



EASE 4.0: A Strategic Approach Intransforming PSBS in India

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ABSTRACT

An inclusive financial system is becoming indispensable for the development of our economy. The motive of public sector banks doesn't always restrict to profit-making, but they also aimed at the developmental aspects of the region they are operating in. In spite of having a large pool of customer base, PSBs are facing multi-faceted challenges including excess of NPAs. The Government of India has implemented a comprehensive 4R strategy of Recognising NPAs transparently in 2015 in order to address the problems of NPAs. Recapitalising and Reforms in the financial ecosystem for the advancement, new EASE Reforms Agenda was launched in January 2018. This paper aims to explain the PSBs reforms agenda 'EASE 4.0'.

KEY WORDS: EASE, Banking, Financial Inclusion, Indian Financial System, NPA.

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I. INTRODUCTION

Banks are the main monetary foundations in India. All monetary exchanges are conceivable without much problem. Individuals can set aside their cash in banks, take credits, and move finances effectively through ledgers. Public sector banks (PSB) are the backbone of the Indian financial industry. PSBs and PSB-supported Regional Rural Banks (RRBs) have a predominant market share and comprise 78% of the Scheduled Commercial Banks (SCBs). In rural areas, this service is still higher at 87%. Further, they assume a significant part in fuelling capital required for the country's monetary turn of events, with a portion of more than 70% of SCBs deposits and 66 percent of outstanding credits. In rural and Semi-Urban (RUSU) areas, their portion is considerably higher at 88% of saving record deposits and 81 percent of credit. They are additionally key suppliers of long-haul credit with a portion of 73% of outstanding credit. PSBs are those banks where the public authority holds over half proprietorship. With these banks, the public authority manages the monetary rules. Due to government possession, most depositors believe that their funds are safer in PSBs. The headway of innovation, core banking has been introduced in the country which has spread to each nook and corner. It likewise goes about as the body that conveys the goal of the government by furnishing offices to individuals associated with the bank of the different government schemes, advances and annuities. As of late the connecting of lakhs of individuals with financial balances through the 'Jan Dhan Yojna' program is one such illustration of such destinations of the public authority, which should be satisfied by the banks over necessity. It is additionally liable for the assortment of duties and conveying different formative plans for the immature. It is additionally answerable for giving financial offices to the rural and sub-metropolitan regions to associate an ever-increasing number of individuals with their singular accounts and include into the services of the banks. It is the purpose for the expanding number of rural parts of such nationalized banks over the country. The rationale of PSBs

doesn't generally remain benefit making, yet they additionally see through the formative part of the locale they are working in, accordingly, most PSBs have a huge client base. For instance, The State bank of India (SBI) is the biggest PSBs in India. In this bank, the Indian government holds over 63% share. A huge part of the remainingshare is traded in the Indian securities exchange. Accordingly, the pace of advance defaulter is a lot higher in PSBs. These challenges are also making them unpopular among public. Most PSBs face multi-faceted challenges like the big bureaucratic system at the management level, inability to make big financial decision quickly, offer less customized service to the customers, too many complaints against the employees for their poor service, most PSBs are suffering from big corruption scandals, high defaulter rate from the customer and it spend lots of money on financial operation. To address these problem, since 2015 the Government has implemented a comprehensive 4R's strategy of Recognising NPAs transparently, Recapitalising and Reforms in the financial ecosystem for the advancement of the reform in PSBs. Enhanced Access & Service Excellence(EASE) Reforms Agenda was needed. The first three Rs are aimed at cleaning the balance sheets of banks. The reforms are aimed at systematic change to address root causes so that the risk of recurrence of excessive stress are minimised. The reforms address key areas in PSBs such as governance, prudential lending, risk management, technology-driven checks and controls and smart banking as well as transparency and accountability in the wider financial ecosystem.

EASE Reforms Agenda

EASE was introduced in January 2018 jointly by the government and PSBs. Agenda for EASE comprises of 30 Action Points across six themes. It was specially made through Indian Banks' Association and authored by Boston Consulting Group. The purpose of EASE Agenda is to institutionalize clean and smart banking.

