



ANALYSIS ON IMPACT OF INDRADHANUSH PROJECT IN BANKING SECTOR IN INDIA

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Abstract:

It was on the period of time immediately before the occasion of India's Independence day 2015 that government announced Indradhanush for Indian Public Sector Banks. The mission aimed to improving the functioning of Public Sector Banks. Modi impressed with the word Indradhanush and loved to give new slogans which can have some impact on the memory of the listeners/ leaders. By using the Indradhanush the bureaucrats in finance minister have tried to appraise Modi as this indicates 7colours (steps) and A2G for Public Sector Banks. A2G represents- Appointments, Bank Board Bureau, Capitalization, De-stressing Public Sector Banks, Empowerment, Framework of Accountability and Governance reforms. By arranging new forms the functioning of Public sector Banks it can compete with the private sector banks. The study involves a seven-point programme to rejuvenate public sector banks, will be able to provide a competitive, profitable and customer-friendly banking sector. Recapitalization or infusion of capital of Public Sector banks is a central theme of this research. Research stressed on balance sheet of Indian banks, movement of profitability in both Return on asset and return on Equity of commercial banks. Constraints for bank to step in the right direction are needed to be analyzed in this study. In addition to governance processes Public Sector Banks need to review their business models and examine strategic decisions like capital structure and dividend policy.

Index Terms: Bank Board Bureau, Governance Reforms, Recapitalization & Empowerment

1. Introduction:

In Hindu religion, the Rainbow is called Indradhanush, meaning "the bow (Sanskrit and Hindi -dhanush is Bow of Indra) the god of lightening, thunder and rain". Another Indian mythology says the rainbow is the bow of Rama, the incarnation of Vishnu. In the beginning mission Indradhanush was established by Union Health Minister J. P. Nadda on 25 December 2015. It aims to solving disease of all children under the age of 2years and pregnant women against seven vaccine preventable diseases namely Diphtheria, Whooping cough, Tetanus, Poliomyelitis, Tuberculosis, Measles and Hepatitis B by 2020.

The Mission Indradhanush was launched by Union Finance Minister Arun Jaitley in New Delhi. It has seven program plan Indradhanush to revamp functioning of public sector banks. The seven element includes Appointments, board of Bureau, Capitalization, De-stressing, Empowerment, framework of Accountability and Governance reforms.

2. Seven Plan for revamp of Public Sector Banks:

In August 2015, the Indian Finance Minister announced a critical 7 point action plan-Mission Indradhanush, to help turn-around these public sector financial banks. The Indradhanush mission analysed a strategy around seven different aspects which can bring desirable efficiency in the overall functioning in the public sector banks. The seven key reforms of Mission Indradhanush are:

Appointment: To bring more transparency in the day to day activities of the bank, the government has decided to separate the post of a Chairman and Managing Director and suggested that in the making sure that vacancies to be occupied, the CEO will get the designation as CEO and MD and there should be a separate person would be appointed for the post of Non-executive chairman of the Public Sector Banks.

Bank Board Bureau (BBB): Bank Board Bureau was earlier announced in the 2015-16 budgets and which was implemented with the announcement of the Indradhanush Mission. It is the first step used to make bank as a full fledged bank holding company.

- ✓ BBB replaced all the earlier procedure of appointment of whole time directors and non executive chairman of Public Sector Banks and formalized the appointment procedures by comprising the eminent professionals and officials, who will follows the proper election methodology for appointment of CEO and MD for the required posts in banks.
- ✓ BBB consists of a chairman and six members team in which three officials and three experts, who will constantly involve themselves with the Board of Directors of the other Public Sector Banks to formulate the growth and development strategies.
- ✓ The Bank Board Bureau is scheduled to start functioning from 1st April, 2016.

Capitalization: Even though the Public Sector Banks have been under stress, they are still capitalized sufficiently and meeting the both norms of BASEL III and RBI norms. The government of India has shown his intention to capitalize all the Public Sector Banks by using Rs.70,000crores over a period of 4years, that will help to maintain the safety and to maintain the minimum requirement of norms of BASEL III. The utilization of large part of capital will be done in first 2years- Rs.25,000crore in each year. The government will introduce a total of Rs.25,000crore of capital into debt. Out of which State Bank of India will get highest infusion of credit, which is followed by Bank of India, IDBI, Punjab National Bank and Indian Overseas Bank.

De-Stressing Public Sector Banks: The major borrowers of Public Sector Banks are Infrastructure and core sector companies are mostly long term capital undertakings they are the critical part of economic machinery but they are often delayed by inflation cost. This will lead to a burden of Non Performing Assets on the Public Sector Banks. By focusing all these challenges the government decides to de-stressing the bad loans of banks through providing and building mechanisms to solve the defaults.

- ✓ Under this plan, government set up a Bank Investment Committee, on behalf of the government it will act as a holding company.
- ✓ RBI introduces a new plan in the list known as Non-Cooperative borrower who will not furnish any detail about its finances to the banks.

