



Research Article

## A Study on Enhance Access and Service Excellence Reform to improve Public Sector Banks in India

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Abstract	Manuscript Information
<p>As a significant part of our economy, Public Service Banks showed noticeable stress in their operations in 2015. To address this issue, PSBs and the Government of India jointly launched Enhance Access and Service Excellence Reform (EASE) in 2018. It is a theme-based reform approach that changes from year to year. This article will examine how reforms have been implemented via this agenda. This paper will use a descriptive research approach based on secondary sources to comprehend the evolution of PSBs under this reform.</p>	<ul style="list-style-type: none"> <li>▪ <b>ISSN No:</b> 2583-7397</li> <li>▪ <b>Received:</b> 03-11-2023</li> <li>▪ <b>Accepted:</b> 13-12-2023</li> <li>▪ <b>Published:</b> 16-12-2023</li> <li>▪ <b>IJCRM:</b>2(6);2023:64-75</li> <li>▪ <b>©2023, All rights reserved</b></li> <li>▪ <b>Plagiarism Checked:</b> Yes</li> <li>▪ <b>Peer Review Process:</b> Yes</li> </ul> <hr/> <p><b>How to Cite this Manuscript</b></p> <p>Sagnik Maity. A Study on Enhance Access and Service Excellence Reform to improve Public Sector Banks in India. International Journal of Contemporary Research in Multidisciplinary. 2023; 2(6):64-75.</p>

**Keyword:** Public sector bank, EASE, Banking, Government of India, Ministry of Finance, NPAs

### 1. Introduction:

The financial sector is considered the foundation of any economy. In India, PSBs (Public Sector Banks) represent an essential part of the country's government-owned banking sector. PSBs have been at the vanguard of mobilising resources from rural areas and extending banking services to the most inaccessible portions of the country, both of which are critically important for the function of our economy. Since PSBs are responsible for around 70% of all banking in the country, the government has a legitimate interest in frequently recapitalizing them to ensure their continued viability and credibility (Singh, 2016). The breakdown of many national banking systems occurred during the Global Financial Crisis (GFC) of 2007–2008. Indian banks with minimal exposure to the dangers of

conducting business abroad avoided the catastrophic losses that may have occurred. However, it could not prevent the depressing impact of the recession on the Indian economy. A strong banking sector in it defines a strong economy. However, noticeable stress can be seen from 2015 between the PSBs' lending systems. To address this issue Government of India (GOI) and Public Sector Banks (PSBs) came jointly in 2018 and launched Enhance Access and Service Excellence (EASE) reform. The primary objective of the EASE reforms was to enhance the performance of PSBs and to ensure financial stability, improved governance, and clean, commercially prudent business practices, as well as to enhance further the implementation of digitalisation, customer protection, doorstep banking, and financial inclusion.

## 2. Review of literature

### Significance of reform in PSBs

A study in 2002 represents that the changes implemented in the banking system over the past few years have laid the groundwork for a financially stable and efficient economy, making it possible to move on to the next phase. Researchers believe that Human Resource Development, Technology, Industrial Relations, and Customer Service will be the four cornerstones of the future banking system (Singh Tejmani N & das Niranjana Chandra, 2002). Even though the post-reform period has seen an expansion in the scope or areas of priority sector definition, bank priority sector advancements have decreased significantly. There were a lot of PSBs that needed assistance in order to meet their agriculture and disadvantaged lending quotas. Both financing and demand constraints persisted for small and marginal farmers (Shete, 2003). According to Arora and Kaur, the Indian banking sector's response to the financial sector reforms has been excellent and encouraging. Introducing new private and international banks has exposed public sector banks to intense competition. As a result of the shifting financial landscape, banks now have more chances than ever to increase their worldwide footprint through organic growth, mergers & acquisitions, and other means. Banks are shifting their attention to retail banking to exploit low-cost funding and explore a relatively undeveloped growth opportunity (Arora & Kaur, 2006). Despite the widespread adoption of the Narasimham committee II's recommendations, a recent study led by bhhaumik et al. found no indication that these changes affected the banking industry's profitability (Bhanawat & Kothari, 2013). PSBs experienced serious NPA difficulties in 2009–10. These banks continue to struggle with the dual issues of deteriorating asset quality and inadequate capitalization, which restricts their expansion. During FY12-15, 27 PSBs collectively forgave bad loans totaling a massive ₹ 1.14 lakh crore (Kalyan, 2017).

### 3. Objective

The research aims to analyse the path taken by EASE reforms and evaluate how reforms have affected the performance and operations of public sector banks in India.

### 4. Methodology

The study follows a descriptive research technique under the EASE reform journey From FY18 to Q1FY23. The study relies on secondary sources for its information, including the annual reports published by EASE, the Bulletins issued by the Indian Banks' Association, and the Ministry of Finance.

### 5. Findings and Discussion

This section presents the findings and discussions in the context of the study's objectives.

#### EASE 1.0 (FY18 - FY19)

In the last decade, PSBs' loan portfolios accumulated some irregularities; much of the anomalies came from Standard Restructured Assets (SRA). This results from a 2009 RBI directive allowing special regulatory treatment to classify restructured accounts as regular accounts under specific

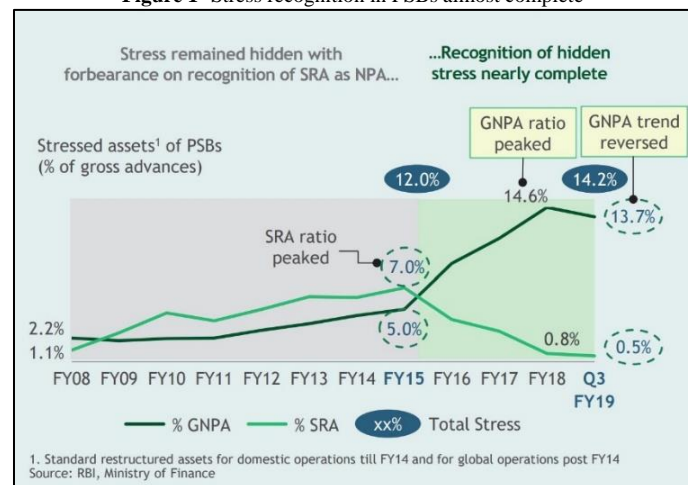
conditions (RBI, 2009)(Boston Consulting Group, 2019). Since 2015, when stress was first identified, various analysts have linked the rise in stress to multiple factors, including aggressive lending, inter-aila, Inadequate loan methods, intentional defaults, economic stagnation, manipulations, and irregularities (Ministry of Finance, 2018) (Boston Consulting Group, 2019).

The GOI has adopted 4R's strategy to deal with the problem of PSBs holding NPAs. This strategy was made to focus on recognising NPAs' transparency, revolving and recovering value from stressed assets, and recapitalizing PSBs and reforms.

- **Recognise of NPAs Transparency**

Banks' loan portfolios have been under unusual strain due to the causes mentioned above since FY09, and by the end of FY15, the total stressed assets of PSBs had climbed to 12.0 percent of gross advances (Boston Consulting Group, 2019). After Asset Quality Review (AQR), PSBs openly recognised stressed assets as NPA and stopped allowing forbearance in the asset categorization of restructured loans. From Figure 1, SRA decreases significantly from the end of FY15 to Q3 FY19, decreasing from 7% of gross advance (₹ 3,93 lakh crores) down to 0.5% of gross advance (₹ 0.34 lakh crores) (DBIE-RBI)(Boston Consulting Group, 2019).

