

Streamlining Clean And Smart Banking Practices Via EASE (Enhanced Access & Service Excellence) Reforms: An Analytical Study Of Bank Of Baroda

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ABSTRACT

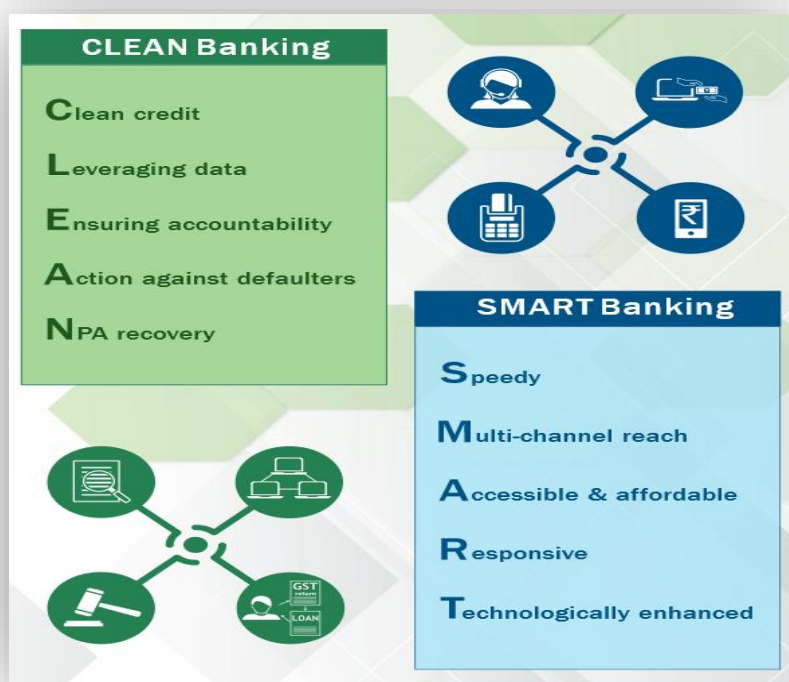
The nationalised banks have seen an unsustainable build-up of stress in their loan portfolio during the past ten years. To solve this issue, Government has implemented the 4R's policy, which stands for “**R**ecognising Non-Performing Assets (NPAs) Transparently”, “**R**esolution and Recovery, **R**ecapitalization and **R**eforms in financial ecosystem and PSBs. The reforms are building a solid foundation for SMART and CLEAN banking through methodical improvements and the implementation of checks and controls. For implementing the reforms, the Government and PSBs jointly launched the EASE (Enhanced Access & Service Excellence) reforms agenda in January 2018. It is made up of 30 Action Points divided into six categories. “Customer Responsiveness”, “Deepening Financial Inclusion”, “UdyamiMitra for MSMEs”, “Credit Offtake”, “Digitalization” and “Developing Personnel for Brand PSB” are the six themes. EASE 2.0, built on the foundation laid in EASE 1.0, furthered the progress on reforms. EASE 3.0, EASE 4.0 have been successfully implemented. Presently EASE 5.0 is in progress. The EASE Reforms Index is used to meticulously monitor the progress of banks towards the Reforms Agenda. Bank of Baroda ranked 1 in EASE 2.0 and EASE 4.0 Reforms Index for F.Y 19-20 and F.Y 2021-2022 respectively. This paper would give insights on the EASE Reforms journey in PSBs. EASE Reforms agenda has contributed immensely towards the bank’s journey in reducing operating costs and achieving operational efficiency in all areas of operations. Therefore, this paper examines the effect of EASE reforms on the efficiency of Bank of Baroda. The results showed that the EASE reforms have significant impact on the efficiency of Bank of Baroda and with the increase in EASE index, bank’s efficiency is improved.

Keywords: Banking, EASE Reforms, EASE Index, efficiency

Introduction

Enhanced Access and Service Excellence” (EASE) Reforms:

- The EASE Reforms, initiated by **DFS** which stands for “**D**epartment of **F**inancial **S**ervices”, focus on enhancing various aspects of banking.
- These reforms have evolved over time, progressing from “**EASE 1.0**” to the current “**EASE 5.0**.”
- Key areas addressed by these reforms include:
 - **Risk Assessment:** Ensuring robust risk management practices.
 - **NPA Management:** Effectively handling non-performing assets.
 - **Financial Inclusion:** Expanding the reach to basic banking services.
 - **Digital Transformation:** Focussing on digitalized customer experience.
 - **Data-Driven Business Improvement:** Leveraging analytics for better decision-making.
 - **Capability Building through Tech and Data :** Strengthening technological infrastructure.
 - **HR Operations Enhancement:** Focusing on human resource efficiency.
- **Indian Banks’ Association (IBA)** oversees the implementation of these reforms ,across all Public Sector Banks, through its committee formed especially for the purpose of these reforms.(IBA, 2021)



Source: Report of BCG on EASE Reforms in PSBs.

Impact of EASE Reforms:

- **Reduction in NPAs:** The DFS's strategic interventions and measures include-
 - 'Insolvency and Bankruptcy Code (IBC)'
 - 'Revisions to the SARFAESI Act'
 - 'Prudential Framework for Resolution of Stressed Assets'

These measures have contributed significantly in reducing Gross NPAs of Scheduled Commercial Banks. NPAs have reduced to Rs. 5,71,515 crores in March 2023 from Rs. 9,33,779 in March 2019.

