

FinMin plans 16-point 'KRA' to push PSBs

K Ram Kumar Mumbai | Updated on August 12, 2019 Published on August 12, 2019

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Performance indicators will assess how govt lenders can match private sector peers

To address the continuing decline in the share of public sector banks (PSBs) in Indian banking, the Finance Ministry plans to kickstart an elaborate exercise whereby it will closely monitor their achievements on 16 key performance indicators (KPIs) at the branch, region, State and national level.

The banks will then be benchmarked against the 18 PSBs' average. If found lagging, specific action will be taken after consultation at various levels to crank up their performance.

The 16 KPIs that the Ministry will be tracking include credit for infrastructure, farm sector, blue economy, housing, MSMEs, Stand-Up India scheme, education, exports, green economy, cleanliness activities, financial inclusion and women's empowerment; and others such as direct benefit transfer, digital economy, ATM usage and performance, ease of living and corporate social responsibility.

Through a consultation process at various levels, the Finance Ministry will assess the KPIs to understand whether the PSBs have performed well in terms of catering to their customers and helping the country grow.

As of end-December 2018, PSBs accounted for 63 per cent of the outstanding credit of scheduled commercial banks against 67 per cent as of June-end 2017. The fall comes in the backdrop of these banks facing asset quality issues since 2015. The Ministry is keen that the PSBs recover lost ground, said a top banker. It has taken note of the fact that the PSBs' market share is declining while that of private banks is rising.

NBFCs on the ascent

Further, non-banking financial companies (NBFCs) are borrowing from banks and are able to attract customers in spite of higher interest rates.

The Ministry wants bankers to come up with answers to questions such as the reasons for the decline in loans to corporates, the rise in lending to NBFCs amid a decline in direct lending to businesses (corporates and MSMEs), the number of loan applications accepted and rejected under the retail, MSME and corporate categories between April 2014 and March 2019, the steep rise in bad loans in 2015-19, and the possibility of co-origination of MUDRA loans with NBFCs.

[public sector banks](#)

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COMMENTS

Action plan for public sector banks

Key performance indicators include

- Credit for infrastructure, farm sector, housing, MSMEs and financial inclusion
- Achievements in direct benefit transfer
- Push for digital economy
- ATM usage and performance
- Corporate social responsibility



Finance Ministry has some questions for public sector bankers

- Why have loans to corporates declined?
- Why have loans to NBFCs risen amid a decline in direct lending to businesses?
- How many loan applications were accepted and rejected under the retail, MSME and corporate categories between April 2014 and March 2019?
- What led to a steep rise in bad loans in 2015-19?
- How about co-origination of MUDRA loans with NBFCs?

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