Figure 1- Stress recognition in PSBs almost complete



Source- RBI (DBIE-RBI), (MOF)

PSBs' gross non-performing assets as a percentage of gross advances increased from 5% to 13.7% over the same period (Boston Consulting Group, 2019). Since the recognition, NPA stands at ₹8.12 lakh crore (DBIE-RBI). To mitigate future risk, PSBs increased their provisions against NPAs. The Provision Coverage Ratio (PCR) of PSBs (including provision held against technically written-off accounts) has improved from 46% at the end of FY15 to 68.9% by Q3 FY19 (Boston Consulting Group, 2019).

- **Resolved And Recover Value from Stressed Assets**

The GNPA's in global operations of PSBs have decreased from 8.96 lakh crore at the end of FY18 to 8.64 lakh crore (around 6.2%) at the end of Q3FY19 as a result of the completion of

stress recognition, considerable resolution under the Insolvency & Bankruptcy Code (IBC) (Boston Consulting Group, 2019). R In H1FY19, slippage decreased by 25% compared to H1FY18, suggesting future reductions in slippage (Reserve Bank of India - Notifications, 2019). Although the RBI predicted a decline of 50 basis points year over year by H1FY20, the domestic GNPA ratio fell by 70 basis points in Q3FY19 (Financial Stability Report, 2018) (Boston Consulting Group, 2019).

Large-scale NPA recoveries occur due to changes to the insolvency and bankruptcy framework and the recovery processes under PSBs. After the resolution made by IBC, the controls are back to the creditors, which the corporate debtor previously held. In addition to providing a detailed and time-bound resolution framework, IBC has adopted several best practices from other countries with equivalent laws (Ministry of Commerce & Industry, 2018). Because of the shift in the creditor-debtor relationship and the reforms implemented by banks, PSBs were able to recoup a total of ₹ 2.87 lakh crores between April 2015 and December 2018; this includes a record recovery of ₹ 98,493 crores in FY19 through Q3, an increase of 100 percent from the corresponding period last year (Boston Consulting Group, 2019).

#### • **Recapitalise PSBs:**

To strengthen the capital base of PSBs against the NPAs, GOI announced “Indradhanush plan” in August 2015 to inject ₹ 70,000 crores over four financial years (Ministry of Finance). For this, the December 2015 AQR showed results that surpassed expected NPAs. To look for further improvement, the government announced more recapitalization funds in October 2017, totaling ₹ 2,11,000 crores. These funds include the great outlay of ₹ 18,139 crores under the “Indradhanush plan” and the mobilization of roughly ₹ 58,000 crores from markets by PSBs. As of January 2019, the planned injection of capital has increased by ₹ 41,000 crores. PSBs have recapitalized a total of ₹ 3.14 lakh crore between FY15 and February 2019, and with the remaining promised amount, this will rise to ₹ 3.19 lakh crore by the end of FY19 (Boston Consulting Group, 2019). With the government’s injection of money and the PSBs’ improved financial performance, the PSBs were in a stronger position to raise capital from markets, increasing their valuation and benefiting all shareholders.

#### • **Reforms**

In addition to identification, resolution, and recapitalization, comprehensive reform of banks was necessary to transform PSBs into drivers of CLEAN & SMART banking. The Government of India takes the following initiatives;

- a. To bring transparency and accountability, GOI identified 2.26 lakh in FY18 and 1.12 lakh in FY19 shell companies and froze their account. National Financial Regulatory Authority was also created to regulate audit quality and professional compliance activities (ROC |MCA, 2018).
- b. PSBs are urged to hold borrowers’ passports and investigate potential cases of wilful default in high-value NPA accounts in cases of suspected wilful default.

- c. This strategy also allows banks to gain access to higher-quality independent databases like the Central GST database for information about loan borrowers (Boston Consulting Group, 2019).
- d. Chairman & Managing Director (CMD) role was splitting into a non-executive Chairman (NEC) and Managing Director (MD) & CEO role in enhancing governance in PSBs. For WTD, this strategy allows establishing a Bank’s Board Bureau with a majority of non-government members to select NECs. In addition, Whole-Time Directors (WTDs). Also, consider expanding the pool of candidates from which bank MDs are chosen and extending WTD terms of office based on performance (Boston Consulting Group, 2019).

The government took several measures to build SMART banking. It includes the development of infrastructure to support digital banking and payments, the expansion of access to banking services (such as online interoperable BCs / Bank Mitras, UPI, AePS, e-KYC, e-Sign, and digital lockers), the introduction of the Jan-Dhan, Aadhaar, and Mobile (JAM) trinity, the facilitation of Direct Benefit Transfers, facilitating the expansion of Industry-wide digital lending platforms such as [psbloansin59minutes.com](http://psbloansin59minutes.com), the TReDS platform, and [UdyamiMitra.com](http://UdyamiMitra.com) (Fareed, 2021).

#### **Clean Banking**

Lending practices have shifted and become more transparent due to the reform. Credit evaluations for large loans (more than ₹ 50 crores) have improved thanks to the reforms, with PSBs now using a mechanism that draws on information from five or six independent data sources. In high-value accounts (those worth more than ₹ 50 crores), they are also separating the appraisal, monitoring, and recovery tasks to improve transparency and accountability. PSBs boost consortium efficiency by requiring participants to have a minimum of 10% exposure to the risk. Proactively inspected over 650 high-value NPA accounts; if any were determined to be suspect, appropriate measures were taken. As a result of the changes, PSBs have established specialised SAMVs to concentrate on NPA recovery and SMA monitoring. SAMVs recovered ₹ 48,497 crores at the end of Q3 in FY18 and ₹98,439 crores by the end of Q3 FY19. In Q3FY19, 89% of NPA & SMA 1&2 accounts were handled by Stressed Asset Management Verticals, up from 30% at the end of Q4FY18. (Boston Consulting Group, 2019).

