

Hon'ble Finance Minister unveils EASE 3.0, the PSB Reforms Agenda 2020-21

EASE 3.0 seeks to enhance ease of banking in all customer experiences, using technology, FinTech, alternate data and analytics

Smt. Nirmala Sitharaman, Hon'ble Union Minister for Finance & Corporate Affairs, has **unveiled EASE 3.0, the Public Sector Bank (PSB) Reforms Agenda 2020-21 for smart, tech-enabled banking**, and the PSB EASE Reforms Annual Report 2019-20. EASE 3.0 seeks to enhance ease of banking in all customer experiences, using technology, FinTech, alternate data and analytics. Dial-a-loan for doorstep loan facilitation, Credit@click for end-to-end digitalised lending, on-the-spot EASE Banking Outlets at well-frequented places like malls and stations, palm banking, digitalised branch experience, analytics-based instant credit offers, cash-flow-based credit and tech-enabled agriculture lending are part of a wide array of tech-enabled ease enhancements that PSBs would effect during FY2020-21.

Finance Minister exhorted PSBs to have one-to-one interface with their customers through branch based banking and not rely so much on credit ratings agencies. She said that banks need to connect with their customers by leveraging technology but not exclusively only through the interface of technology. In her address on the occasion, the Finance Minister asked the bankers to focus more at the grassroot level. She further exhorted banks to be friendlier to its customers by using local language in bank branch. She said that PSBs have played a great role in enabling financial inclusion in the country.

The PSB EASE Reforms journey

PSB Reforms EASE Agenda is a common reform agenda for PSBs aimed at institutionalizing clean and smart banking. It was 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. Reform Action Points in EASE 2.0 aimed at making the reforms journey irreversible, strengthening processes and systems, and driving outcomes. Public Sector Banks have shown significant improvement in the Action Points of the EASE Reforms Agenda since its introduction.

EASE 3.0 — Smart, Tech-enabled Banking for Aspiring India

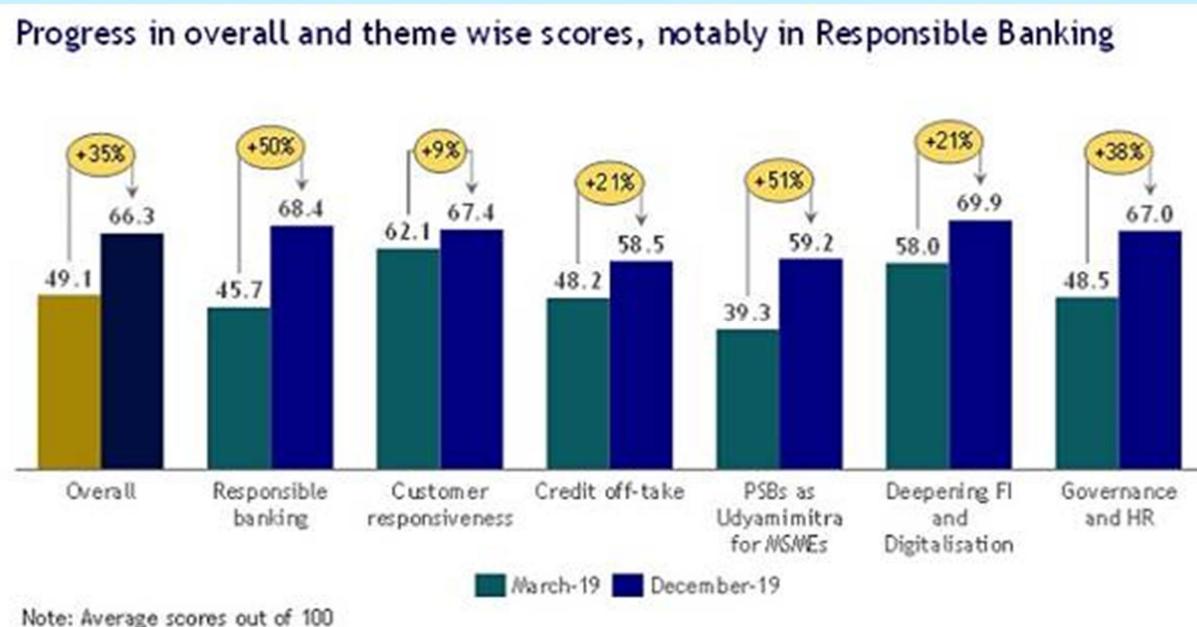
Over the last five years, PSBs have not only cleaned up legacy stress and addressed underlying systemic weaknesses but have emerged stronger as a result of comprehensive and institutionalized EASE reforms. EASE 3.0 sets the agenda and roadmap for FY21 for their transformation into digital and data-driven NextGen Banking of the Future for an aspiring India. With EASE 1.0 and 2.0 laying a firm foundation of robust banking and institutionalised systems, PSBs are set to transform into digital- and data-driven NextGen banks. EASE 3.0 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 (Human resource).

Key Reform Action Points in **EASE 3.0** include:

- **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 durables, home loan takeovers, loan-against-property post home loan closure, working 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

Performance of PSB on EASE 2.0 Index

PSBs have shown a healthy trajectory in their performance over three quarters since the launch of EASE 2.0 Reforms Agenda. The overall score of PSBs increased by 35% between March-2019 and December-2019, with the average EASE index score improving from 49.1 to 66.3 out of 100. Significant progress is seen across six themes of the Reforms Agenda, with the highest improvement seen in the themes of 'Responsible Banking' and 'PSBs as Udyamimitra for MSMEs'.



Source: Ministry of Finance, Government of India

Major Reform achievements over March 2018 to December 2019

- Significant improvement in customer outreach through dedicated marketing force and external partnerships. The number of dedicated marketing employees has increased from 8,920 to 17,617.
- Turnaround time for loans reduced by **67% from the average of nearly 30 days to nearly**

10 days

- 80% of PSB customers now have access to **35+** services on mobile/ Internet banking, 23 services on call center. The availability of services has nearly doubled over last 18 months.
- Improvement in the availability of regional languages in call-centers has increased **four-fold**
- Complaint redressal turnaround time reduced from the average of **9 days to 6 days**
- **20** branch-equivalent services made available by PSBs through Bank Mitras
- For prudential lending, PSBs are now systematically keeping watch on adherence to risk-based pricing, and cases with deviation have reduced from 59% to 23%, and have put in place **data-driven risk-scoring** for appraisal of high-value loans that factors in group-entities.
- Most PSBs have deployed **IT-based EWS systems** leveraging third-party data, which have enabled early, time-bound action in stressed accounts. Monitoring has also been strengthened by deploying Agencies for Specialised Monitoring, and proactively monitoring listed entities based on published financials. **Slippage into NPA has reduced** from 3.90 lakh crore in 12-months ending March-18 to 1.88 lakh crore in 12-months ending December-19.
- PSBs have adopted digital platforms such as online OTS, e-भ्रूय, e-DRT for expedited recovery. 87% of one-time settlement (OTS) cases are now tracked through dedicated IT systems.
- PSBs have adopted new ways of credit. **63%** of all PSB inland bills are now discounted through online TReDS
- **40%** YoY growth in the quarterly value of loans disbursed through psbloansin59minutes.com (Dec-20)
- The Government has introduced several governance reforms. The governance reforms include arm's length selection of top bank management through Banks Board Bureau, introduction of non-executive chairpersons, broader talent pool for such selections, empowered bank Boards, strengthening of the Board committees system, enhancing the effectiveness of non-official directors, and leadership development and succession planning for the top two levels below the Board. In larger PSBs, Executive Director strength has been increased, and Boards are empowered to introduce CGM level for increased business.

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