Digital Payments: DIGIDHAN Mission has played an important role in promoting digital payments. In F.Y 2022-2023, the amount of digital payment transactions was 13,462 crores as compared to 2,071 crores in F.Y 2017-18. An important role was played by BHIM-UPI in making India witness a remarkable growth.

○ **Financial Inclusion:** Access to banking services, insurance and pension schemes have been expanded through various schemes. These schemes are-

- Pradhan Mantri Jan Dhan Yojana
- Pradhan Mantri Jeevan Jyoti Bima Yojana
- Pradhan Mantri Suraksha Bima Yojana
- MUDRA
- Stand Up India
- Atal Pension Yojana

○ **Agriculture Credit:** There has been an increase in the Agricultural Credit. It increased to Rs. 21.55 lakh crore in F.Y 2022-2023 as compared to Rs. 8.45 lakh crore in F.Y 2014-15. The Kisan Credit Card scheme has played a significant role in facilitating robust credit disbursement.

Bank of Baroda (BoB), one of India's leading PSBs, has been at the forefront of adopting the EASE Reforms to promote clean and smart banking.

Bank of Baroda's Achievements:

○ **Overall Top Performing Bank:** BoB secured the top position in the **EASE 4.0 Reforms Index** for FY2021-22.

○ **Smart Lending and 24X7 Banking:** BoB ranked #1 in these categories, emphasizing customer-centric lending practices and seamless banking services.

○ **Tech-Enabled Ease of Banking:** BoB secured the third position, showcasing its commitment to technological resilience and efficient governance.

- **Data-Driven Agriculture Financing:** BoB's initiatives have facilitated agricultural credit disbursement.
- **Collaboration with the Financial Ecosystem:** BoB actively engages with stakeholders to enhance banking services.

Honors and Recognition:

- **Smt. Nirmala Sitharaman**, Honorable Union Minister of Finance & Corporate Affairs, felicitated BoB at the awards function organized by the **Indian Banks' Association (IBA)**.
- BoB's transformation journey, driven by technology and customer-centricity, has contributed to its success. (Baroda, 2021-2022)

2. Literature Review

Name of the Author	Paper Title	Findings
Ahmed, F. (2021).	"Impact of EASE Reforms on the Performance of Public Sector Banks."	This paper examined the PSBs EASE Reforms journey. It was observed that there was substantial progress of PSBs across various themes of EASE Agenda.
Vadivel, S., Vadivel, C., Raja, S. (2022)	"EASE 4.0: A Strategic Approach In transforming PSBs in India."	This paper explained the PSBs reforms agenda 'EASE 4.0'. The paper examined that different banks have performed differently across various themes. This paper also highlights the major achievements of EASE Reforms.
Khanboubi, F., & Boulmakoul, A. (2019).	"Digital transformation in the banking sector: Surveys exploration and analytics."	The analysis of this paper will allow us to draw a roadmap to direct banks towards a successful digital transformation. Through a unique analysis, we are able to suggest a systemic approach to support the bank's digital transformation by categorising banking activities utilising fuzzy dissimilarity, data mining tools, and the R ecosystem.
Azmi, S., Akhtar, S., & Nadeem, M. (2020).	"Impact of Digitalisation on Bank Performance: A Study of Indian Banks."	This paper filled the gap by studying the effects of digitalisation on bank performance using interviews of 30 employees from ten banks. Three aspects are considered while analysing bank performance: personnel efficiency, operational costs, and profitability. Digitalisation was found to be linked with all these variables under consideration.
Druhova, V., Hirna, O., & Postyak, V. (2021).	"A factor analysis of the impact of digitalisation on the banking industry."	A comparison of 2014 and 2017 showed a worsening of the impact of the relationships between the share of online payments and the quality of banks' loan portfolios. Thus, in countries with a higher level of Internet use for payments, the riskiness of the banking business increases. Thus it was implied that it is therefore appropriate for banks to use digitalization to increase sales, better the quality of customer service and to improve scoring and financial monitoring systems.

Objectives

- To throw light on various phases of EASE Reforms.
- To analyse the association between EASE Reforms and the efficiency of Bank of Baroda.
- To evaluate the impact of EASE Reforms on the efficiency of Bank of Baroda.
- To forecast the EASE Index of Bank of Baroda.
- To focus on the areas of improvement needed for improving the EASE Index of Bank of Baroda.

Hypothesis

H1: The association between EASE Reforms Index and Cost-to-Income ratio of Bank of Baroda is significant.

H2: There is significant impact of EASE Reforms Index on the Cost-to-Income ratio of Bank of Baroda.

Research Methodology

- **Research Design-** This study is causal and correlational in nature.
- **Collection of Data-** The data is secondary in nature. It has been gathered from published annual reports, websites, articles, journals and other online resources.
- **Period of study-** Quarters of F.Y 2019-2020, 2020-2021, 2021-2022 and 2022-2023 have been considered for study.
- **Variables used-** EASE Reforms Index of Bank of Baroda has been taken as the measure of EASE Reforms and is the Independent Variable (I.V) and Cost-to-Income Ratio has been taken as the measure of efficiency of Bank of Baroda and is the dependent variable (D.V)
- **Statistical tools used-** Analysis have been done, using SPSS, through Bivariate Correlation **and** Linear Regression. Forecasting of "EASE Reforms Index" has been done using Advanced Excel.