EASE Reforms Index: The Index evaluates performance of each PSB on more than 120 objective metrics. The aim is to continue driving change by motivating healthy competition among PSBs.

EASE 1.0: According to the EASE 1.0 report, vital transformation in PSBs performance in resolution of Non Performing Assets (NPAs) transparently.

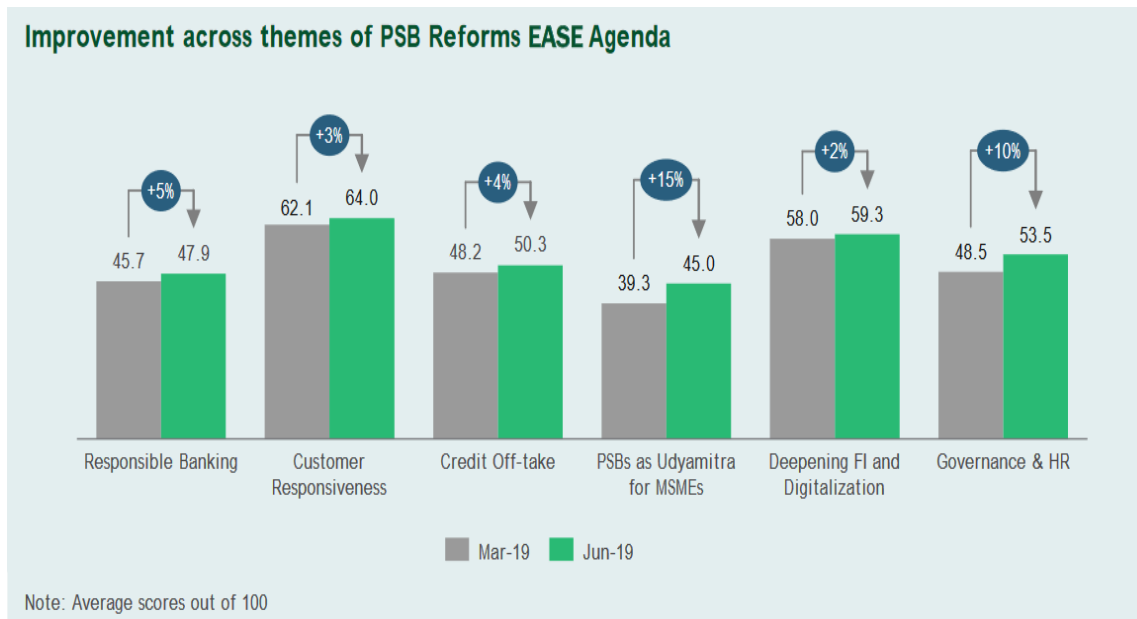
EASE 2.0: EASE 2.0 emerged from the base of EASE 1.0 and introduced new Reform Action Points across six themes to bring irreversible transformation, strengthen the procedures and systems, and drive outcomes. The six themes of EASE 2.0 are: Responsible Banking; Customer Responsiveness; Credit Off-take, PSBs as Udyami Mitra (SIDBI portal for credit management of MSMEs); Financial Inclusion & Digitalisation; and Governance and Human Resource (HR).

Performance of PSB on EASE 2.0 Index

Overall Score: The overall performance index showed a remarkable increase by 37% between months of March-2019 and March-2020, with the average EASE index score improving from 49.2 to 67.4 out of 100. *Digital Banking:* Nearly 4 crore active customers on mobile and internet banking. 50% of financial transactions through digital channels. *Customer service:* Increase in number of call centres and inclusion of 13 regional languages in customer service, enhanced doorstep banking support by more than 75,000 Bank Mitras etc.

Easy loans: Turnaround time for retail loans reduced steeply from nearly 30 days to nearly 10 days. Almost the time taken for sanctioning loans has been reduced to one-third of the time required earlier.