#### **Smart Banking**

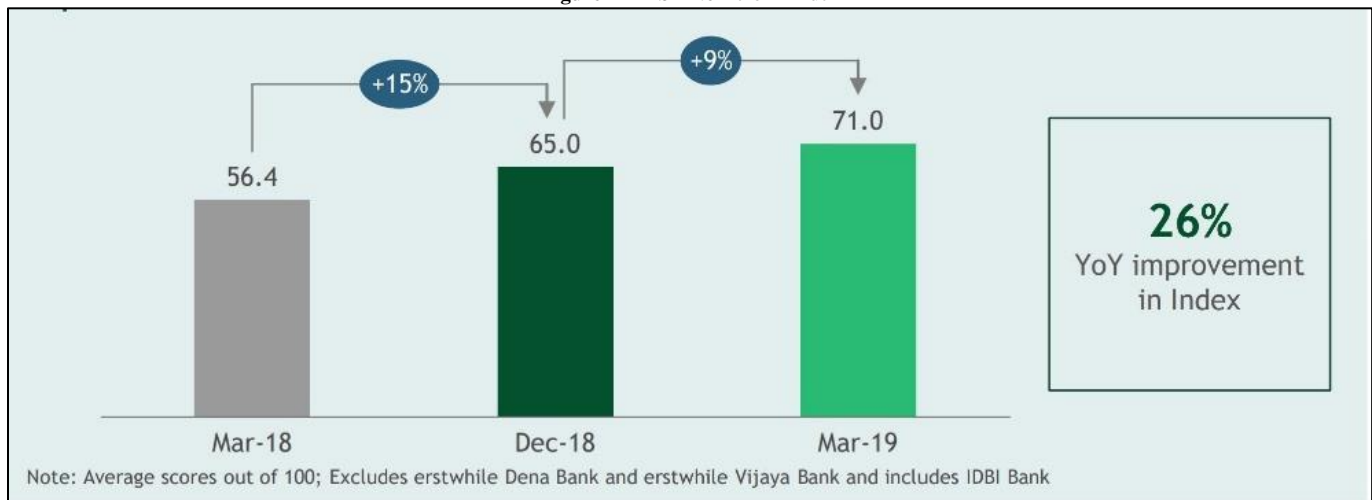
The ‘Banking from the comfort of home and mobile device’ and ‘Near-home banking’ services exemplify how SMART banking changes have made banking more convenient for customers. PSBs, on the other hand, offers twenty services to their customers on various home and mobile devices. The volume of transactions through these means has risen by more than 80% annually. Additionally, PSBs facilitate. Bank Mitras offers “near-home banking” as the equivalent of 18 physical locations (Boston Consulting Group, 2019). Ninety-six percent of previously recognised villages without access to a bank branch within 5 kilometres now have service outlets. There have been 34.4 million new PMJDY accounts registered since FY15. The

majority of ATMs, about 77%, include features that make transactions easier for people with disabilities. About 87% of consumers of major PSBs can communicate with call centres in their native language. In a customer satisfaction study, 19 PSBs averaged over 8 out of 10 dispute resolutions within seven days (Boston Consulting Group, 2019).

**Results of EASE 1.0**

PSBs sped up their changes, making 15% progress from March to December 2018 and 9% in Q4FY19 (Neither Dena Bank nor Vijaya Bank was considered during the calculation, and IDBI Bank was included). During FY19, PSBs raised the index by 26% [Figure 2].

**Figure 2- EASE 1.0 Reform Index**

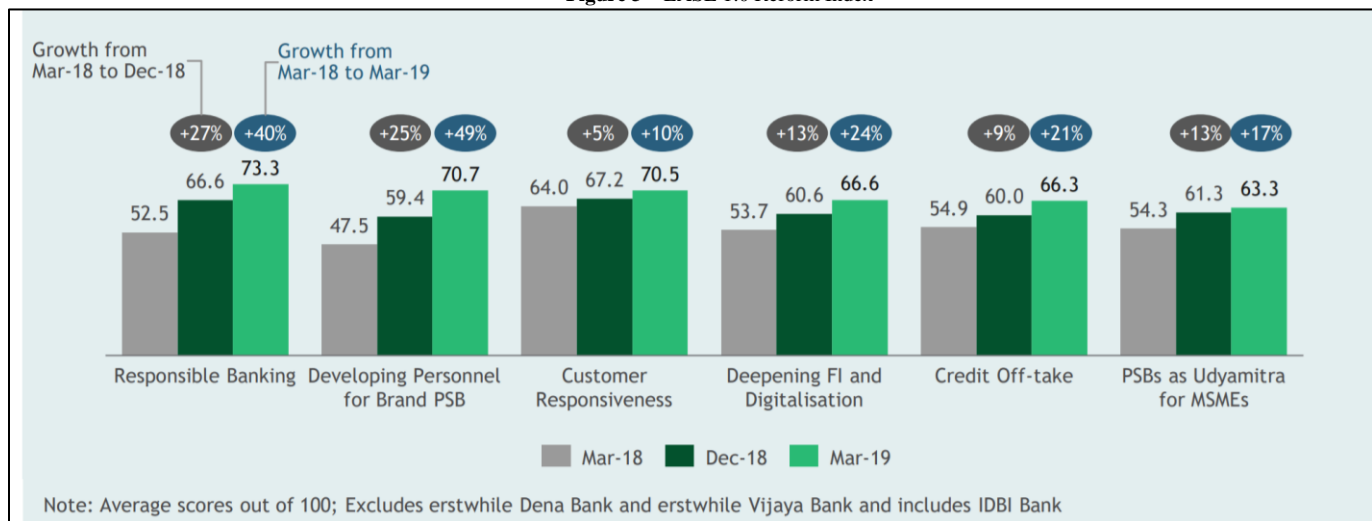


Source- [iba.Org.in](http://iba.Org.in) (Indian Banks' Association, 2019)

After the reform, growth can be seen for each topic in Figure 3, and the Responsible Banking industry grew by 40% in FY19. Also demonstrate the growth of 49% in developing personnel in

PSBs, 10% in customer responsiveness, 21% in Credit Off-take, and 17% in Udyamitra for MSMEs in PSBs.

**Figure 3 – EASE 1.0 Reform Index**



Source- [iba.Org.in](http://iba.Org.in) (Indian Banks' Association, 2019)

**Winners of EASE 1.0:**

- Top PSBs in March 2019: Punjab Nation Bank, Bank of Baroda, State Bank of India.
- Theme 1: Customer Responsiveness - State Bank of India, Punjab National Bank.
- Theme 2: Responsible banking - Oriental Bank of Commerce, Bank of Baroda.

- Theme 3: Credit Off-take - Punjab National Bank, State Bank of India.
- Theme 4: UdyamiMitra for MSMEs - Oriental Bank of Commerce, Union Bank of India.
- Theme 5: Deepening FI & Digitalisation - Punjab National Bank, Indian Overseas Bank.
- Theme 6: Developing Personnel for Brand PSBs - State Bank of India, Punjab National Bank.

**EASE 2.0 (FY19 – FY20)**

PSB Restructuring EASE Agenda is a reform agenda for public sector banks that aims to institutionalise CLEAN and SMART banking. EASE 2.0 builds based on EASE 1.0 and provides new reform Action Points across six areas in order to make the journey of reforms irreversible, strengthen processes and systems, and drive results (IBA, 2019).

Six themes—Responsive Banking to Customers, Credit Off-Take, PSBs as Udayami Mitras, Financial Inclusion and Digitalization, Governance, and Human Resources—were prioritised in Ease 2.0.

- **Responsive Banking to Customers**

The purpose of this strategy was to set up a reliable system for controlling credit risk to ensure competent underwriting. Early stress diagnosis and invocation of risk mitigation covenants are necessary to prevent non-performing assets (NPAs). They have appointed specialised monitoring firms to oversee all loan accounts with a total exposure of more than Rs. 250 crores. Improvements had been made to the Stressed Asset Management Vertical's (SAMV) ability to halt slippages and focus recovery efforts on high-value accounts while increasing efforts in other accounts. Capabilities in operations and governance had been improved, allowing for better management of technological and operational risks: enhanced investor communication, and strategic fund-raising initiatives. Profitability can be improved by consolidating foreign operations.

