



Bottom-up Consultative Process for PSBs

The Finance Ministry has asked **Public Sector Banks (PSBs)** to initiate a month-long **consultation process with officers at branch level** to seek suggestions on streamlining banking sector to help the country achieve its target to become a [5 trillion dollar economy by 2024-25](#).

- The consultative process has been **divided into three stages** with the first being at the branch or regional level, followed by the state level. It will culminate with a national-level two-day brainstorming in Delhi.
- The suggestions emanating from a month-long campaign beginning 17th August, 2019 will be used as inputs to prepare a road map for the future growth of the banking sector.

Agenda of the Process

- **Performance review** and **synchronisation of banking with region-specific issues**.
 - Branches will be assessed on swachh credit (lending in water and sanitation sector), [financial inclusion and women's empowerment](#), [direct benefit transfer](#), [digital economy](#), [ATM usage and performance](#) and [corporate social responsibility](#), among others.
- Finding solutions to the challenges faced by banks such as huge [Non Performing Assets \(NPAs\)](#), reduced profits etc.
- Making banks more responsive to customers.
- Analyzing the **preparedness of the banks in areas** such as [cybersecurity](#) and data analytics.
- Focus on **raising credit offtake for supporting economic growth**, credit support to infrastructure and role of the banking sector in [doubling farmers' income](#) and water conservation.
 - Supporting green economy, improving education loan and other sectors such as [Micro, Small and Medium Enterprises \(MSMEs\)](#) and exports.

Background

- The **economy of the country has slowed to a 5-year low of 6.8%**.
 - The automobile sector is facing its worst crisis in two decades and reports suggest thousands of job losses in the auto and ancillary industry.
 - In the real estate sector, the number of unsold homes has increased, while fast-moving consumer goods (FMCG) companies have reported a decline in volume growth in the first quarter (April - June, 2019).
- Banks, facing the **charge of not passing on the full extent of the easing of the policy rates**. The [Reserve Bank of India \(RBI\)](#) had cut the repo rate by 75 basis points between February and June, 2019, but banks have reduced their interest rates on fresh rupee loans by 29 basis points only.
- Though **lending** by banks to industries has shown a significant jump from 0.9% in the June 2018 quarter to 6.6% in the corresponding period of 2019, the same **to the job-creating MSME sector has slipped from 0.7% to 0.6%** during the same period.
- However, there has been an **improvement in non-performing assets of the banks**. The total

bad loans of commercial banks declined by Rs 1.02 lakh crore to Rs 9.34 lakh crore in 2018-19.

Source: TH

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