GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 2491
ANSWERED ON MONDAY, AUGUST 4, 2025/SRAVANA 13, 1947 (SAKA)

NATIONAL LEVEL FRAMEWORK FOR RESPONSIBLE LENDING AND FAIR PRICING

2491. THIRU DAYANIDHI MARAN:

Will the Minister of Finance be pleased to state:

(a) whether the Government has any plans to incentivize household savings into bank deposits to ensure long-term financial system stability in light of the persistent divergence between loan and deposit growth;

(b) whether regulatory tweaks being considered to balance liquidity without distorting credit availability;

(c) whether the Government's view on introducing complementary fiscal buffers or coordinated liquidity tools to pre-empt systemic liquidity shocks in view of the RBI's intent to recalibrate the Liquidity Coverage Ratio (LCR) norms;

(d) whether the Government is contemplating a national-level framework for responsible lending and fair pricing in small-ticket loans, especially for vulnerable borrowers considering the growing stress in unsecured retail credit and microfinance segments; and

(e) whether the Government foresee the need for a disclosure-based oversight mechanism to monitor systemic interconnectedness and potential contagion risks as private credit markets grow rapidly outside the traditional regulatory net?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) to (e) The Government has undertaken comprehensive measures in recent years to enhance credit accessibility and promote financial inclusion. These include, *inter alia*, universal access to banking facilities through the Pradhan Mantri Jan Dhan Yojana (PMJDY), expansion of digital banking infrastructure, and enhancement of financial awareness across segments. As a result, deposit mobilisation has been strengthened and the overall health of the financial system has improved. As per provisional data of the Reserve Bank of India (RBI), as on March 2025, the year-on-year growth in deposits and credit of Scheduled Commercial Banks (SCBs) showed a divergence of merely one basis point, indicating macro-level alignment and a positive outlook for the financial sector.

The Reserve Bank of India (RBI), as the monetary authority, actively manages liquidity conditions through instruments such as the Liquidity Adjustment Facility (LAF), Standing Deposit Facility (SDF), Marginal Standing Facility (MSF), Variable Rate Reverse Repo (VRRR), and Open Market Operations (OMOs). These operations aim to inject or absorb liquidity, as warranted, to align system liquidity with the monetary policy stance, support efficient credit allocation, and preserve financial stability.

With regard to liquidity standards, the RBI has informed that it has issued revised guidelines on the Liquidity Coverage Ratio (LCR) vide circular dated 21.04.2025. The revised norms, effective from 01.04.2026, aim to enhance the resilience of banks and pre-empt systemic liquidity shocks. These include, *inter-alia*, higher run-off factors for deposits enabled with internet and mobile banking, reclassification of run-off rates for certain wholesale funding categories, and application of haircuts on Government securities held as High-Quality Liquid Assets (HQLA), in alignment with the LAF and MSF frameworks.

Various regulatory frameworks put in place by the RBI from time to time aim to promote responsible lending and borrower protection, including in respect of small-ticket unsecured loans accessed by vulnerable segments. These include the RBI (Regulatory Framework for Microfinance Loans) Directions, 2022; the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated 19.10.2023; and the guidelines on fair practices code for lenders under the Master Circular on Loans and Advances – Statutory and Other Restrictions dated 01.07.2015. These frameworks, *inter-alia*, collectively mandate fair pricing, provision of a standardised Key Facts Statement (KFS), and implementation of responsible recovery practices.

With a view to strengthening and institutionalising the mechanism for maintaining financial stability, enhancing inter-regulatory coordination, and promoting financial sector development, regulatory coordination is strengthened through institutional mechanisms such as the Financial Stability and Development Council (FSDC). Further, RBI monitors emerging financial vulnerabilities through its macroprudential surveillance framework.

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