

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO- 325

ANSWERED ON MONDAY, FEBRUARY 02, 2026/MAGHA 13, 1947 (SAKA)

Participation of Foreign Banks

325. DR. AMAR SINGH:

Will the Minister of FINANCE be pleased to state:-

(a) whether the Government has initiated policy measures to allow greater participation of foreign banks in the country's financial system through a committee process involving Finance, Home, External Affairs and Commerce Ministries, signalling a calibrated embrace of global capital amid restored financial stability;

(b) if so, the details of the Government's assessment of how such foreign bank entry is likely to impact credit availability, competitiveness with domestic banks, regulatory oversight, risks of financial contagion and alignment with India's financial inclusion and innovation goals; and

(c) the comprehensive policy framework proposed by the Government to manage foreign bank participation while safeguarding the country's sovereignty in financial decision-making, ensuring equitable access to credit for priority sectors and reconciling external engagement with national self-reliance narratives?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) to (c): Under the Banking Regulation Act, 1949, grant or refusal of a license for banking business to a bank, including a foreign bank, is a function assigned to the Reserve Bank of India (RBI). As per the extant practice, applications that are found suitable from banking angle by RBI are sent to the Government where the same is examined through the Inter-Departmental Committee (IDC) of the Government of India. IDC is an inter-ministerial committee with members primarily from Ministry of Home Affairs (MHA), Ministry of External Affairs (MEA) and Department of Commerce (DoC) with Department of Financial Services, Ministry of Finance being the nodal department. Once the necessary clearances are given by the member ministries/department, the matter is then recommended by the IDC to RBI after which RBI takes further necessary action on the proposal.

As per Banking Regulation Act, 1949, all banks, including foreign banks are regulated and supervised by RBI. Further, in terms of the extant RBI Guidelines, foreign banks, *inter-alia*, are also required to adhere to same prudential norms, operational guidelines and corporate governance as applicable to domestic banks.

With regard to the priority sector lending (PSL) by foreign banks, RBI, *vide* its Master Directions, has prescribed targets and sub-targets for foreign banks too.
