EASE 2.0 scheme: Comprehensive public sector bank reform on the cards

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NEW DELHI: A host of measures are on the cards for transformation of public sector banks (PSBs). While consolidation tops the agenda, a list of directions is being separately worked out for state-owned lenders to focus on risk assessment, enhanced early warning signals in cases of stressed assets and bringing in new fintech players.

“We will soon be initiating the second round of reforms through our EASE (enhanced access and service excellence) programme,” a finance ministry official told ET on condition of anonymity.

PSBs have already been asked to carry out an internal assessment for shortlisting ideal candidates for possible mergers or acquisitions. “Two separate processes are simultaneously being carried out.... The government has some combinations in mind and based on the inputs it receives from lenders, it will take a final call,” said the official.

Some possible combinations revolve around big lenders such as the Punjab National Bank and Bank of India. Last year the government had initiated reforms for PSBs under EASE programme and directed these lenders to draw up a boardapproved strategic vision consistent with their risk-appetite framework.

“We have been holding discussions and reviews with PSBs in the last two months. Based on that we will soon roll out measures for prudential and clean lending,” said another finance ministry official.

The new performance parameters that may be introduced this year through the EASE programme include more stringent early warning signals (EWS) to tackle stressed assets, effective coordination in large value loans and bringing in new financial technology players to deepen financial inclusion and digitalisation.

Another suggestion is to reconstitute the management committee of the board which takes decisions on large value loans and have representation from risk management, said the second official.

Separately, the Banks Board Bureau (BBB) has selected around 80 chief general managers (CGMs) from all PSBs who will be trained in globally acclaimed management institutes such as the Kellogg School of Management in the United States. “This is to create a pipeline for future heads in PSBs and also to address the knowledge gap in key functioning areas of banks,” said the official.

Some experts said the government should look beyond EASE rankings and push banks towards differentiated banking. “Merger is not the silver bullet for India’s banking woes,” said MP Shorawala, a former independent director with the Central Bank of India.