GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 14
ANSWERED ON MONDAY, JULY 20, 2026/ASHADHA 29, 1948 (SAKA)

Reforms in the Banking and Non-Banking Financial Company Sector

14 SHRI SHRIRANG APPA CHANDU BARNE:
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SHRI RAVINDRA DATTARAM WAIKAR:
SHRI NARESH GANPAT MHASKE:
SHRI VISHALDADA PRAKASHBAPU PATIL:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has undertaken governance reforms in the banking and Non-Banking Financial Company (NBFC) sector to improve transparency, accountability and operational efficiency, if so, the details thereof and if not, the reasons therefor;
(b) whether the Government is considering granting banking licenses to eligible NBFCs to enhance credit delivery and financial inclusion, if so, the details thereof and if not, the reasons therefor;
(c) the steps taken to strengthen the financial health, governance and performance of Regional Rural Banks particularly in Madhya Pradesh and Maharashtra, if so, the details thereof and if not, the reasons therefor;
(d) whether measures have been taken to improve governance and strategic oversight of public financial institutions, if so, the details thereof; and
(e) the expected impact of these reforms on strengthening the banking sector and expanding institutional credit access?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a): Reserve Bank of India (RBI) has apprised that strengthening of corporate governance frameworks in banks is an ongoing exercise undertaken by RBI to ensure a robust, transparent and efficient banking system aligned with global best practices.

In the recent past, RBI has issued instructions pertaining to independence of Board and Board Committees, quorum requirements, requirement for a bank Chairperson to be an Independent Director, age and tenure limits, fit and proper criteria, succession planning, remuneration etc., in respect of Non-executive Directors (NEDs) as well as Whole-time Directors (WTDs), etc.

(b): In terms of the guidelines issued by RBI on 'On-tap' licensing of Universal Banks and Small Finance Banks in the Private Sector, dated 28.11.2025, existing NBFCs are permitted to apply to the Reserve Bank for promoting or conversion to Universal Bank and Small Finance Bank.

(c): As regards RRBs, the existing instructions on Governance, Board procedures, Committees of the Board etc. have been consolidated and issued as 'RBI (RRBs-Governance) Directions' on 28.11.2025. For better governance, Government has appointed Government Nominee Directors in the board of all RRBs. Further, Sponsor Banks have been advised to hand hold their respective RRBs for better corporate governance. To improve the financial health of RRBs, Government of India has infused capital support in RRBs.

To drive the benefits of scale efficiency and cost rationalization, RRBs in the states of Madhya Pradesh namely, Madhya Pradesh Gramin Bank and Madhyanchal Gramin Bank and RRBs in the state of Maharashtra, namely Maharashtra Gramin Bank and Vidharbha Konkan Gramin Bank were amalgamated w.e.f. 1.5.2025 and new entities namely Madhya Pradesh Gramin Bank and Maharashtra Gramin Bank are fully functional across the respective states.

(d): Government has undertaken several measures to strengthen governance and strategic oversight of Public Financial Institutions (PFIs). These include:

i. Appointment of Whole-time Directors through an independent body, namely the Financial Services Institutions Bureau (FSIB), to ensure a transparent and merit-based selection process.
ii. Nomination of Government Directors on the Boards of PFIs to provide oversight on their governance and operational matters.
iii. Conduct of performance reviews by the Government to monitor the functioning of PFIs and provide strategic guidance, wherever necessary.

(e): These reforms seek to further strengthen governance, transparency and operational efficiency, and promote sound and resilient financial institutions through improved risk management and oversight. These measures build upon the governance and prudential reforms undertaken over the years, which have contributed to a stronger banking sector, as reflected in the performance of Scheduled Commercial Banks (SCBs), with a record net profit of ₹4.31 lakh crore during FY 2025-26, Gross Non-Performing Assets (GNPA) at a historic low of 1.73%, Capital to Risk-weighted Assets Ratio (CRAR) of 17.68% and y-o-y bank credit growth of 15% as on 31.3.2026, thereby facilitating wider access to institutional credit.

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