Objective 1- To throw light on various phases of EASE Reforms:

EASE 1.0 and EASE 2.0, the first set of EASE reforms, promoted the growth of capacity across many banking-related sectors, including digitalization, technology, analytics, asset quality improvement, outcome-

centric HR, and overall governance. These changes made a substantial impact on the public-sector banking industry's performance, accountability, and transparency. On top of this foundation, subsequent yearly EASE editions continued to advance waves of changes aimed at closing the operational and competence gaps between banks in both sectors, public and private.

1. EASE 1.0

- The EASE 1.0 report marked an important contribution in resolving Non-Performing Assets (NPAs) transparently.
- It laid the groundwork for subsequent reforms by addressing the root causes of weaknesses in PSBs.
- The focus was on enhancing governance, risk assessment frameworks, technology-driven processes, and prudential underwriting systems.
- This initial phase set the stage for further transformative actions.

2. EASE 2.0

New reform action points have been introduced across six themes by the second phase of the reforms (EASE 2.0)

- Making reforms irreversible.
- Strengthening processes and systems.
- Driving outcomes.

The aim is to maintain the pace of positive transformation by focusing on –

- Digital customer experience
- Business improvement through analytics
- Capabilities development through technology and
- Enhancement through HR operations

Notably, the 'EASE' awards ceremony honours banks for their exceptional performance in executing the reform programme.

These measures have played an important role in establishing a robust and progressive financial landscape, thereby contributing to the country's economic growth and welfare.

Six themes of EASE 1.0 and EASE 2.0 reforms are-



Source: Report of BCG on EASE Reforms in PSBs.

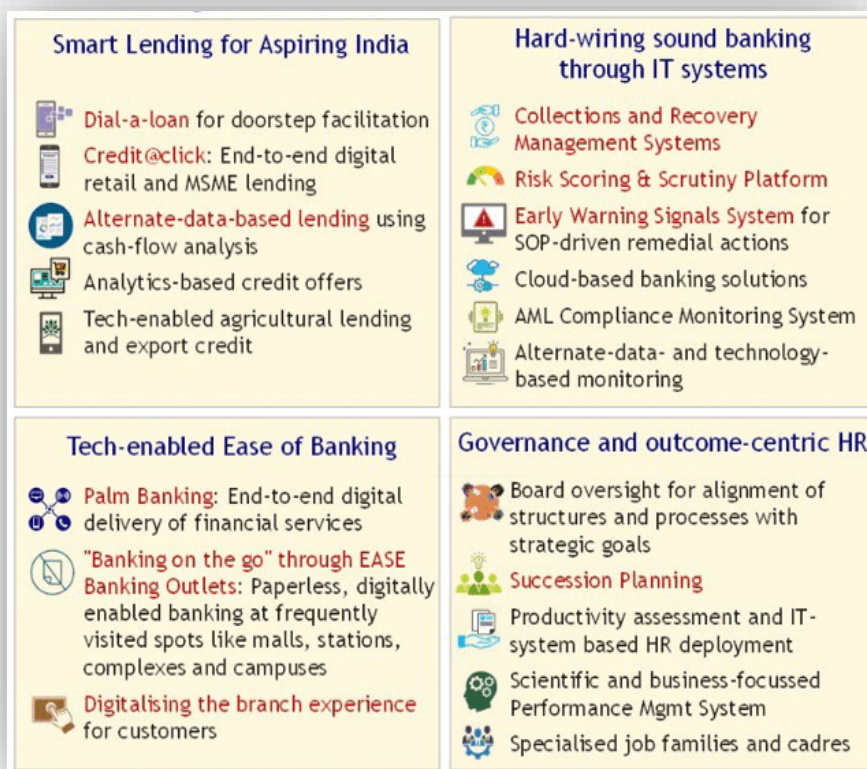
EASE 3.0

These reforms focus on improving various facets of PSBs to provide better services to customers. EASE 3.0 emphasizes **smart, tech-enabled banking** for aspiring India. Notable features include:

- **Dial-a-loan:** Facilitating doorstep loan initiation through digital channels.
- **Palm Banking:** End-to-end digital delivery of financial services.
- **Analytics-driven business improvement:** Leveraging data insights for better performance.

EASE 3.0 compelled PSBs to take proactive measures to raise staff cyber-awareness and contained reforms to promote cyber-resilience through the installation of information and data protection safeguards for mobile devices. The EASE 3.0 reforms agenda as a whole significantly strengthened the public sector banks.

EASE 3.0: Key Initiatives



Source: Report of BCG on EASE Reforms in PSBs.

EASE 4.0

EASE has evolved into the mainstay of PSB reforms. The establishment of the complete index has sped up the execution of various projects and increased customer focus in PSBs' business model and operations. PSBs have made concerted efforts to deeply embed reforms and maximise the value generated from them. They have completely reoriented their working methods to conform with the EASE methodology.

EASE 4.0, the next iteration of the EASE reforms, intends to advance the cause of customer-centric digital transformation and firmly integrate digital and data into PSBs' working practises.

Resilient technology and **new age 24x7** banking have been implemented to guarantee the continuous provision of banking services. This is achieved by guaranteeing the availability of a few chosen banking channels around-the-clock, enhancing the dependability of technology platforms, and coordinating internal PSB processes to provide these services.

Collaborative banking for synergistic outcomes aims to maximise synergies through collaboration between PSBs and with broader financial services ecosystem such as NBFCs for the coordinated handling of co-originated loans.