- **Customer Responsiveness**

Reform allowing “Banking from Home and Mobile” through enhancing service capabilities and introducing new services (in several languages), which were previously introduced for 20 services, now increased to 30 services. Set a higher standard for all aspects of service by comparing them to the finest in the business. Accelerate the delivery of high-priority client services such as account activation, Form 16A issuance, and death claim resolution. Passbook printing, cash deposits, and withdrawals can all be made more convenient by increasing the reliability of ATMs. Senior citizens and consumers with disabilities have priority at branch counters and doorstep banking. Increased access to insurance and investment goods, as well as other non-deposit banking services, via the financial institution and consistently faster resolution of consumer complaints thanks to an advanced, automated grievance portal.

- **Credit Offtake**

Leverage specialised sales channels, such as Bank Mitras or business correspondents, the bank's digital media, co-origination of loans, and digital and external offline collaborations, to extend your reach and acquire new customers. Personal category loans are processed electronically, credit decisions are made quickly, and loan processing is through Loan Management System (LMS). Convey approval/rejection of consortium loan proposal within 45 calendar days following the lead bank's distribution of the appraisal report. This agenda promotes the use of KCC and helps to establish IT-based rural centralised processing centers for agricultural loans in order to increase farmer accessibility.

- **PSBs as Udayami Mitras**

In this reform loan, applicants can access real-time updates with an online tracking system and specialised MSME processing centres for loan processing. Improve the role of relationship managers in acquiring new and repeat business from MSME. Also, encourage MUDRA loan distribution at all branches, with special emphasis on high-growth areas. Utilize TReD's platform for discounting domestic bills and rollout of new products based on lending MSME service sector and use of external data sets for MSMEs loans. Using the internet and mobile banking channels to apply for export credit facilities has led to the establishment of centralised processing centres.

- **Deepening Financial Inclusion & Digitalisation:**

This strategy makes over thirty services accessible through Bank Mitras to facilitate near-home banking, which can greatly improve efforts to broaden access to financial services. Also, expand coverage for micro-accidental insurance and micro-life insurance among account holders. Maximize the number of Basic Savings Bank Deposit Account (BSBD) account holders who take advantage of the overdraft facility and the maximum amount that can be drawn from it. In digitalisation Ru-pay card has been issued to all PMJDY account holders. Protect customers from cyber fraud by promptly issuing refunds within ten business days (notification by the customer as per mandated norms). It took the necessary steps to ensure the safety of one's digital information by installing secure and encrypted communication linkages between all offices, micro-level forensic analysis tools, and isolation of development and operations for all critical IT systems.

- **Governance and Human Resources**

Implement an IT-based PMS that uses a 50% measurable component in performance appraisal, automatically populates most measurable parameters and rewards high-achievers. Integrate changes to the EASE Index into the FY20 annual performance appraisal-related goal-setting exercise for all employees' two tiers below the whole-time director level. Minimize transfers beyond the first quarter of the financial year to guarantee performance accountability for APAR objectives. Based on Board or HR Committee approved policy, implement a solid IT-based HR Deployment Decision Support System. Every year, all officers participate in an interactive online role-playing course, and top executives can take advantage of training courses offered by reputable institutions. To build a pipeline of leaders for senior roles, banks must prepare and revise Individual Development Plans for each executive, considering their areas of strength, improvement, and training needs. Determine three grooming responsibilities per executive, a minimum of two. Determine, for each job, usually three (or at least two) probable successors.

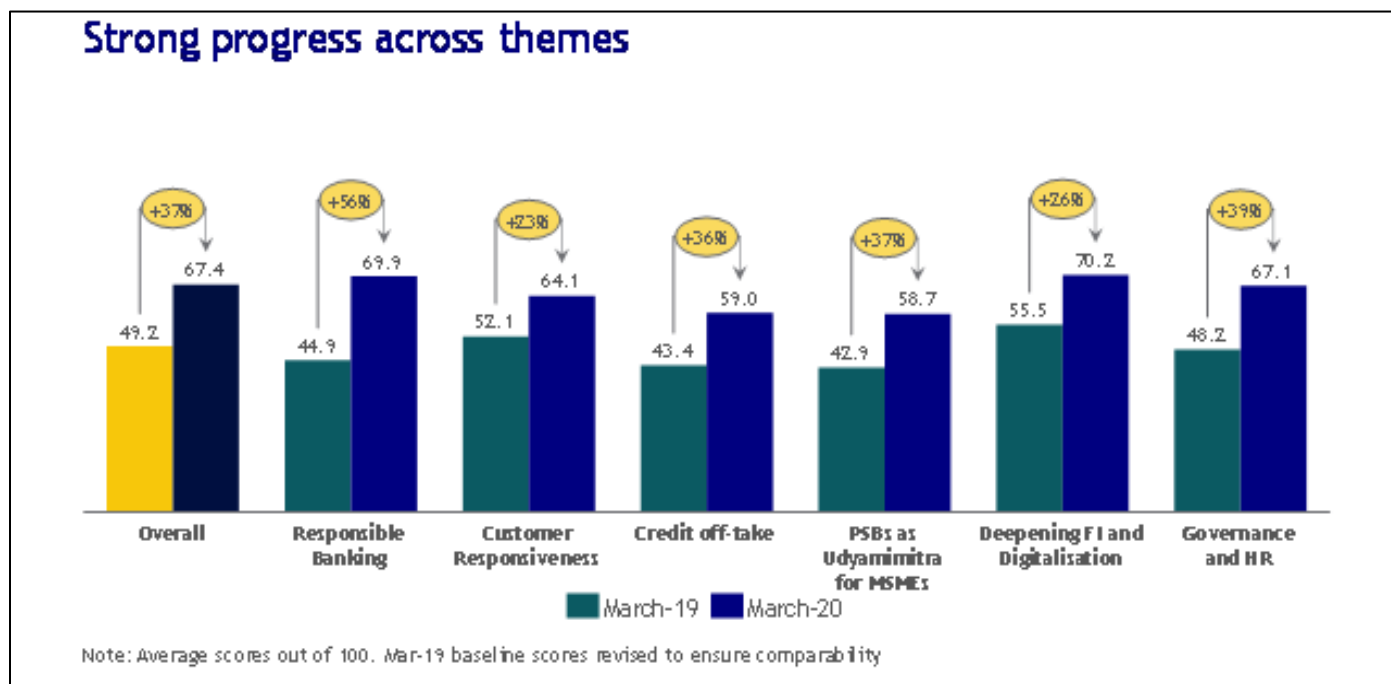
**Result of EASE 2.0**

Since the introduction of the EASE 2.0 Reforms Agenda, PSBs' performance has trended upward over the past four quarters. Between March 2019 and March 2020, the average PSB's EASE index score rose from 49.2 to 67.4 (out of 100). Improvements

are most noticeable in the areas of “Responsible Banking,” “Governance and Human Resources,” “PSBs as Udyamimitra for MSMEs,” and “Credit off-take,” and all six areas have made

significant strides since the Reforms Agenda was first introduced [Figure 4] (IBA, 2019).

