

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

**LOK SABHA**  
**UNSTARRED QUESTION NO. 170**

ANSWERED ON MONDAY, DECEMBER 1, 2025/AGRAHAYANA 10, 1947 (SAKA)

**Lending Practices of Banks**

170. SHRI EATALA RAJENDER:  
SHRI CHAMALA KIRAN KUMAR REDDY:

Will the Minister of FINANCE be pleased to state:

- (a) whether banks in the country need to adhere to disciplined lending practices; and
- (b) if so, the details thereof and the measures taken by the Government in this regard?

**ANSWER**

THE MINISTER OF STATE FOR FINANCE  
(SHRI PANKAJ CHAUDHARY)

(a) and (b): The Reserve Bank of India (RBI) has issued guidelines to ensure that banks adhere to fair lending practices and penal charges in loan accounts. These guidelines aim to promote fairness, transparency, accountability in the lending practices of banks, address customer grievances arising from different practices in the imposition of penal charges, and to ensure that borrowers are treated fairly.

Further, banks have established a comprehensive credit appraisal system governed by their respective Board-approved lending policy, which is periodically reviewed, based on prevailing trends and dynamics of the market, regulatory guidelines, etc. to maintain its effectiveness. Further, risk assessment models are being validated and recalibrated periodically to ensure the robustness of credit risk models.

The Government/RBI, over the last few years, has also taken various reform measures to create robust credit appraisal and to improve the quality of lending and credit discipline. These include, *inter alia*, the following:

- (i) Setting up of Loan Management Systems and Centralised Processing Centres by the banks.
- (ii) Institution of technology- and data-driven risk scoring and scrutiny systems in banks that comprehensively factor in third-party data and non-financial risk factors and provide for higher scrutiny of high-risk cases.

- (iii) Institution of risk appetite frameworks in banks, and improved adherence to risk-based pricing.
- (iv) Adoption of improved credit policies that provide for improved consortium lending, ring-fencing of cash flows, and disbursement arrangements.
- (v) Recruitment of Chief Risk Officer and Chief Compliance Officer from the market, who report directly to the Board to enhance effectiveness of regulations.
- (vi) Through the Enhanced Access & Service Excellence (EASE) framework, an objective process of incremental reforms in sync with the evolving ecosystem has been institutionalized across PSBs. Areas of continued focus include – Governance, prudential lending, risk management, technology- and data-driven banking and outcome-centric HR.

\*\*\*\*\*