NPAs and Frauds: Gross NPAs has been reduced tremendously from Rs. 8.96 lakh crore in March-2018 to Rs. 6.78 lakh crore in March-2020. This comes around 25% decline in gross NPAs in a year. Further, a sharp decline in the fraud occurrence from 0.65% of advances during FY10-14 to 0.06% in FY19-20. Record recovery of Rs. 2.27 lakh crore in FY19-20. Banks have taken steps like instituting data-driven risk assessments and introducing Early Warning Signals (EWS) systems.



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EASE 3.0

It seeks to enhance ease of banking in all customer experiences, using technology viz. Dial-a-loan, Partnerships with FinTechs and E-commerce companies, Credit@click, Tech-enabled agriculture lending, EASE Banking Outlets etc. A comprehensive agenda for smart, tech-enabled banking has been adopted for FY 2020-21, under which PSBs have initiated eShishu Mudra (app-based lending for instant sanction of working capital up to Rs. 50,000) for straight-through processing of loans to micro-enterprises.

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 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 October, 2020. The services shall benefit all customers, particularly Senior Citizens who would find it at ease to avail these services.

The annual report for the PSB Reforms Agenda EASE 3.0 for 2020-21. These banks have reported a profit of Rs. 31,817 crore in FY21 as compared to a loss of Rs. 26,016 crore in FY20. This is the first year when PSBs have reported profit after five years of losses. Total gross NPAs stood at Rs. 6.16 lakh crore as of March 2021, a reduction of Rs. 62,000 crore from March 2020 levels.

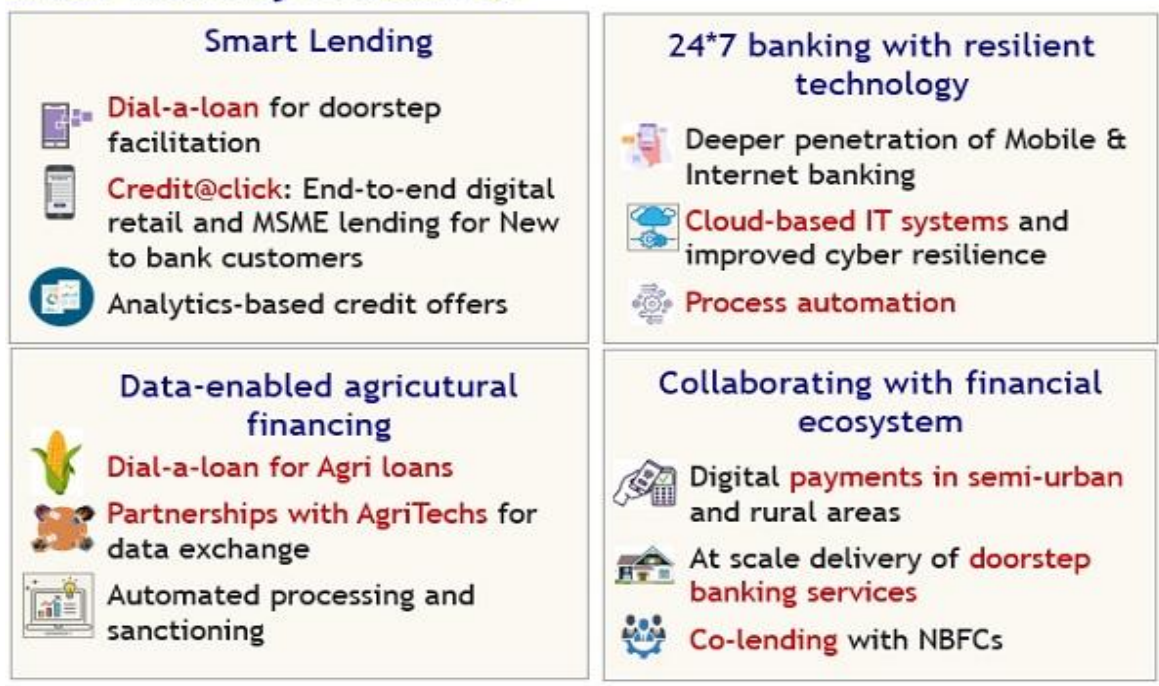
EASE 4.0 reforms agenda for the financial year 2021-22: It is expected to declare the results of the EASE 3.0 Index for 2020-21, PSBs would be rated on various indices for the year. Now PSBs will focus on introducing and promoting new analytics-based offers to existing retail customers like pre-approved car loans, EMI offers on e-commerce purchases, and also for existing MSME customers. Such offers will be based on bank transactions, income tax and GST returns, transactions on e-commerce portals, and other operational data, they added. As per the proposed reform agenda, banks will leverage partnerships with third parties, including agritech firms, and strive to automate processing and sanction of agricultural loans based on a field visit, borrower interaction, and risk assessment in states with digitised land records. Under the co-lending model with non-banking finance companies (NBFCs), banks will take 80% exposure, while NBFCs will provide customer service and grievance redressal. Ease 4.0: State-run banks will focus on co-lending with non-banking firms, digital agriculture financing, synergies and technological resilience for 24x7 banking as part of their reforms agenda for this fiscal, Ease 4.0. PSBs will have to focus on long-term talent/leadership development and succession planning with business outcome-focused appraisals. The banks will have to implement an IT-based performance appraisal system with centralised tracking and monitoring linked to the performance management system. It is the digitization (or moving online) of all the traditional banking activities and programs services that were historically only available to customers when physically inside of a bank branch. This includes activities like Money Deposits, Withdrawals, and Transfers, Checking/Saving Account Management, Applying for Financial Products, Loan Management, Bill Pay, Account Services. Digital mode is almost the only way forward for the upliftment. Banks will have to hitch to this bandwagon by adapting new age technologies like Blockchain, Artificial Intelligence, Machine Learning, and Internet of Things. Cross-selling