Figure 4 -EASE 2.0 reform Index



Source- MOF (Ministry of Finance, 2020)

After PSBs finally acknowledged legacy stress as non-performing assets (NPA), banks were able to get back on track financially and resume making a profit. Many indicators show that PSBs are in better financial shape compared to before (Ministry of Finance, 2020) (IBA, 2019) —

- The gross non-performing assets decreased from 8.96 lakh crore in March 2018 to 6.78 lakh crore in March 2020.
- Due to improvements in fraud prevention and proactive checking of legacy NPA, the fraud rate has dropped dramatically, from 0.65% of advances in FY10-FY14 to 0.06% in FY19-20.
- PSBs’ newly established specialised stressed account management verticals drove the FY19-FY20 record recovery of ₹ 2.27 lakh crore.
- The net non-performing asset ratio has decreased from 7.97% in March 2018 to 3.75% in March 2020, demonstrating a considerable improvement in asset quality.
- The number of PSBs subject to PCA has decreased to three.
- The CRAR is 197 basis points (bps) over the regulatory minimum, and the provision coverage ratio is at its best in eight years, at 80.9%.

**Winners of EASE 2.0**

- Top PSBs in March 2020: Bank of Baroda, State Bank of India, Oriental Bank of Commerce.
- Theme 1: Responsible Banking- Bank of Baroda, State Bank of India, Punjab National Bank.

- Theme 2: Customer Responsiveness- State Bank of India, Oriental Bank of Commerce, Bank of Baroda.
- Theme 3: Credit Offtake- Oriental Bank of Commerce, Union Bank of India, State Bank of India.
- Theme 4: Udyamimitra for MSMEs - Oriental Bank of Commerce, State Bank of India, Union Bank of India.
- Theme 5: Deepening FI & Digitalisation - Bank of Baroda, Canara Bank, Punjab National Bank.
- Theme 6: Governance and Human Resources- State Bank of India, Bank of Baroda, Punjab National Bank.

**EASE 3.0 (FY20 – FY21)**

PSBs are preparing to evolve into digital and data-driven NextGen banks with the help of the infrastructure laid by EASE 1.0 and 2.0. While simultaneously implementing a transformative agenda for governance and outcome-centric human resources, EASE 3.0 seeks to make PSBs, the leaders in smart lending and tech-enabled EASE of banking for an aspirational and inclusive India.

Five themes- Smart Lending for Aspiring India, Tech-Enabled Ease of Banking, Institutionalising Prudent Banking, Governance, and Outcome-centric HR, Deepening Financial Inclusion and Customer Protection - were prioritised in Ease 3.0.

**Smart Lending for Aspiring India**

Smart lending brings a “Dial-a-loan” system. It facilitates retail and MSME loans via digital methods at the customers’ front

door. MSME credit promotion-based analytics and modern technology. Also, introduce “Credit @ Click”. It enabled larger PSBs’ retail and MSME lending process to be fully digitalized, with strict deadlines, with the help of account aggregators, fintech, and PSBloansin59minutes.com. Larger PSBs provide cash-flow-based lending to MSMEs, enabled by FinTech. Account Aggregator, third-party data, transaction-based underwriting models, and customized financial solutions for major corporations. Timely Export Credit can be accessed online and processed centrally in larger PSBs. Financing the agricultural sector using technology.

• **Tech-Enabled Ease of Banking**

This EASE introduces “Palm Banking”. It offers 40+ digital financial services in regional languages. With the technology-driven help of the banks in customer services in branches, banks are now close to completing digitalisation in every service like passbook printing, withdrawal, and cash deposit in a self-service manner. EASE Banking outlets provide on-site banking (Paperless, digitally-enabled bank kiosks) at regularly visited locations. Also, increased access to over 25 services near home through Bank Mitras.

• **Institutionalising Prudent Banking**

This approach of lending introduces an objective. Integrate the objective risk rating and categorisation with the credit underwriting systems like CBS, LMS, and internal rating scale. It also allowed the monitoring of large-value loans if the internal risk rating review is doubtful. Larger PSBs use alternative third-party data for efficient, near-real-time monitoring and speedy loan-related decision-making in the corporate and MSME lending markets. Took steps to collect delinquent retail and MSME loans within a specified time frame, increasing efforts at recovering non- NCLT under the SARFAESI Act. It optimizes operating expenses (using cloud-based solutions and GeM procurement) and creates a comprehensive Anti-Money Laundering (AML) system that triggers SOP-based, time-bound actions.

This strategy is not just being the watchdog for PSBs but also working on enhanced investor communication and participation through disclosure.

• **Governance and Outcome-centric HR**

This strategy suggested that boards should review the bank’s organisational structure and setup, with changes including the installation of a new whole-time director (WTD) post and CGM-level, the recruitment of a CRO from the market, and amalgamation. Also, it suggests that the board align the WTD ‘s performance appraisal with the bank’s performance (goals, priorities, achievement) and use non-official directors for induction, need-based training, and peer evaluation. It develops a board-approved succession planning framework for the leadership pipeline. It also established market-share and business-goal-based performance goals for the bank in April. It assigned them within the first quarter and deployment following the anticipated need using an IT-based HR Deployment Decision Support System.

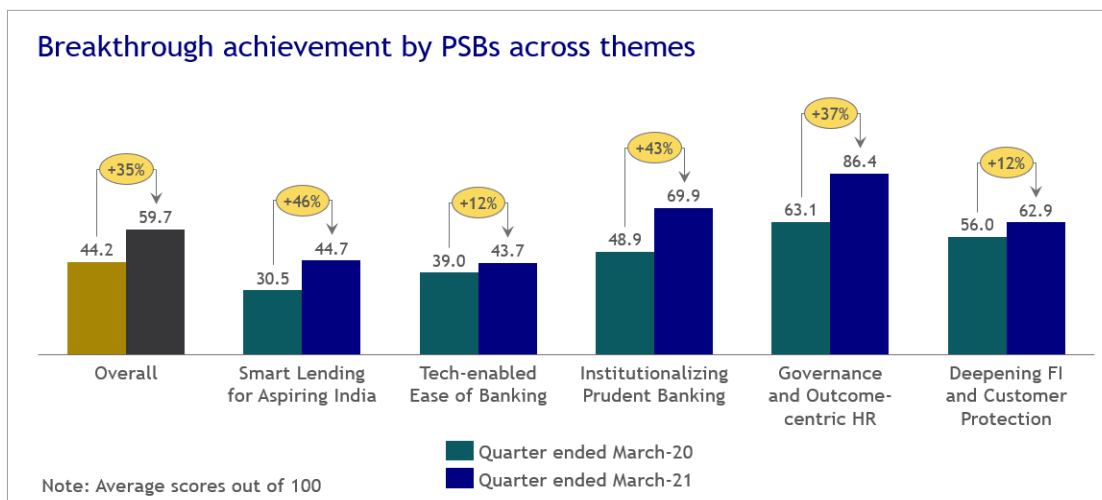
• **Deepening Financial Inclusion and Customer Protection**

Financial inclusion was one of the primary objectives of the EASE from the beginning. This reform was the same as the previous. Expand micro-insurance coverage for personal accidents and life among bank account holders and increase overdraft facility penetration among eligible BSBID account holders. Also, improve security for customers to prevent online fraud.