Empowerment: A government has already issued circular to the Public Sector Banks stating that the government will adopt no interference policy to encourage independent working of Public Sector Banks. This Brings a more flexibility in the appointment of manpower for work. The bank also should give more importance towards employees, various employee and customer centric proposals are introduced to build a strong Grievance Redressal Mechanism for customer and staff to motivate and increase customer loyalty.

Framework of Accountability: Government announced a new framework of key performance indicators to boost the efficiency in functioning while independent decision is done on commercial considerations. This replaces the earlier Statement of Intent which was used to finalize banks target that often took too long and sometimes it takes an entire year.

Governance Reforms: The process of governance reforms started with “Gyan Sangam”- a private secret meeting organized by Public Sector Banks and Financial Institutions at the beginning of 2015 in Pune which was attended by all stake-holders including Prime Minister, Finance Minister, Governor, and managing Directors of all Public Sector Banks and Financial Institutions. Government conducted a group discussion on sex different topics to take decision in respect of optimizing capital, digitizing processes, strengthening risk management, improving managerial performance and financial inclusion. As a result of Gyan Sangam, it strengthened the risk management practices for Public Sector Banks. This resulted in each bank agreed to nominate senior officer as a Chief Risk Officer of the bank and special training program was recently organized for Chief Risk Officer by the Central of Advanced Financial Research and Learning (CAFRAL)

3. Positive Impact of Mission Indradhanush:

- ✓ Mission Indradhanush mainly focused on de-stressing the Public Sector Banks and bringing up of the performance parameter curve to put these financial banks at par with Multi-National Corporations or any other private sector Organisation.
- ✓ It focuses mainly on setting up a quick movement of hiring process which can be allowed to smooth functioning of the Public Sector Banks.
- ✓ To protect the customers as well as the bank from fraud reporting and Customer Grievance Redressal aims at creating robust and vigilant system.
- ✓ It can bring in the much needed fresh outlook by opening up the top positions in Public Sector Banks to Private Sector candidates.
- ✓ Due to measures taken on de-stress the Public Sector banks started facing
- ✓ Concern regarding profitability, asset quality and capital governance.

4. Loopholes of Mission Indradhanush:

- ✓ Mission Indradhanush not formed or mentioned any information with regards to disinvestment.
- ✓ Governments have the opportunity to restructure banks due to expectation of retirement of around 80,000 employees in upcoming two years, but no measure is taken with regards.
- ✓ Regarding capital infusion, government is not mentioned how they infuse capital to the Public Sector Banks whether capital giving all the Public Sector Banks or based on the performance of Public Sector Banks in a year.

5. Objectives of the Study:

- ✓ To study about the implementation of banking norms in Public Sector Banks.
- ✓ To know the development factor of Public sector Banks in India
- ✓ To gather information how reforms taken place in banking sector.

6. Findings:

- ✓ It affected on the balance sheet, bank credit growth declined and unfortunately profit has been increased due to decrease in growth of operating expenses than rise in growth of income.
- ✓ In the plan of Indradhanush, government has estimated that Public Sector Banks require extra capital of Rs.1,80,000 crore in next four years assuming that 12% of credit growth rate for the year 2016 and 12 to 15 percent for next three years.
- ✓ Public sector banks proved that they are more expensive for the government due to Non-performing Assets is major problems on Public Sector Banks.
- ✓ Introduced new process of selection for main posts in Public Sector Banks and also private sector candidates are allowed to apply for the main post like CEO and MD in Public Sector Banks.

- ✓ Government implemented the recapitalization plan for next four years.
- ✓ Government has taken strong decision to hire for Public Sector Banks
- ✓ Government established Bank Investment Committee to deal with bad loan situations, which will act as a holding company.
- ✓ In the process of allocation of capital 40% of capital allocated to those banks which require support to brought to the level minimum of 7.5% by financial year 2016, 40% of capital given to top six banks these are SBI, BOB, BOI, PNB, Canara bank and IDBI and remaining 20% allocated to the banks based on their performance in last three quarters of current year.
- ✓ When they review the problem stressed in power, road and steel sector, they found that major problems are occurring due to obtaining permits or approvals from the various government agencies.
- ✓ Proper framework system is used for the accountability of Public Sector Banks.

7. Conclusion:

Indradhanush does not propose any innovative aspect in reforms of Public Sector Banks. The main theme of Public Sector Banks is Re-capitalization. Whether capital infusion is adequate for all banks or selected banks based on the performance of current year. Indradhanush does not refuse to accept the “Banking Companies Act 1980 and 1990”, as legislative actions The State Bank of India Act 1955, it might be difficult to accept for present circumstances.

Moreover, it is understandable that appointment of MD and CEO to Public Sector Banks, is responsibility of the majority of stakeholders. Along with the improvement of governance processes, Public Sector Banks need to examine the strategic decisions like capital structure and dividend policy in order to overcome the challenges faced by the Public Sector Banks.

By studying the seven plans of Mission Indradhanush we can come to an decision that Indradhanush in right direction. By the end of four years project can succeed with their plan of seven areas of activities in Public Sector Banks.

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