

# STATE OF THE BANKING SECTOR IN INDIA NEEDS URGENT ATTENTION: ECONOMIC SURVEY

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Ministry of Finance

## State of the Banking Sector in India Needs Urgent Attention: Economic Survey

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The Economic Survey 2019-20 observes that there is disproportionate dwarfism of the Indian banks when compared to the size of the Indian economy. The Survey expresses that if Indian banks were proportionately large in relation to the size of the Indian economy, India should have at least six banks in the global top 100 than just the current largest PSB- State Bank of India (SBI)-which is the 55<sup>th</sup> largest bank globally.

The survey notes that despite nationalisation a significant portion of the poor remained unbanked till 2014. Financial inclusion, in large part, happened in August 2014 through the Pradhan Mantri Jan Dhan Yojana (PMJDY)

The Economic Survey notes that the growth in digital transactions has been significant. The use of direct benefit transfers has increased exponentially over the last five years, has helped to bring both credit and deposits into the banking system across all geographies (rural, semi-urban, urban and metropolitan).

The Survey says that PSBs need to embrace FinTech, which is revolutionising the global financial landscape. The Economic Survey observes that a large proportion of NPAs of Indian banks, especially PSBs, could have been prevented if data and analytics were employed in corporate lending. The survey proposes establishment of a GSTN like entity, called PSBN (PSB Network), to use technology to screen and monitor borrowers comprehensively and at length.

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