In addition to the above new themes, several other new reforms will be added to existing themes such as increased use of digital and data for Agri financing through collaborations with parties for alternate data exchange, driving impetus on digital payments in semi-urban and rural areas, at-scale adoption of doorstep banking services for PSB customers, etc. With the amalgamation of 13 PSBs into 5 PSBs now successfully complete, EASE 4.0 sets the agenda and roadmap to transform all PSBs into digital-attacker banks working hand-in-hand with key constituents of the financial services ecosystem to offer industry-best customer experience.

EASE 4.0: Key Initiatives



Source: Report of BCG on EASE Reforms in PSBs.

EASE 5.0

EASE 5.0 reforms are designed to enhance the performance, efficiency, and customer service of PSBs. Here are the key highlights:

1. Digital Customer Experience:

- EASE 5.0 emphasizes improving the digital banking experience for customers. This includes streamlining online services, enhancing mobile banking apps, and ensuring seamless digital transactions.

2. Integrated and Inclusive Banking:

- The reforms aim to create an integrated banking ecosystem that caters to diverse customer needs. This involves providing various services to underserved segments, such as rural areas and small businesses.
- Inclusivity also extends to financial literacy programs and promoting financial awareness among customers.

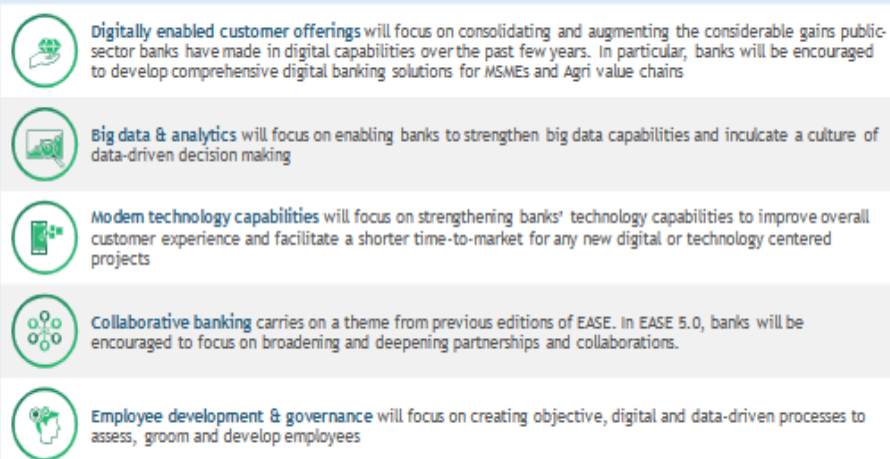
3. Support for Small Businesses and Agriculture:

- PSBs play a crucial role in supporting small and medium-sized enterprises (SMEs) and the agricultural sector. EASE 5.0 encourages banks to develop tailored solutions for these sectors, including credit facilities, advisory services, and technology adoption.

4. Strategic Roadmaps:

- Each PSB will create a three-year strategic roadmap that goes beyond EASE 5.0. These roadmaps will outline specific goals, targets, and action plans to enhance overall performance and competitiveness.

EASE 5.0 consists of 5 themes:

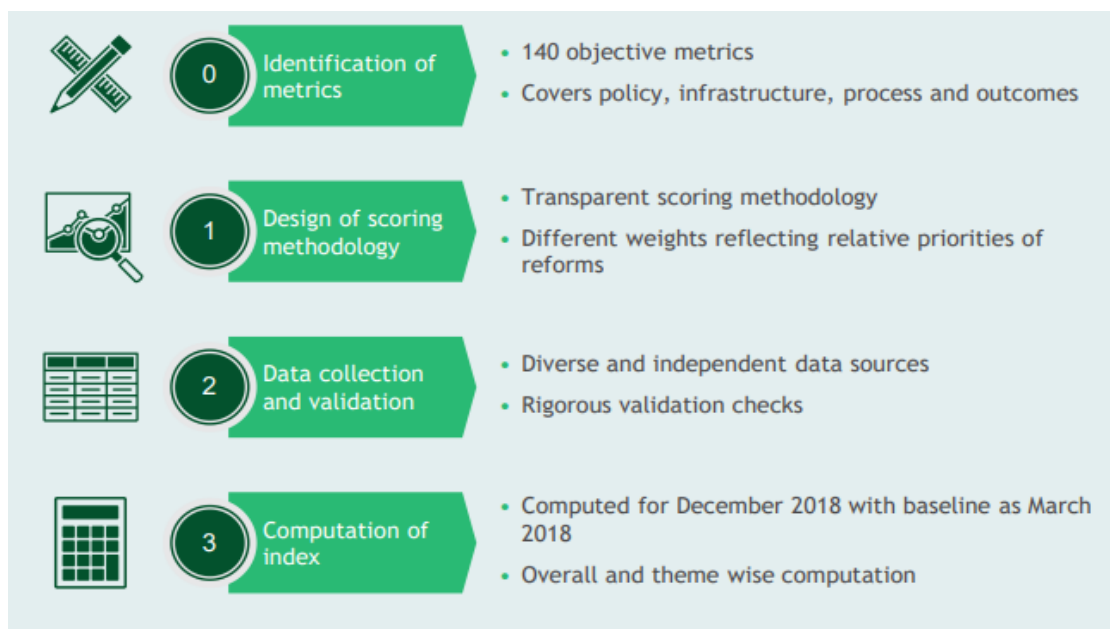


Source: Report of BCG on EASE Reforms in PSBs.

