GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA
UNSTARRED QUESTION NO. 2639

ANSWERED ON TUESDAY, 11TH AUGUST, 2026/ 20 SHRAVANA, 1948 (SAKA)

REDUCTION IN TURNAROUND TIME FOR RETAIL LOAN PROCESSING

2639 DR. M. THAMBI DURAI

Will the Minister of FINANCE be pleased to state:

(a) whether Government has received complaints regarding delays in sanction of retail loans by Public Sector Banks;

(b) whether Government proposes to prescribe uniform timelines for processing home, education and MSME loans;

(c) if so, the details thereof; and

(d) the steps taken to ensure transparency and accountability in loan processing?

ANSWER

MINISTER OF STATE FOR FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) : Yes, the Government receives complaints/Grievances pertaining to Public Sector Banks (PSBs) via the Centralized Public Grievance Redress and Monitoring System (CPGRAMS) including those regarding delays in sanction of retail loans by PSBs. These complaints are redressed by the Grievance Redressal officers of Public Sector Banks.

(b) and (c) : The regulatory framework of the Reserve Bank of India (RBI) is principle-based, with a view to provide operational flexibility to Regulated Entities (REs). Further the credit related matters of REs are largely deregulated and are governed by loan policies approved by the respective board of the banks. These policies are framed under the ambit of relevant regulatory and statutory requirements and terms and conditions of the loan agreement between the borrower and the regulated entities.

RBI has issued following advise to banks with respect to timelines for processing of below mentioned loans:

(i) MSMEs Loan: For loans up to ₹25 lakh to units in the MSE borrowers, banks are advised that the timelines for credit decisions shall not be more than 14 working days. For loans above the aforementioned limit, timelines shall be as per the sanction time norms approved by their board.

(ii) Education Loan: RBI vide circular RPCD.PLNFS.BC.NO.83/ 06.12.05/ 2000-01 dated April 28, 2001, on 'Educational Loan Scheme' has advised all Scheduled Commercial Banks to adopt Model Education Loan Scheme, formulated by Indian Banks' Association (IBA) which, *inter alia*, states that the sanction/ rejection of a loan is to be communicated within 15 days of receipt of duly completed application with supporting documents in the Bank.

(d) **:** In order to enhance transparency and accountability in loan processing RBI has taken several steps and has issued various instructions *inter alia* as mentioned below:

(i) Fair Practices: Scheduled Commercial Banks (SCBs) have been advised to acknowledge receipt of all loan applications, disclose relevant loan-related information, communicate credit decisions or reasons for rejection in writing, and disclose timelines for disposal of loan proposals.

(ii) Key Facts Statement (KFS): Regulated Entities (REs) shall provide a Key fact statement to all prospective borrowers in standardized prescribed format, which shall form part of loan agreement. It includes computation sheet of annual percentage rate (APR), amortisation schedule, loan tenor, charges levied including processing fees by REs or Third Party Service Provider. Any fees or charges not mentioned in the KFS cannot be charged without explicit consent.

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