

03:59 PM   22 JAN <b>CLOSED</b> <b>MARKET STATS</b> ▾	சென்செக்ஸ் <b>36,444</b> ▼ -134.32	நிஃப்டி 50 <b>10,922</b> ▼ -39.10	கோல்டு (எம்சிஎக்... <b>32,153.00</b> ▲ 110.00	யுஎஸ்டி/ஐஎ... <b>71.44</b> ▲ 0.16	<b>CREATE PORTFOLIO</b>	FF-டி மார்க்கெட்ஸ்...	CHOOSE LANGUAGE TAM
--	---------------------------------------	--------------------------------------	--	--------------------------------------	-------------------------	--------------------------	------------------------

# A banking revolution: Looking at the sector through Jaitley's Budgets

BY KRITIKA SINGH, ET ONLINE | UPDATED: JAN 21, 2019, 09.36 PM IST

Post a Comment

Banking is one sector that has seen major changes after the NDA government came to power in May 2014. From Insolvency & Bankruptcy Code to [Monetary Policy Committee](#) to Jan Dhan Yojana, the tenure of the NDA government has radically changed the way India did primitive banking.

Here we track the changes in the banking sector through the series of Union Budgets of Finance Minister [Arun Jaitley](#).

RELATED COMPANIES

EXPAND

State Ban...

**Big Change:**  
[The end of Five-Year Plans: All you need to know](#)

## Budget 2014-15

Finance Minister Arun Jaitley in his maiden Budget speech of 2014-15 announced that *Indian banks require capital to the tune of Rs 2,40,000 crore as equity by 2018 in order to meet BASEL III norms*. In order to meet this capital deficiency, the government later came out with Indradhanush roadmap in which Rs 70,000 crore were earmarked for over four years, the allocation of which came from annual budgetary support in form of Rs 25,000 crore each for two years and Rs 10,000 crore each for the remaining two years.

Jaitley announced that the government would launch a [Financial Inclusion Mission](#) to provide households with facilities of savings, credit, remittances, insurance and pension among others. He said this was a marked shift from earlier efforts when only opening of account was the focus of the financial inclusion. This announcement was followed by launch of the [Pradhan Mantri Jan Dhan Yojana](#).

Jaitley also announced that the RBI would create a framework for licensing small and other differentiated banks. Later, these licences were granted in 2015 which created several Payments Banks.

## Budget 2015-16

Jaitley made an important announcement in his Budget speech that revolutionised the banking sector. He said, " *We will bring a comprehensive bankruptcy code in fiscal 2015-16, that will meet global standards and provide necessary judicial capacity.*" The Insolvency and Bankruptcy Code (IBC) did materialise. More than hundred companies were admitted for the process, including 12 biggest defaulters called the dirty dozen. Though the process has been weighed down by delays and litigation, it was a beginning that had to be made.

Jaitley also announced the ambitious MUDRA scheme to give loans to first-generation SC/ST and women entrepreneurs. He proposed to form a Micro Units Development Refinance Agency (MUDRA) Bank which gave rise to Pradhan Mantri Mudra Yojana (PMMY). As per the annual report of PMMY 2017-18, total disbursements under the scheme stood at Rs 2.46 lakh crore in FY18. Out of this, 40 per cent were disbursed to women entrepreneurs and 33 per cent to social categories. More than 4.81 crore micro borrowers have benefited through PMMY during the year 2017-18.

## Budget 2016-17

A watershed moment for banking was establishing a Monetary Policy Committee. FM Jaitley promised in his speech that the RBI Act was being amended to provide statutory basis for a Monetary Policy Framework and a Monetary Policy Committee. The amendment took away the final say on monetary policy from the RBI Governor by giving the responsibility to a committee and making its deliberations public. It also tasked the committee to maintain Consumer Price Index (CPI) inflation at 4 per cent with a margin of +/-2 per cent. While taking decision on rates, the RBI used to consider growth, employment and many other factors in addition to inflation. Now it has to consider only inflation. The amendment will reduce personal biases and external influences that used to impact decisions on rates.

Another important announcement was setting up of Banks Board Bureau to improve governance in banks including selection of the

heads of public-sector banks. In his speech, Jaitley also revealed the government's intent to consolidate public-sector banks. He promised a roadmap for consolidation of these banks. Later, State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore, besides [Bharatiya Mahila Bank \(BMB\)](#), merged with parent SBI. This was followed by the merger of Vijaya Bank & Dena Bank with Bank of Baroda.