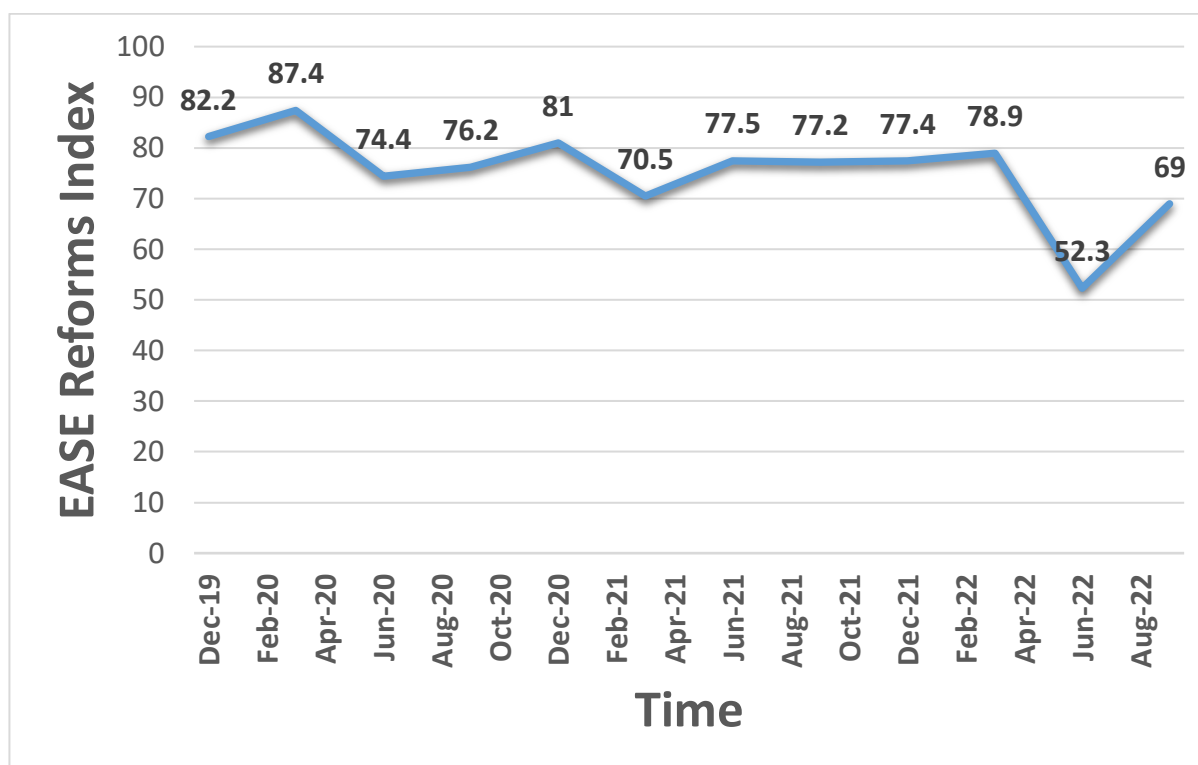
Objective 2- To analyse the association between EASE Reforms and the efficiency of Bank of Baroda.

“EASE” Index

- The Index was designed to provide the Board with a complete, unbiased, and benchmarked assessment of PSB performance. The index provides an impartial and comparative evaluation of where each PSB stands in relation to benchmarks and peers on the Reforms Agenda.
- The Index uses a fully open grading methodology, allowing institutions to evaluate both their strengths and opportunities for improvement. The goal is to continue driving change by creating a competitive environment for PSBs.



Source: Report of BCG on EASE Reforms in PSBs.