through Intelligent Analytics driven on the strength of big data and curated product offerings for different customer segments is what will distinguish banking offerings.

Reforms Fall Under EASE 4.0

The EASE 4.0 reforms look at four key initiatives for PSBs to adopt. They are discussed in this section as follows;

EASE 4.0: Key initiatives



Smart Lending Under EASE 4.0

PSBs will have to design and improve the performance of their loan initiation processes by simplifying them on the basis of standard operating procedures and time-bound actions. Banks will have to introduce end-to-end digitised loans to new customers. The lenders will have to focus on customising loan terms, interest rate and processing charges for customers availing digital loans based on their past behaviour and information from third-party sources. The PSBs will have to broaden their customer base and increase credit off-take through analytics and technology-driven credit offers. Banks can look at lending opportunities like pre-approved car loans and EMI offers on e-commerce/point-of-sale terminals. Banks can also make analytics-based credit decisions for MSMEs by assessing their transactional data, GST and tax data, etc.

24x7 Banking with Technology

Under the EASE 4.0 reforms, PSBs will have to fast-track the migration of their IT systems to secure cloud-based solutions in line with board-approved policies and the regulatory framework. The PSBs will have to conduct time-bound audits and testing in line with board-approved policies. The PSBs will have to strengthen cyber resilience by fast-tracking implementation of advanced cyber-security measures such as zero trust network segmentation, as well as adoption of artificial intelligence and machine learning based threat detection, API security and analytics-based cyber-risk quantification. PSBs have been asked to draw up and implement board-approved roadmaps for the automation of high-volume & manual processes.

Ecosystem Level

PSBs will have to collaborate with NBFCs to build co-lending models with API-based data exchange and IT integration between NBFCs and banks. The banks will have to design and improve performance of lead management systems, loan management systems, loan monitoring systems, etc. to facilitate co-lending with NBFCs. The public sector banks will be providing doorstep delivery of banking services and will have to improve time-bound auctions of secured assets on the 'eBkray' auction platform.

