the economy, in particular the needs of sectors such as NBFCs, HFCs, MSMEs, sectors under stress and enabling better access to cheaper credit. At the end of August 2019, overall credit growth in the banking sector stood at 10.1% on year-on-year basis. This is in parallel with record recoveries and cleaning of bank balance-sheets showing better quality of asset book.

Banks loan disbursement to key sector remains robust, with disbursement of Rs. 11.83 lakh crore done for MSME sector in FY 2018-19 as against Rs. 8.53 lakh crore done in FY 2017-18. Bank have also continued to support housing sector by disbursing Rs. 2.19 lakh crore for home loans in FY 2018-19 as against Rs. 1.81 lakh crore in FY 2017-18.

Pool buy-out of NBFC/HFC post Sep-18 till 15th Sep-19 was Rs. 93,018 crore, including Rs. 9,155 crore under the newly launched Partial Credit Guarantee Scheme. Proposals of another Rs. 33,200 crore under the new scheme are also in the pipeline.

Following the announcement on 23rd August 2019, banks have already entered into 14 tie-ups with NBFCs for co-originating loans, with another 36 such tie-ups in the pipeline. This will help borrowers in terms of better access to affordable credit, while yielding business benefits to both banks and NBFCs.

Acting upon their commitment to review lending rates in the context of policy rate cuts, Public Sector Banks have effected weighted average rate cuts of 27 basis points till August 2019 and another 10 out of the 18 Public Sector Banks have effected additional rate cuts ranging from 15 to 5 basis points in the current month.

Further, to enable automatic transmission of externally benchmarked rates, 15 Public Sector Banks have already introduced Repo-rate-linked loan products for housing and vehicles, consumer credit, cash credit limits and mortgage-based loans. Already, over

1.08 lakh Repo-linked proposals, amounting to over Rs. 40,000 crore, have been sanctioned. The remaining three Public Sector Banks will also be introducing such products by 1st October. These measures are aimed at considerable improvement in access to affordable credit.

Following up on the earlier announcements on enhancing customer ease for credit wherein online tracking of loan applications and mandatory release of security documents 15 days post loan closure was proposed. Public Sector Banks have passed on instructions upto branch level and process of technology changes to track it electronically is also underway. This will help increase transparency of loan processing for customers.

To boost the resolution process, One Time Settlement (OTS) system has been made more transparent with introduction of check box approach based OTS policy by 11 Public Sector Banks, while remaining banks are at various stages of implementation. This will ensure faster resolution through a non-discretionary and non-discriminatory system.

To support decision-making and to prevent harassment for genuine commercial decisions by bankers, Central Vigilance Commission (CVC) has issued directions that Internal Advisory Committee in banks that would classify cases as vigilance and non-vigilance along with setting up of an advisory Board for first level examination to decide whether the case is a criminal act or a genuine commercial decision and accordingly, recommending the future course of action for large fraud cases above Rs. 50 crore. This will instill a sense of protection among bankers from prosecution for genuine decisions and promote lending and Public Sector Bank heads expressed their resolve to take prudent commercial decision without any fear now.

Since the announcement of consolidation of public sector banks on 30.8.2019, Boards of all ten banks have accorded in-principle approval to the proposals. Heads of concerned banks assured Finance Minister that there will not be any disruption in credit decision making due to process of amalgamation and also that open communication to the employees and customers is being carried out for maintaining business as usual. The employee interests are being protected through best of benefits and learning and growth opportunities for the employees.

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