**Result of EASE 3.0**

Over the past four quarters, since the introduction of the EASE 3.0 Reforms Agenda, PSBs’ performance has accelerated. Between March 2020 and March 2021, the average PSB EASE index score rose from 44.2 to 59.7, a 35% increase [Figure 5]. The Reforms Agenda has made significant headway across all six pillars, with “Smart Lending” and “Institutionalising Prudent Banking” showing the most success.

Figure 5- EASE 3.0 reform index



Source- MOF (Ministry of Finance, 2021)

In addition to strong profitability, public sector banks have claimed rapid progress on technologically driven reforms. In FY21, these financial institutions made a profit of ₹ 31,817 crores, up from a deficit of ₹ 26,016 crores in FY20. After five years of losses, this is the first year that PSBs have shown a profit. As of March 2021, the total gross amount of non-performing assets was ₹ 6.16 lakh crore, down by ₹ 62,000 crores from March 2020.

#### Winners of EASE 3.0

- Top PSBs in March 2021: State Bank of India, Bank of Baroda, Union Bank.
- Theme 1: Smart Lending for Aspiring India - Bank of Baroda, State Bank of India, Union Bank.
- Theme 2: Tech-Enabled Ease of Banking - State Bank of India, Bank of Baroda, Union Bank.
- Theme 3: Institutionalising Prudent Banking - Bank of Baroda, Punjab National Bank, Canara Bank.
- Theme 4: Governance and Outcome-centric HR - Union Bank, Punjab National Bank, State Bank of India.
- Theme 5: Deepening Financial Inclusion and Customer Protection – Union Bank, State Bank of India, Bank of Baroda.

#### EASE 4.0 (FY21 – FY22)

EASE has emerged as a central tenet of PSB reforms in recent years. Since the introduction of the EASE reform index pushed forward numerous initiatives faster, and PSBs' business models and procedures have become more customer-centric. PSBs have made concerted efforts to embed changes and maximise the value they provide by reorienting their practices to conform with the EASE approach. The goal of the next edition of the EASE reforms, known as EASE 4.0, is to forward the agenda of customer-centric digital transformation and thoroughly integrate digital and data into the processes of PSBs.

Smart Lending for Aspiring India, Tech-enabled Ease of Banking, Prudent Banking, Governance, and Outcome Centric HR are introduced in EASE 4.0 with two additional themes, 24\*7 banking with resilient technology and collaborating with the financial ecosystem

#### • Smart Lending

The concept of "Smart Lending," which was first introduced in EASE 3.0, is central to the goal of "EASE 4.0," which is to simplify and expedite the lending process. As part of EASE 4.0, PSBs have begun offering credit through various digital channels, including SMS, missed calls, chatbots, call centres, bank websites, and mobile banking applications for retail, agriculture, and MSME. Specifically, Q4FY22 saw a 9.4x increase in retail disbursements via digitally driven consumer demands compared to Q4FY20. Disbursements in the agriculture category procured through digital channels increased 8x in Q4FY22 over Q4FY21, demonstrating the tremendous growth in partnership-based sourcing. Also showed significant improvement in cash-flow-based lending in the MSME segment increased by 3.2x YoY, and pro-active retail disbursements using analytics increased by 2.6x over two years. Public-sector

banks improved loan management systems to speed up approvals. 68% of PSBs' agriculture loans are processed via LMS, up from 19% last year.

#### • New Age 24x7 Banking with Resilient Technology

New age 24x7 banking was introduced as a new theme in this strategy to accelerate the use of digital channels by improving customer experience. Several milestones achieved by PSBs include:

- Average call line waiting times for public-sector banks decreased by 40% due to a 60% increase in an agent capacity.
- In March 2022, 9.4 crore people used mobile banking, up from 6.5 crores in March 2021. Quarterly active users (QAUs) rose from 11% to 16% throughout the same period.
- 9 PSB's m - banking apps have 4.0 or better ratings on Google Play, up from 5 last year.

#### • Collaborating for Synergistic Outcomes

PSBs have also made significant progress in the past year toward forming relationships that would yield synergistic outcomes. A lot of ground has been covered in the area of co-lending specifically; from 643 crores in Q4FY21, co-lending disbursements jumped to 2,901 crores in Q4FY22. Mid-sized public sector banks launched co-lending agreements, gaining success in the home and retail gold loans. Also, it improved in progress in significant progress in driving recovery through e-auctions. For instance, the value of assets listed on e-auction platforms (such as e-Bkay) rose from ₹ 18,000 crores on March 31, 2020, to 52,000 crores on March 31, 2022.

#### • Tech-enabled ease of banking

EASE 4.0 greatly expedited digital adoption and supported a rise in financial inclusion, notably in rural and semi-urban districts. For instance, the proportion of all financial transactions that took place online grew to 79% in Q4FY22, from 63% in Q4FY21 and 52% in Q4FY20. In the same quarter as FY22, digital financial transactions accounted for 74% of all transactions in rural and semi-urban areas. In Q4FY22, 32% of operative BSBD accounts were enrolled in micro personal accident insurance.

#### • Institutionalising Prudent Banking

Institutionalising prudent banking was crucial for this reform to solve asset quality concerns in public-sector banking. In this regard, PSBs considerably increased their EWS capabilities. Retail EWS coverage rose to 82% in March 2022 (from 23% in March 2020), while MSME coverage rose to 81% (from 67% in March 2020). Banks have also improved collections. SMA 0, 1, and 2 roll forward rates have reduced in the past year. Average rolls forward rates for residential loans have dropped from 19.3% to 9.8% and for personal loans from 18.9% to 9.6%.

#### • Governance and outcome-centric HR

EASE 4.0 is a framework under which PSBs are establishing new governance paradigms to improve institutional governance with an eye on introducing greater objectivity and



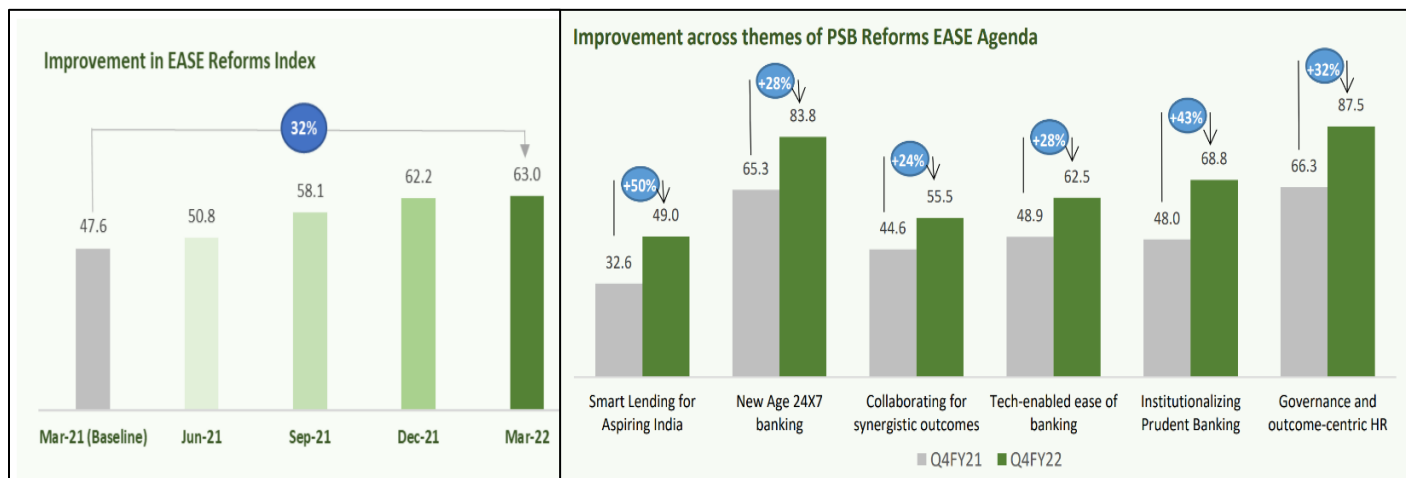
personalization in employee performance assessment and development. Employee satisfaction increases dramatically, given that 71% of APAR measures are objectively monitored, up from less than 40% in FY18. In addition to the yearly appraisal, 10 PSBs have started conducting quarterly evaluations of staff members to address the need for a more regular performance examination. In addition, all public-sector banks' scale V and scale VI officials who have been targeted for leadership roles