### Budget 2017-18

In his speech, Jaitley promised a bill relating to orderly resolution of financial firms since IBC did not cover them. This announcement was followed by Financial Resolution and Deposit Insurance Bill. This was a good effort in dealing with stressed financial firms but the government gave up on it due to political pressures over the controversial bail-in provisions which were seen to be putting depositor's money at risk.

### Budget 2018-19

Though various regulatory agencies had been warning against cryptocurrencies such as Bitcoin, Jaitley in his Budget speech settled the issue once and for all. He said cryptocurrencies were not legal tenders. There was finally a ban on cryptocurrencies. This created a big scare in this sector which was attracting a lot of people hoping to make a quick buck. However, Jaitley said the government would explore the use of blockchain technology for promoting the digital economy.

Stay on top of business news with [The Economic Times App](#). [Download it Now!](#)

Powered by	Live Market	Industry	About Us
	News	Newsletters	Subscribe to ET Prime
	Portfolio	Commodities	Book your Newspaper Subscription
	Mobile	Speed	Create Your Own Ad
	Live TV	Blogs	Advertise with Us
	Biz Listings	RSS	Terms of Use & Grievance Redressal
			Privacy policy
			Contact Us

### FOLLOW US

Download it from  
[APP STORE](#)

Download it from  
[GOOGLE PLAY](#)

Download it from  
[Windows Store](#)

#### Other Times Group news sites

[इकनॉमिक टाइम्स](#) | [ईकोनॉमिक टाइम्स](#) | [Pune Mirror](#) | [Bangalore Mirror](#) | [Ahmedabad Mirror](#) | [ItsMyAscent](#) | [Education Times](#) | [Brand Capital](#) | [Mumbai Mirror](#) | [Times Now](#) | [Indiatimes](#) | [नवभारत टाइम्स](#) | [महाराष्ट्र टाइम्स](#) | [விஜய் சமயம்](#) | [Go Green](#) | [AdAge India](#) | [Eisamay](#) | [IGN India](#) | [NavGujarat Samay](#) | [Times of India](#) | [Samayam Tamil](#) | [Samayam Telugu](#) | [Miss Kyra](#) | [Bombay Times](#) | [Filmipop](#) | [Games App](#) | [MX Player](#)

#### Living and Entertainment

[Timescity](#) | [iDiva](#) | [Entertainment](#) | [Zoom](#) | [Healthmeup](#) | [Luxpresso](#) | [Gadget Reviews](#) | [Titanium & Platinum Credit Card](#) | [Online Songs](#) | [MensXP](#) | [Hotels](#) | [Travel Destinations](#) | [Cricbuzz](#) | [Recipes](#) | [Gaana](#) | [Happytrips](#) | [Getsmartapp](#)

#### Interest Network

[itimes](#)

#### Hot on the Web

[Stock market crash](#) | [GST](#) | [Rupee](#) | [Aadhaar Card](#) | [Delhi News](#) | [RBI](#) | [Mumbai News](#) | [How to save Income Tax](#) | [Sensex Today](#) | [Nifty Bank](#) | [Budget 2019](#) | [Income Tax Calculator](#)

#### Services

[Book print ads](#) | [Online shopping](#) | [Matrimonial](#) | [Astrology](#) | [Jobs](#) | [Tech Community](#) | [Property](#) | [Buy car](#) | [Bikes in India](#) | [Free Classifieds](#) | [Send money to India](#) | [Used Cars](#) | [Restaurants in Delhi](#) | [Remit to India](#) | [Buy Mobiles](#) | [Listen Songs](#) | [News](#) | [TimesMobile](#) | [Real Estate Developers](#) | [Restaurant Deals in Delhi](#) | [Car Insurance](#) | [Gadgets Now](#) | [Free Business Listings](#) | [CouponDunia](#) | [Remit2India](#) | [Techradar](#) | [AliveAR](#) | [Getsmartapp App](#) | [ETMoney Finance App](#) | [Feedback](#) | [Auto](#) | [Longwalks App](#)

## In Case You Missed It

[All about PNB Fraud](#)

[Home Loan Calculator](#)

[NBFC](#)

[Income Tax](#)

[Car sales](#)

[Future Group](#)

[Income Tax Calculator](#)

[Budget 2019](#)

[Education Loan Calculator](#)

[TRAJ](#)

[IFSC Code](#)

[SEBI](#)

Copyright © 2019 Bennett, Coleman & Co. Ltd. All rights reserved. For reprint rights: [Times Syndication Service](#)