

# **Responsive & Responsible PSBs**

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Banking Reforms Roadmap for a New India

# Flow of Presentation

**Commitments: 24.10.2017**

**Approach to Recap**

**Reforms Agenda**

**How to ensure compliance**

# Commitments: 24.10.17

- ★ Front-loading of recap
- ★ Differentiated approach
- ★ Performance & potential as basis for capital
- ★ Stronger and healthier banks for prudent credit
- ★ Faster MSME Growth

**Rs. 2 lakh  
11 thousand  
crores**



# Each PSB an Article of Faith

**Depositors' money safe**

➤ **No PSB will fail**

**No corporate loan waiver**

➤ **Recovery to continue**

**Large default cases**

➤ **Referred to NCLT**

**Wilful defaulters**

➤ **Barred from NCLT**

**Healthier banks**

➤ **To lead economic growth**

**Capital for credit off-take**

➤ **Esp. MSME**

**Recap only one of the Key Components to Revitalise PSBs**

# Approach: Recap & Reforms

## Differentiated Recap



### Non-PCA PSBs:

- Govt. investment in Growth capital
- Market raising

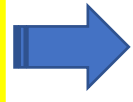


### PCA PSBs:

- Support to maintain Regulatory Capital
- Measures to strengthen governance & operations



## Comprehensive Reforms



- Time-bound
- Robust monitoring
- Capital dependent on performance

# Banking Reforms Roadmap for a New India



# Responsible Banking

## Learning from the Past – Building the Future

✓ <b>Clean consortium loans</b>	Minimum 10% exposure, adoption of SOP for consortium loans
✓ <b>Clean corporate lending</b>	Rigorous due diligence - Ring-fence cash flows Approvals tied up before disbursement
✓ <b>Clean post-sanction follow-up</b>	In loans above Rs. 250 crore, Specialised monitoring agencies Red flag breach of covenants
✓ <b>Clear Risk Appetite Framework</b>	Risk is well appraised, factored in & priced
✓ <b>Clear responsibilities</b>	Strict segregation of pre- and post-sanction roles
✓ <b>Stringent recovery follow-up</b>	Establish SAM- Migration of stressed assets

Contd.

# Responsible Banking

## Learning from the Past – Building the Future

### Differentiated Banking Strategy – (DBS)

- ✓ Leadership in market segments as per core competence
- ✓ Not more than 25% corporate exposure as per Bank's approved DBS
- ✓ Achieve loan portfolio mix - Swap/sell loan assets
- ✓ Support for regulatory capital continues

✓ **Non-core assets**

**Monetise**

✓ **Rationalise / Close / Consolidate/**

**Overseas branches & business units**



# PSBs as UdyamiMitra for MSME

✓ <b>Online application facility</b>	<b>100% automated &amp; tracked decision-making</b>
✓ <b>Decision in 15 days</b>	<b>On proposals on Udyamimitra.com</b>
✓ <b>Enhanced working capital</b>	<b>To GST registered MSMEs</b>
✓ <b>More push</b>	<b>To MUDRA and Stand Up India</b>
✓ <b>All PSBs</b>	<b>On TReDS</b>
✓ <b>Financing and bill realisation</b>	<b>For MSMEs</b>
✓ <b>Use of FinTech</b>	<b>For analytics across data sources</b>

# Deepening Financial Inclusion & Digitalisation

✓ <b>Zero liability of customer on fraudulent digital transactions</b>	<b>Refund within 10 working days</b>
✓ <b>Near-home banking</b>	<b>Within 5 km of every village</b>
✓ <b>Mobile ATM</b>	<b>In every under-served district</b>
✓ <b>Massive expansion</b>	<b>In micro insurance - PMSBY/ PMJJBY</b>
✓ <b>GIS-based mapping</b>	<b>Of all banking outlets</b>
✓ <b>EASE of FI</b>	<b>Jan Dhan Darshak App and <u><a href="http://findmybank.gov.in">findmybank.gov.in</a></u></b>

# Customer Responsiveness

✓ **Banking from comfort of home and mobile**

Promote digital banking, integrated mobile apps for

- opening accounts & fixed deposits
- nominations
- sanction of overdraft facility
- online loan application
- e-payments

✓ **Banking-plus services**

Such as insurance and investment

✓ **Simplification of forms**

Max. two pages

✓ **Pleasing ambience of customer service area**

Access to clean toilets  
Safe drinking water with good hygiene

✓ **Door-step banking**

For senior citizens and Divyangjan

# Front-Loading Recap – Dependent on Reforms

**Rs. 1 lakh cr +**

**GBS: Rs. 8,139 crore**

**Recap Bonds: Rs. 80,000 crore**

**Market-raising: Rs. 10,312 crore ++**



Dependent on PSB's commitment to reforms & improved governance

# Capital Allocation

\*All amounts in crores

Non PCA Banks	
Banks	FY'18
State Bank of India	8,800
Punjab National Bank	5,473
Bank of Baroda	5,375
Canara Bank	4,865
Union Bank of India	4,524
Syndicate Bank	2,839
Andhra Bank	1,890
Vijaya Bank	1,277
Punjab & Sind Bank	785
Total	35,828