now have individualised plans to help them prepare for future promotions.

#### Result of EASE 4.0

PSBs continued to show their growth as they acclimated to the new normal. Accelerating their success, the participating banks raised the index by 32% in FY22 [Figure 6].

Figure 6- EASE 4.0 reform Index



Source- Indian Banks' Association (Indian Banks' Association, 2022d)

In addition, it demonstrated growth of 50% in smart lending, 28% in new age 24x7 banking, and 24% in collaborating for synergistic results. Tech-enabled banking increased from 48.9 to 62.5 by 28%, institutional banking increased by over 43%, and governance and outcome-centric HR management increased by 32%.

#### Winners of EASE 4.0

- Top PSBs in March 2022: Bank of Baroda, State Bank of India, Canara Bank.
- Theme 1: Smart Lending for Aspiring India- Bank of Baroda, State Bank of India, Bank of Maharashtra.
- Theme 2: New Age 24x7 Banking- Bank of Baroda, State Bank of India, Union Bank of India.
- Theme 3: Collaborating for Synergistic Outcome- UCO Bank, Punjab & Sind Bank, Union Bank of India.
- Theme 4: Tech Enabled ease of Banking- State Bank of India, Punjab National Bank, Bank of Baroda.
- Theme 5: Institutionalizing Prudent Banking- Canara Bank, State Bank of India, Bank of Baroda.
- Theme 6: Governance and Outcome centric HR- Union Bank of India, Punjab National Bank, Bank of Baroda.

#### EASE 5.0 (FY22 – FY23)

Over four fiscal years (FY19–FY22), Enhanced Access and Service Excellence–EASE emerged, spurring progress in a wide range of sectors within the Public Sector Banking industry. Nirmala Sitharaman, India's Minister of Finance and Corporate Affairs unveiled EASE 5.0, the "Common reforms agenda," for

Public Sector Banks in New Delhi. PSBs must continue to invest in capabilities, intensify ongoing reforms, and implement new reforms to adapt to evolving client needs, a fluctuating competitive landscape, and an emerging technological landscape. PSB Reforms Agenda EASE will continue into its fifth edition (EASE 5.0) with new reform priorities - digital customer experience and integrated and inclusive banking - focusing on aiding small enterprises and agriculture (Indian Banks' Association, 2022b).

#### Digitally enabled customer offering:

The significant improvements in digital capabilities made by public-sector banks over the past few years will be the primary focus of digitally enabled user offers. Specifically, banks would be urged to create complete digital banking solutions for MSMEs and Agri-value chains. Big data & analytics will focus on enabling banks to strengthen big data capabilities and inculcate a culture of data-driven decision-making (Indian Banks' Association, 2022b).

#### Big data & analytics

With the assistance of big data and analytics, financial institutions can increase their proficiency in working with large amounts of data and embrace a culture driven by data (Indian Banks' Association, 2022c).

#### Modern technology capabilities

Modernizing banks' technological capacities will improve the client experience overall and reduce the time it takes to bring

new digital or technology-centered projects to market (Indian Banks’ Association, 2022b).

- **Collaborative banking**

The concept of collaborative banking is continued from earlier EASE releases. There will be a strong emphasis on establishing and strengthening relationships and collaborations among financial institutions as part of EASE 5.0 (Indian Banks’ Association, 2022b).

- **Employee development & governance**

Employee development and governance aim to provide fair, transparent, and data-driven systems for evaluating and training people (Indian Banks’ Association, 2022b).

- **Strategic 3-Year Roadmap**

The second pillar of EASE Next involves banks developing customised three-year strategic plans based on their current

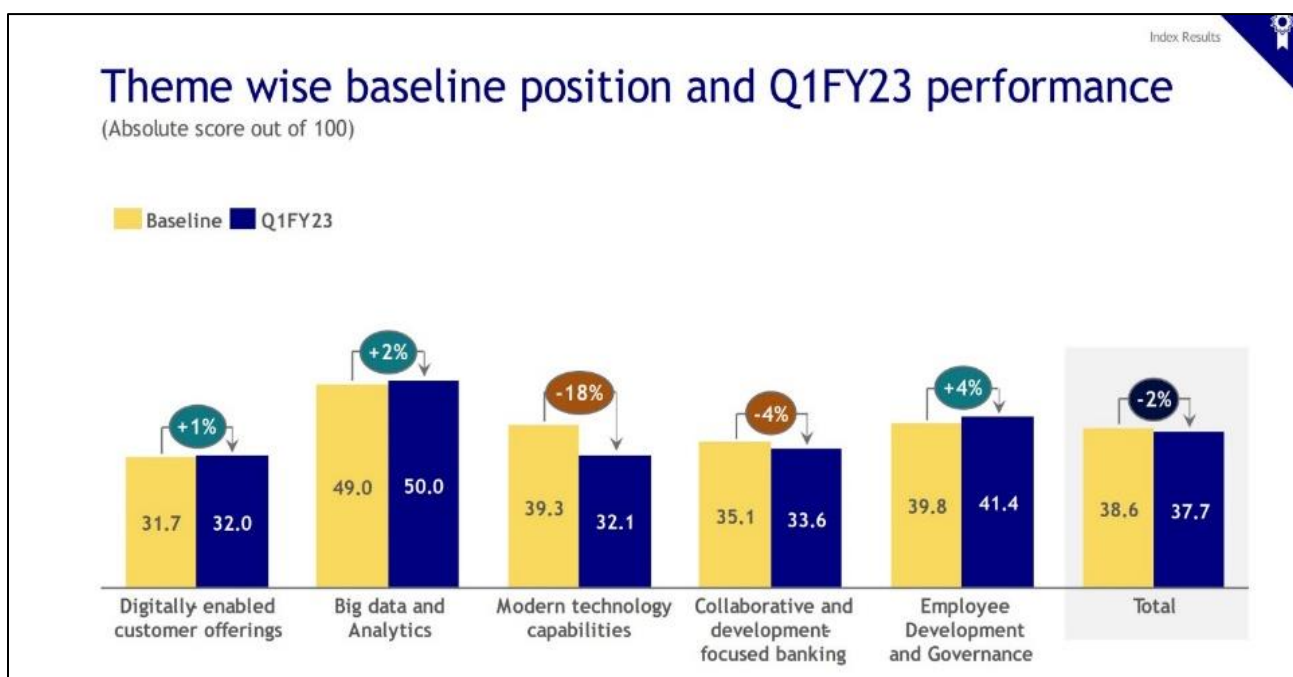
standing. The goal of the program is to push financial institutions to take bolder steps than the standard reforms (Indian Banks’ Association, 2022c). Sixty measures, monetary and otherwise, were chosen for this aim. Each financial institution will set intermediate and long-term goals for each indicator and devise plans to achieve those goals. In addition, banks will develop a thorough implementation plan and initiative-level charters (Indian Banks’ Association, 2022c).