Tech-Enabled Easy Banking Services

The EASE 4.0 reforms guide banks to establish and enhance outbound call-centre based customer outreach to the retail and MSME customer base in regional languages, according to the customer's preference. The banks will have drive an expansion in the adoption of digital payments in semi-urban and rural areas. The reforms are also directed towards a systematic reduction in customer complaints and time-bound remedial actions for complaints. To enable this, the banks will have to integrate an IT-based grievance platform with internal and external channels for customer complaints. The PSBs will be working to improve their presence, marketing and social media engagement on the internet by adopting technical performance (website), SEO and digital marketing tools.

Further, PSBs will have to carry out an objective risk assessment and identify KRAs for risk-adjusted pricing and improve the effectiveness of their IT-based early warning system.

Finance Minister complimented PSBs for continuing to provide uninterrupted service and credit delivery to its customers, despite the COVID-19 pandemic. They have also been at the forefront of extending banking services in the remotest parts of the country, she added.

From different modes of staffing to remote working, 80,000+ bank branches were operational during COVID-19. Additionally, there has been around two times increase in Aadhaar Enabled Payment System (AEPS) transactions through micro-ATMs, and enhanced doorstep banking support through over 75,000 Bank Mitras.

PSBs to Push Co-lending Under EASE 4.0 Reform

PSBs will focus on introducing and promoting new analytics-based offers to existing retail customers. The Ease 4.0 Index, a reform plan for public sector banks for 2021-22, is anticipated to include co-lending with non-banking businesses, digital, farm finance, and technical resilience for 24/7 banking, according to sources. Launched in January 2018, Enhanced Access and Service Excellence (Ease) is the common reform agenda for all public sector banks (PSBs) aimed at institutionalising clean and smart banking.

Major Achievements Through EASE Reforms

The followings are the important effects of reforms in PSBs in India

- 23 crore basic savings account customers received RuPay credit cards from PSBs.
- There was reduction in complaint redressal average turnaround time. It was reduced from nine days to five days.
- There was reduction in retail loans turnaround time for an average of 10 days from approximately 30 days in the recent past.
- Non-banking financial products were cross-sold by which PSBs are making sure that customers had a greater range of financial products to choose from.
- Call centre services are now available in 13 regional languages.
- There are approximately 4 crore active customers use internet banking and/or mobile banking.
- Financial transactions increased by 140% through digital mode like mobile and/or internet banking.
- Direct banking practices were discouraged and around 50% of the financial transactions were through digital channels.
- Early, time-bound action in stressed accounts have been enabled since most of the PSBs have deployed IT-based EWS systems.
- Slippage into NPA has reduced from 3.90 lakh crore in 12-months ending March-18 to 1.45 lakh crore in 11-months ending February-20.
- OTS, e-DRT are some of the online digital platforms adopted by PSBs.
- Dedicated IT systems are now used to track 88% of one-time settlement (OTS) cases.
- 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.
- Board committees system were made stronger
- Executive Director strength has been increased in the larger PSBs.
- In larger PSBs, Boards are empowered to introduce CGM level for increased business.
- Selection of top bank management through Banks Board Bureau
- Non-executive chairpersons were introduced.
- Gross NPAs reduced to ₹6.78 lakh crore in March-2020 from ₹8.96 lakh crore in March-2018
- NPA ratio reduced to 3.75% (Mar, 2020) from 7.97% (Mar, 2018).
- Provision coverage ratio is at 80.9%, highest in 8 years.
- Number of PSBs under PCA down to three.

- In FY19-20, the recovery stood at ₹2.27 lakh crore. It was mainly driven by stressed account management verticals in PSBs.

II. CONCLUSION

Union Minister of Finance and Corporate Affairs Smt. Nirmala Sitharaman revealed the PSB Reforms Agenda 'EASE 4.0' for 2021-22 wise tech-enabled, simplified, and collaborative banking. The Banks have reported healthy profits and have accelerated on technology-driven reforms. PSBs reforms EASE Agenda Index showing progress and enabling clean and smart banking. At present EASE Reforms journey improvement in Financial Health of PSBs. It is a continuous journey and behind the momentum of reforms will help PSBs to further advance performance by FY21-22 and build platform proficiencies for the forthcoming years.

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