PCA Banks	
Banks	FY'18
IDBI Bank	10,610
Bank of India	9,232
UCO Bank	6,507
Central Bank of India	5,158
Indian Overseas Bank	4,694
Oriental Bank of Commerce	3,571
Dena Bank	3,045
Bank of Maharashtra	3,173
United Bank of India	2,634
Corporation Bank	2,187
Allahabad Bank	1,500
Total	52,311

# Enabling additional credit off take capacity of PSBs

**By more than  
Rs.5 Lakh crore**



# Ensuring Compliance — Governance / HR

✓ **No interference of Government**

✓ **In commercial decisions**

✓ **Strengthening and empowering**

✓ **Bank Boards**

✓ **Bank Boards to monitor**

✓ **PSB Reforms Agenda quarterly**

✓ **Assign reforms Theme-wise**

✓ **To PSB Whole Time Directors (WTDs)**

✓ **Boards to evaluate WTD performance**

✓ **As part of KRAs**

✓ **Incentivise & fast-track top performers**

✓ **Through Performance Management system**

✓ **Board-approved strategic vision and**

✓ **Business focus plan**

# Report Card on Compliance

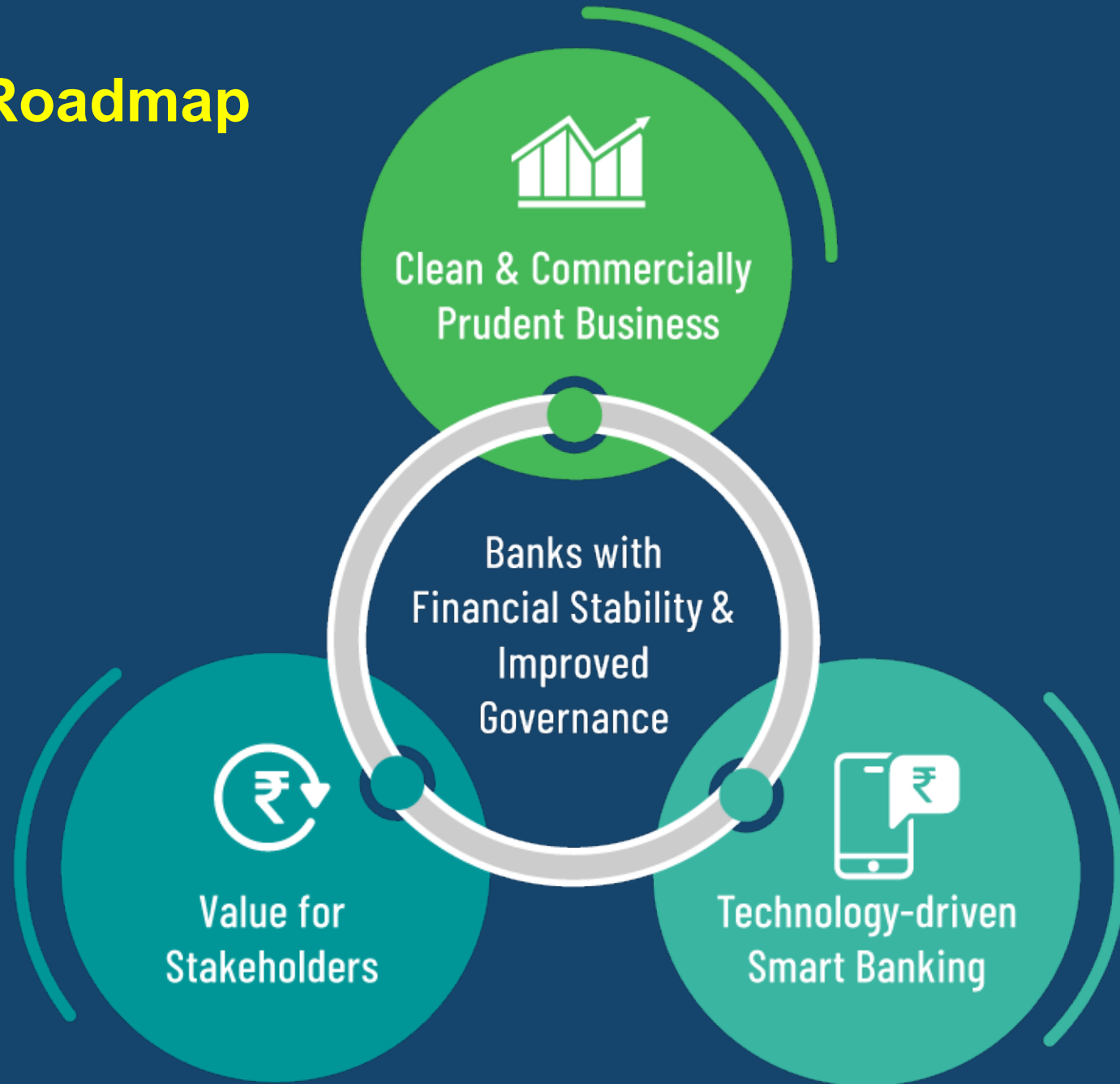


## Annual EASE Index Survey of Banks

- Banks to be ranked on EASE parameters
- Survey to be conducted by reputed independent agency
- Survey results to be made public every year



# Banking Reforms Roadmap for a New India



**THANK YOU**