



## Enhanced Access & Service Excellence

**For Prelims:** Micro, Small, and Medium Enterprises (MSME), NPA, Regional Rural Banks.

**For Mains:** Enhanced Access & Service Excellence.

### Why in News?

As a part of the [Enhanced Access & Service Excellence \(EASE\)](#) reforms, the government is planning to leverage [Regional Rural Banks \(RRBs\)](#) to expand their portfolio by adding new segments.

### What are the Key Points?

- The initiatives and targets will be part of the **EASE reforms** being undertaken by the Centre.
- Rural banks will be asked to look beyond crop loans and also provide loans for tractors, small businesses in rural areas and education and housing loans too in rural areas.
- The Center is working on a proposal to raise the guarantee limit for education loans from Rs 7.5 lakh to Rs 10 lakh to ensure banks restart lending to the education sector.
- The government's plan is to **continue to improve the profitability of RRBs**.
  - After two consecutive years of losses during the [Covid-19 pandemic](#) period, RRBs reported a consolidated net profit of Rs 1,682 crore in FY21, with 30 out of 43 RRBs reporting net profits.

### What is the Significance?

- It will help RRBs expand their business by **leveraging their huge rural network** and local understanding, and also **enhance credit access to rural consumers for purposes such as education, housing and micro businesses**.
- Asking RRBs to lend towards education, housing and small businesses would also help **ease credit availability to the sectors**.
- RRBs will be guided towards becoming **more competitive and business friendly** - making them customer friendly is top on the agenda.
- The EASE programme for RRBs will entail focus on **digitising operations and connecting RRBs with each other**.

### What is EASE Reform?

- It was launched in **January 2018** jointly by the government and PSBs.
- It was commissioned through **Indian Banks' Association** and authored by Boston Consulting Group.
- It aims to foster new-age reforms in PSBs to improve profitability, asset quality, customer service and digital capabilities.
- Various Stages under **EASE Reforms Agenda**:
  - **EASE 1.0:** The EASE 1.0 report showed significant improvement in PSB performance in resolution of [Non Performing Assets \(NPAs\)](#) transparently.

- **EASE 2.0:** EASE 2.0 was built on the foundation of EASE 1.0 and introduced new reform Action Points across six themes to make reforms journey irreversible, strengthen processes and systems, and drive outcomes. The six themes are:
  - Responsible Banking;
  - Customer Responsiveness;
  - Credit Off-take,
  - PSBs as UdyamiMitra (SIDBI portal for credit management of [MSMEs](#));
  - Financial Inclusion & Digitalisation;
  - Governance and Human Resource (HR).
- **Ease 3.0:** It seeks to enhance ease of banking in all customer experiences, using technology viz.
  - Dial-a-loan and PSBloansin59 minutes.com.
  - Partnerships with FinTechs and E-commerce companies,
  - Credit@click,
  - Tech-enabled agriculture lending,
  - EASE Banking Outlets etc.
- **EASE 4.0:** It commits PSBs to tech-enabled, simplified and collaborative banking to further the agenda of **customer-centric digital transformation**. Following major themes were proposed under this:
  - 24x7 Banking
  - Focus on North-East
  - Bad Bank.
  - Raising Funds Outside the Banking Sector
  - [Leveraging Fintech Sector](#).
- **EASE 5.0:**
  - PSBs will continue to invest in new-age capabilities and deepen the ongoing reforms to respond to **evolving customer needs, changing competition and the technology environment**.
  - Focuses on Digital customer experience, and integrated and inclusive banking, with emphasis on supporting small businesses and agriculture.
  - The initiatives will be across diverse themes: **business growth, profitability, risk, customer service, operations, and capability building**.

### What are the Regional Rural Banks?

- **About:**
  - **RRBs are financial institutions** which ensure adequate credit for agriculture and other rural sectors.
  - Regional Rural Banks were set up on the basis of the **recommendations of the Narasimham Working Group (1975)**, and after the legislation of the **Regional Rural Banks Act, 1976**.
  - The first Regional Rural Bank “Prathama Grameen Bank” was set up on 2nd October, 1975.
  - The RRBs are required to provide 75% of their total credit as priority sector lending.
- **Stakeholders:**
  - The equity of a regional rural bank is held by the Central Government, concerned State Government and the Sponsor Bank in the proportion of 50:15:35.
- **Objectives:**
  - To provide **credit and other facilities to the small and marginal farmers, agricultural labourers**, artisans and small entrepreneurs in rural areas.
  - To check the outflow of rural deposits to urban areas and reduce regional imbalances and increase rural employment generation.

### UPSC Civil Services Examination Previous Year Question:

**Q. With reference to India, consider the following: (2010)**

1. Nationalization of Banks
2. Formation of Regional Rural Banks
3. Adoption of village by Bank Branches

Which of the above can be considered as steps taken to achieve the “financial inclusion” in India?

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 3 only
- (d) 1, 2 and 3

**Ans: (d)**

**Q. Which of the following grants/grant direct credit assistance to rural households? (2013)**

1. Regional Rural Banks
2. National Bank for Agriculture and Rural Development
3. Land Development Banks

Select the correct answer using the codes given below:

- (a) 1 and 2 only
- (b) 2 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

**Ans: (c)**

**Q. Consider the following statements: (2020)**

1. In terms of short-term credit delivery to the agriculture sector, District Central Cooperative Banks (DCCBs) deliver more credit in comparison to Scheduled Commercial Banks and Regional Rural Banks.
2. One of the most important functions of DCCBs is to provide funds to the Primary Agricultural Credit Societies.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

**Ans: (b)**

- Cooperative bank is an institution established on the cooperative basis and dealing in ordinary banking business.
- In rural India, there exists a 3-tier rural cooperative structure.
  - Tier-I: It includes state cooperative banks (StCBs) at the state level;
  - Tier-II: It includes central cooperative banks (CCBs) at the district level; and
  - Tier-III: It includes primary agricultural credit societies (PACs).
- According to a report of the RBI, in 2016-17, scheduled commercial banks contributed the major share (78- 80%) in agricultural and allied credit. Cooperative institutions also play a significant role in extending agricultural credit and the share of all cooperative banks/institutions (i.e. StCBs, DCCBs and PACs put together) constituted 15-16%. The RRBs contributed the remaining 5% of the agricultural credit. **Hence, statement 1 is not correct.**
- The most significant function of the district central cooperative bank is to provide financial support to the primary cooperative societies that are affiliated to it in the district. **Hence, statement 2 is correct.**

- Therefore, option (b) is the correct answer.

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