**Ease Reform Index - Overall Progress**

In Q1 of FY23, the average EASE index score dropped from 38.6 to 37.7 (out of 100) as a result of relative scoring among PSBs, where some showed more outstanding performance in Q1 than others due to the simultaneous rollout of the baseline and Q1 reforms (Indian Banks’ Association, 2022c)[Figure 7].

Though PSBs have made strides across the board, their relative index score has dropped in 2 of the 5 measured areas.

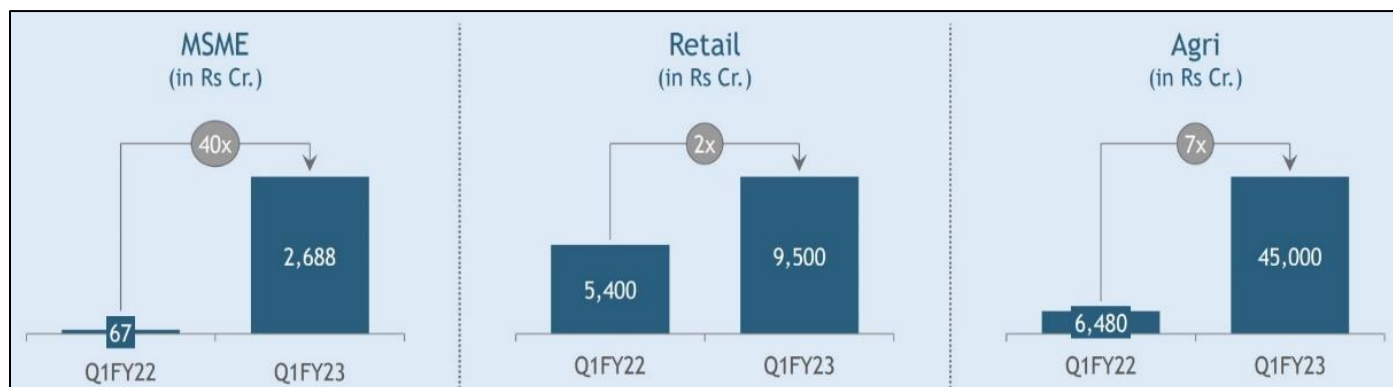
Figure 7- EASE 5.0 Q1FY23 Index



Source- Indian Banks’ Association (Indian Banks’ Association, 2022c)

Analytics departments in financial institutions are still developing. More than five banks have created statistical models for generating individual segments and TPP leads. The personal sector leads generated by analytics have a 13% average conversion rate. A total of four financial institutions have developed NBO-capable, customer-churn prediction models across several channels(Indian Banks’ Association, 2022c). Comparing Q1FY23 to Q1FY22, E2E digital lending exhibits expansion. 7 out of 12 banks offer e2e digital loans to MSMEs

and retailers, resulting in 40x and 2x growth in the particular sector. MSMEs’ key digitised journeys include mudra, MSME renewals, working capital upgrades, etc. MSMEs’ essential digitised journeys include mudra, MSME renewals, and working capital upgrades. Personal loans, loans against FDs, pension loans, vehicle loans, and gold loans for the retail sector. Agri lending shows a 7x growth compared to the previous year. 5 out of 12 PSBs also show the digitalisation in Agri lending [Figure 8].

**Figure 8-E2E growth in Q1FY23**

Source- Indian Banks' Association (Indian Banks' Association, 2022c)

Banks continue to enhance their technological capabilities by implementing different initiatives in-house and integrating third-party vendors into the ecosystem to provide clients with an all-encompassing digital experience. Improvements in the mobile app's performance can be attributed to more thorough and timely testing. PSBs continue to enhance the personalization of their mobile app and outbound call centers for sales and collections. Most banks still need to offer open banking APIs; this may become a priority for the remainder of the year.

#### Result of EASE 5.0 (Q1FY23)

- Top PSBs in June 2022: State Bank of India, Union Bank of India, Bank of Baroda.
- Theme 1: Digitally enable customer offerings - State Bank of India, Union Bank of India, Bank of Baroda.
- Theme 2: Big data & analytics - Canara Bank, Bank of Baroda, State Bank of India.
- Theme 3: Modern technology capabilities - Union Bank of India, State Bank of India, Punjab National Bank.
- Theme 4: Collaborative banking - UCO Bank, Central Bank of India, State Bank of India.
- Theme 5: Employee development & governance – Union Bank of India, State Bank of India, Bank of Maharashtra.

#### Conclusion

From 2009 to 2015, a build-up of stress led to a performance decline in PSBs' most vital operations. To address this issue, the Ministry of Finance launched EASE reform in 2018. There are various stages involved in EASE; first introduced as EASE 1.0, its primary goal was to help PSBs improve their holdings of non-performing assets. EASE 2.0 was built upon the foundation of EASE 1.0 and provided new reform action points also aimed at responsible banking, "Udayan Mitra" for MSMEs, and customer responsiveness to make the reform journey durable, strengthen techniques and systems, and accelerate outcomes. After the success of 2.0, Ease 3.0 aims to improve the ease of banking across all consumer encounters by leveraging technology. The goal of EASE 4.0 is to forward the objective of customer-centric digital transformation by obligating PSBs to tech-enabled, streamlined, and collaborative banking. Now EASE 5.0 comes with a 'Common Reforms Agenda' for all PSBs. There are

currently five key focuses digitally enabled customers, offerings of big data and analytics, cutting-edge technological prowess, banking that emphasizes collaboration and growth, and employee training and oversight.

The idea behind these reforms is to enhance and increase the reliability of the PSBs in Digitalisation, Lending, Customer responsiveness, and betterment of Governance, etc. Ease reform introduces a theme system between the banks, and every year themes are different. Also, these indexes measure the performance of banks on each theme. According to the data, the PSBs made significant strides in various areas between the EASE 1.0 - 4.0 phases. After 2018, changes can be seen in the public sector banks' profitability after reforms (Khadwal, 2019). In 2022, MOF introduced EASENext, a combination of EASE 5.0 and 3yr strategic plan. The goal of EASENext was to build a reform initiative that was more comprehensive and ambitious than its predecessors. It seems that EASE reform is successful for the PSBs, and it is expected that the PSBs will grow further in the future and contribute significantly to the Indian economy.

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