

# Summary of Macro Research Report, 2021-22

on

## Impact of EASE Reforms on Banking

By

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In January 2018, the Government of India and Public Sector Banks (PSBs) jointly committed to and launched a common PSB Reforms Agenda for Enhanced Access & Service Excellence (EASE), comprising 30 Action Points across six reform themes. It was jointly prepared by Indian Banks' Association (IBA) and Boston Consulting Group (BCG) based on points emerging from brainstorming by the Finance Ministry, PSBs Chiefs, Executive Directors, IBA and other stakeholders. In the first round (EASE 1.0), the focus of the reforms was to ensure that PSBs set up all the internal processes and systems that would aid them in achieving higher standards in terms of CLEAN (Clean credit, Leveraging data, Ensuring accountability, Action against defaulters and Non-Performing Assets (NPAs) recovery) and SMART (Speedy, Multi-channel reach, Accessible & affordable, Responsive and Technologically enhanced) banking. The progress of the banks on each of the themes was rigorously monitored through an objective EASE Reforms Index, comprising 140 metrics. Next version was launched as EASE 2.0 which had fewer parameters (107 metrics) and mainly emphasized on business outcomes. EASE 3.0 was a continuation of earlier versions with focus on strengthening systems and processes, particularly, digital enablements.

With change in banking landscape owing to amalgamation and prevailing pandemic caused by COVID-19 during Financial Year (FY) 2020-21 and 2021-22, the reform agenda shifted gears with the launch of EASE 4.0 and 5.0. These versions of EASE focused more on digital and data driven banking to

improve PSBs performance. During each version of EASE reform agenda, the quantified evaluation, benchmarking, ranking and inter-bank comparison built into the EASE Index endeavoured to create competition amongst the PSBs. During each phase of implementation, leading PSBs became the pace-setters for accelerated reforms and the best practices among PSBs were available for peer learning. The present study endeavours to understand whether the transformation of the systems and processes of PSBs under EASE reform agenda has been reflected in improved business performance and customer feedback.

The prime focus of this study is to understand the impact of the EASE reform agenda on PSBs performance and subsequent impact on the banking sector. To gauge the comparative position, their performance has been compared with those of select private banks using CAMELS ratio. We have also conducted sentiment analysis using twitter data to capture customer feedback based on 8 emotions, i.e. anger, anticipation, disgust, fear, joy, sadness, surprise and trust.

The results show that capital adequacy, management quality, earning ratio, liquidity and sensitivity ratio all are important in explaining efficiency of banks. All of these ratios have seen improvement in public sector banks since the implementation of EASE reforms and consequently, their efficiency has also improved significantly. Though private sector banks' performance on these parameters are better than PSBs, public sector banks have seen encouraging

improvements since 2018 onwards when EASE reforms were initiated.

Natural Language Processing (NLP) based sentiment analysis results showed that public sentiment is more positive towards public sector banks than their private sector peers. This despite the fact that private sector banks' services (for example, applications rating) and

performance (CAMELS) are much better than public sector, shows that Government ownership of these banks play a role in giving them better public opinion. Public sector banks can leverage these positive sentiments by concentrating on EASE related action points, particularly, customer service and product offerings by utilizing digital and analytical tools.



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