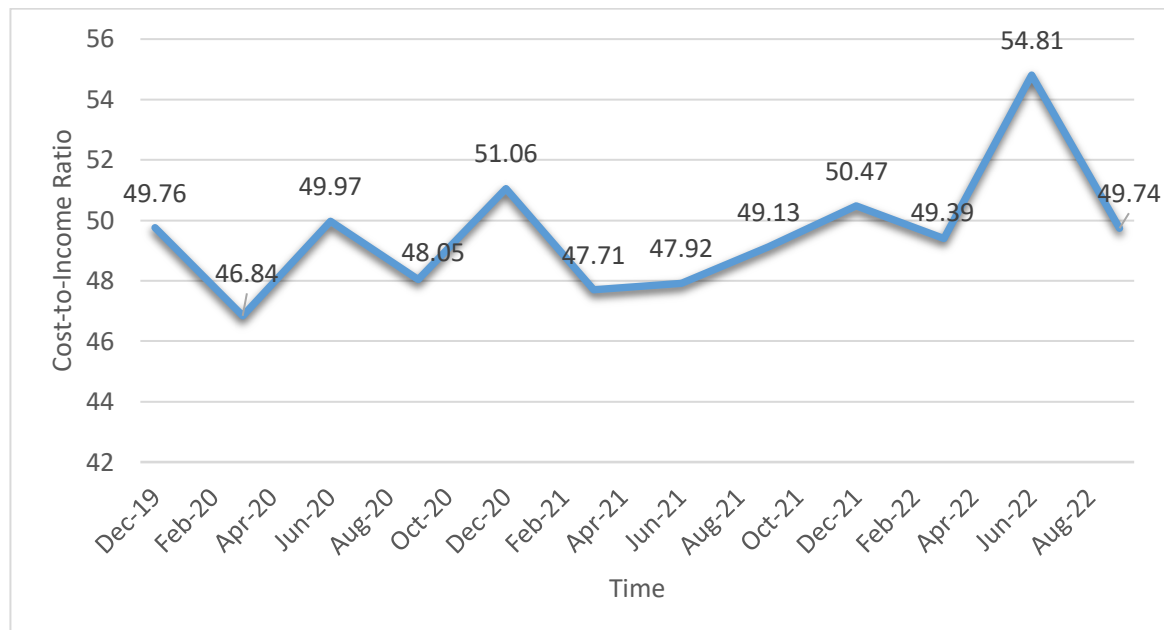


Source: M.S Excel

Cost-to-income ratio

- The cost-to-income ratio is a measure of efficiency that compares the operating expenses with the operating income.

➤ It is calculated by dividing the operating expenses by the operating income. The lower the cost to income ratio, the better the performance and vice-versa.



Source: M.S Excel

H1: The association between Index and Cost-to-Income ratio of Bank of Baroda is significant.

Correlations			
EASE Reforms Index	EASE Reforms Index		Cost-to-income Ratio
	Pearson Correlation		1
	Sig. (2-tailed)		.010
Cost-to-income Ratio	Cost-to-income Ratio		EASE Reforms Index
	Pearson Correlation		-.707*
	Sig. (2-tailed)		.010
N		N	
12		12	

The correlation coefficient (R) of -.707 depicts that degree of negative correlation between Index and Cost-to-income ratio is moderate. Also the correlation coefficient, at 5% level of significance, is significant, as P-value (.010) is less than .05.

Decision: H1 is accepted.

Objective 3- To analyse the impact of EASE Reforms on the efficiency of Bank of Baroda.

H2: The impact of EASE Reforms Index on the Cost-to-Income ratio of Bank of Baroda is significant.

Model Summary	
R	R Square
.707 ^a	.500

Coefficient of determination (R Square) is 0.500, which means 50% variation in dependent variable (cost-to-income ratio) is explained by independent variable (EASE index).

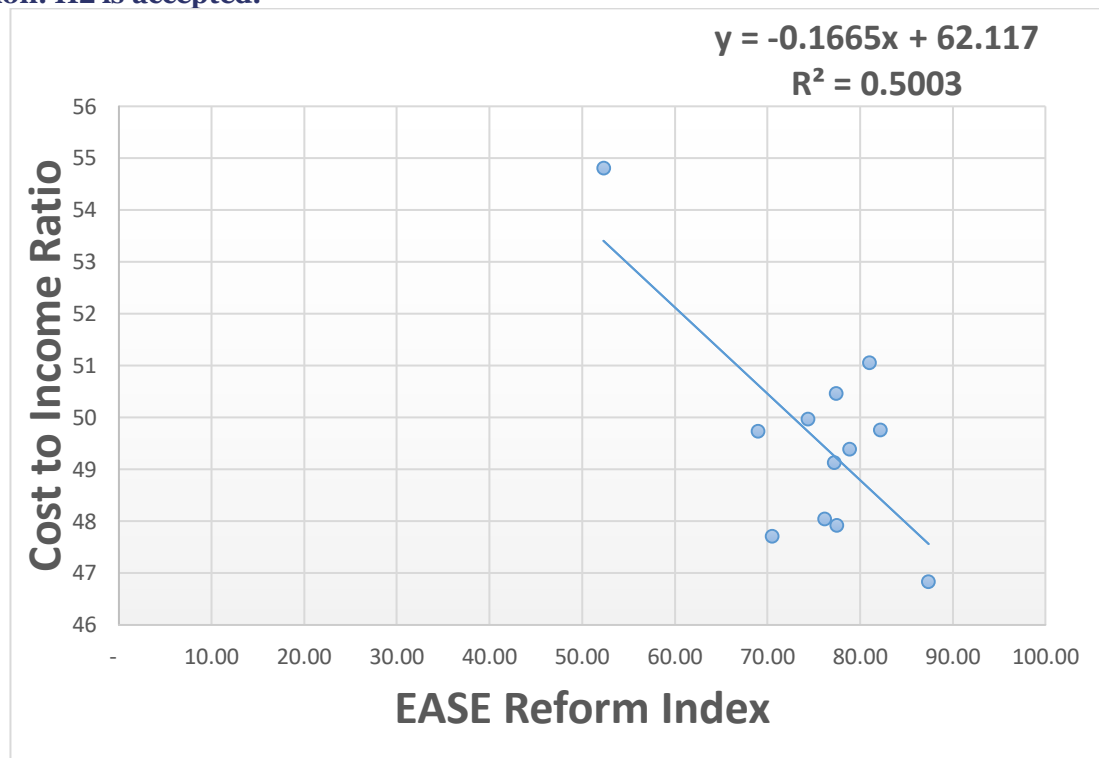
ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	23.457	1	23.457	10.013	.010 ^b

ANOVA tests the overall goodness of fit of fitted regression model. From above table it can be said that fitted model is significant as P-value of F- statistics is .010 which is < .05.

