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Economic Survey 2019-20: Banking Sector, Credit and Capital Market

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- India has the **second largest emerging green bond market** after China.
- Monetary policy remained accommodative in 2019-20. Accommodative monetary policy occurs when a central bank attempts to expand the overall money supply to boost the economy when growth is slowing (as measured by GDP).
- The financial flows to the economy remained constrained as credit growth declined for both banks and Non-Banking Financial Corporations (NBFCs).
- **Gross Non Performing Advances Ratio**
 - Remained unchanged for Scheduled Commercial Banks (SCBs) at 9.3% between March and September 2019.
 - Increased slightly for the NBFCs from 6.1% in March 2019 to 6.3% in September 2019.
- **Capital to Risk-weighted Asset Ratio of SCBs** increased from 14.3% to 15.1% between March 2019 and September 2019.
- The General Government (Centre plus States) has been on the path of fiscal consolidation. **Fiscal consolidation** is a policy aimed at reducing government deficits and debt accumulation.

- India has only **one bank in the global top 100**. The Survey observes **2019** as the **golden jubilee year of bank nationalization**.
 - PSBs are inefficient compared to their peer groups on every performance parameter.
 - **Suggestions**
 - **Employee Stock Ownership Plan (ESOP)** for PSBs' employees
 - Representation on boards proportionate to the blocks held by employees to incentivize employees and align their interests with that of all shareholders of banks.
 - **Creation of a GSTN type entity** that will aggregate data from all PSBs and use technologies like big data, artificial intelligence and machine learning in credit decisions for ensuring better screening and monitoring of borrowers, especially the large ones.
- The Economic Survey has suggested the use of a **'health score' index for NBFCs** which can help in detecting early signs of impending liquidity risks.