Value of Coefficients						
Model		Coefficients(Unstandardized)		Coefficients(Standardized)	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	62.117	3.990	-.707	15.570	.000
	EASE Reforms Index	-.167	.053		-3.164	.010

The constant or y intercept is 62.117 and the regression coefficient of cost-to-income ratio(Y) on EASE Index(X) is -.167. Hence the regression equation is $Y = 62.117 - .167X$. Also, the coefficient is significant at 5% significance level as p-value (0.010) is < 0.05 .

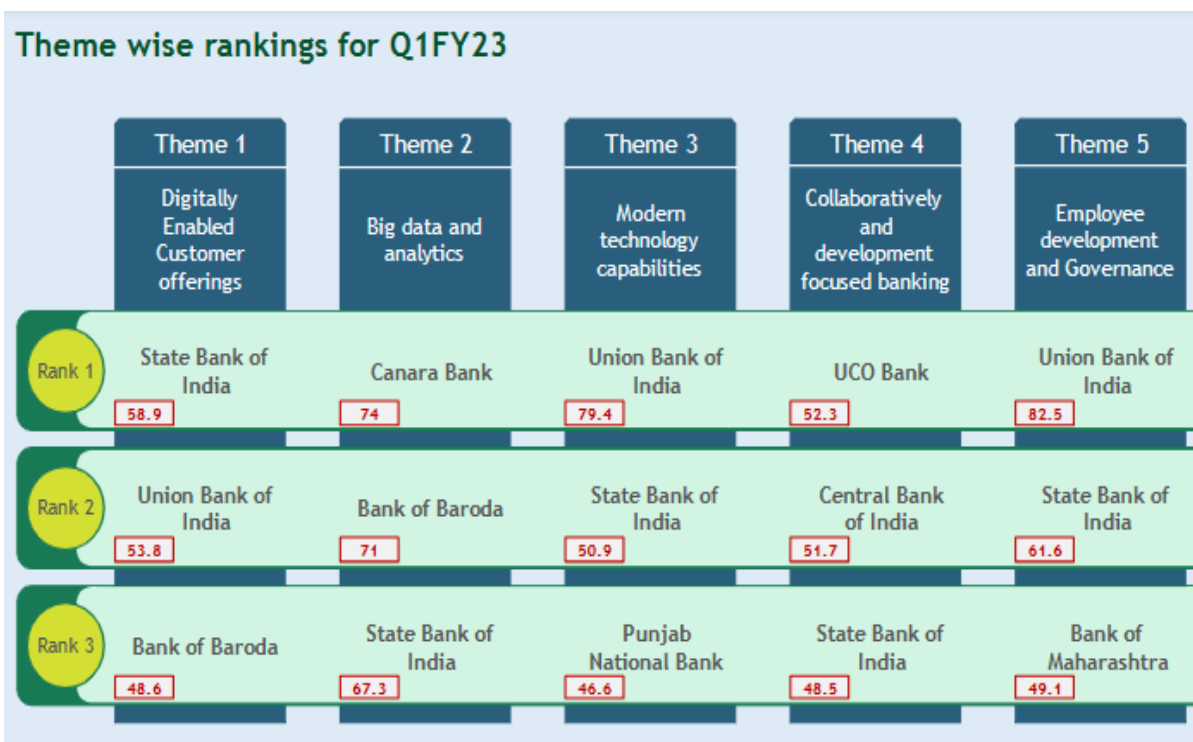
Decision: H2 is accepted.



Source: Imported from SPSS



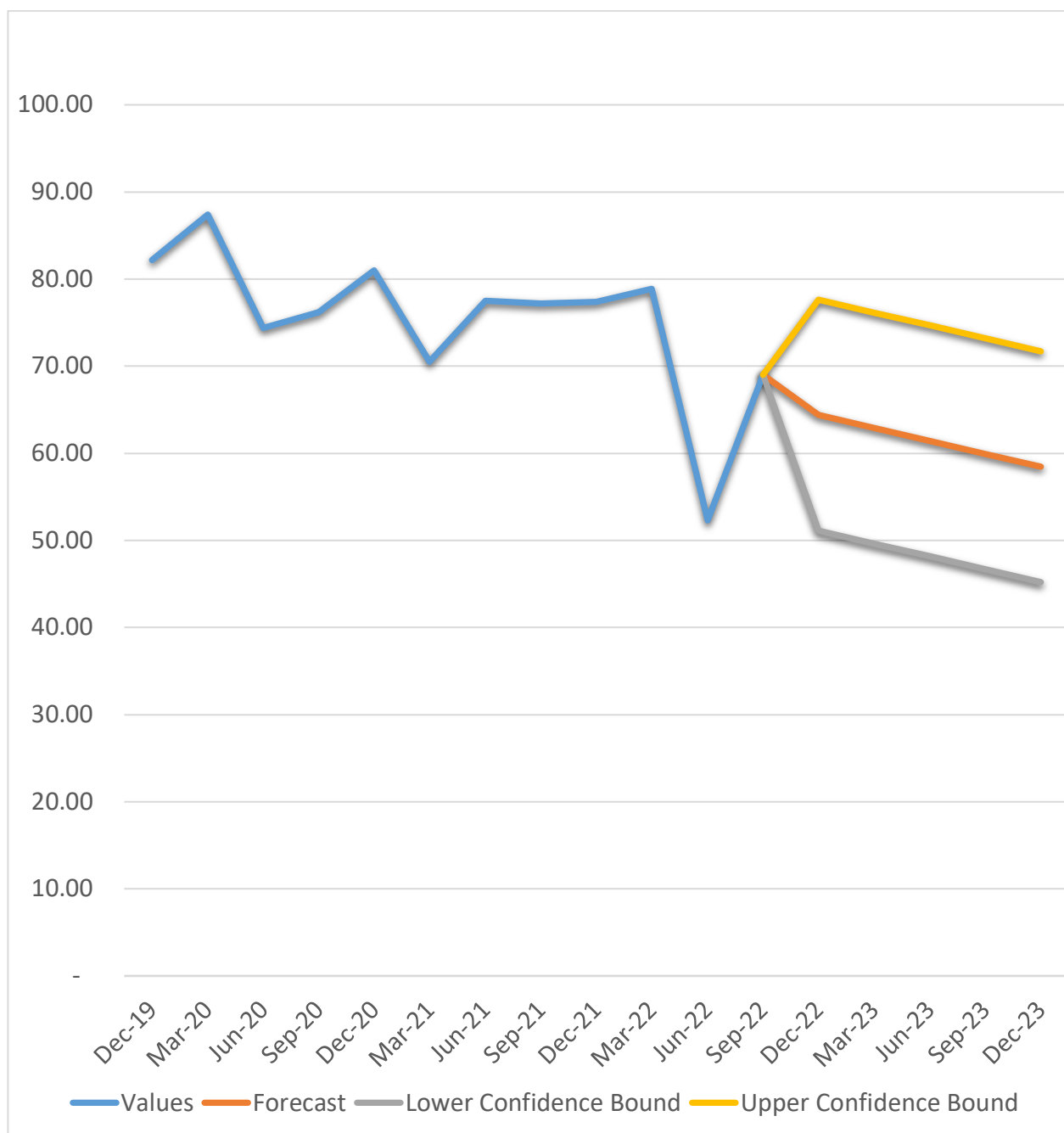
Source: Report of BCG on EASE Reforms in PSBs.



Source: Report of BCG on EASE Reforms in PSBs.

Objective 4- To forecast the EASE Index of Bank of Baroda.

Time	EASE Index	Forecast	Lower Confidence Bound	Upper Confidence Bound
Dec-19	82.20			
Mar-20	87.40			
Jun-20	74.40			
Sep-20	76.20			
Dec-20	81.00			
Mar-21	70.50			
Jun-21	77.50			
Sep-21	77.20			
Dec-21	77.40			
Mar-22	78.90			
Jun-22	52.30			
Sep-22	69.00	69.00	69.00	69.00
Dec-22		64.38	51.13	77.63
Mar-23		62.90	49.65	76.15
Jun-23		61.42	48.17	74.67
Sep-23		59.94	46.69	73.19
Dec-23		58.46	45.21	71.71



Source: M.S Excel

Objective 5- To highlight the areas of improvement needed for improving the EASE Index of Bank of Baroda.

Areas of improvement for Bank of Baroda

- It must prioritize a seamless omnichannel customer experience.
- It needs an analytics road map for the entire organization to ensure transparency and clarity on their aspiration for advanced analytics apart from sales management and risk management.
- Before launching efforts on specific use cases, it should recognise those areas where analytics will do the most to enhance their value propositions, in line with their business strategies. Over time it should extend analytics to other functions and set their ambitions for how analytics will help the organization in the years ahead.
- To improve modern technology capabilities, it should modernize the CBS by fully replacing it or by implementing greenfield core banking technologies and suites or by revamping and decomposing the existing CBS.
- It should use modernisation to yield benefits around customer experience, product innovation, operational efficiency, speed to market, reduced risk and future flexibility.
- Digital collaboration should be embedded into business process workflows promises to open up steep improvements in employee productivity, leading to significant value creation for the industry. It should

focus on building a flexible organisational framework that empowers individuals, delegates authority to teams, and fosters flexible relationships.

Results and Findings

- There correlation between EASE Index and Cost-to-Income ratio of Bank of Baroda is negative and significant in nature. It signifies that as the EASE index is rising, cost-to-income ratio is decreasing. Lower the cost-to-income ratio, higher is the efficiency of the bank.
- It was also found that the predicting variable (EASE index) has significantly impacted the dependent variable (cost-to-income ratio) by 50%.
- The fitted model of regression was found significant as P-value was less than .05.
- Thus, EASE Reforms have helped the bank in increasing its efficiency.

Conclusion

- Innovation in data collection, analytics, and channel strategies has enabled financial institutions to diversify the means of engaging consumers and build better relationships through real-time assistance.
- Financial institutions that have shifted from being intensive consumers of technology to making AI and analytics a core capability are finding it easier to shift into the real-time and consumer-centric ecosystem.
- Solutions for digital collaboration are useful for several banking procedures, including client segmentation and product categories. The potential benefits increase with the frequency of communication, the complexity of the information, and the number of processing decision points.
- Strong leadership is critical for transformation journey of PSBs.
- All banks need to strengthen the NPA recovery process.
- Banks need to continuously invest in digital trends to keep pace. Need for lateral hiring and integration is very high.
- With sustained drive and improvements, the EASE Agenda will catalyse the performance of PSBs that is vital for the overall economic development of the country.

Limitations

- The study period is insufficient.
- Other ratios could be used to assess Bank of Baroda's efficiency.

Implications of the Study

- The findings of the study extends the scope of academicians to further test the relationship between the EASE Index and cost-to-income ratio.
- The findings would help the banks in focussing on their weak areas so that their EASE Index can be improved.

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