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Banking for Viksit Bharat: the high-level committee gets to work

News: 18 November 2026 | Publication: 19 November 2026
Prelims: Economy, banking sector reforms, committees



Original symbolic illustration: pcsmantra.com

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Why in the news

The government-constituted 'High Level Committee on Banking for Viksit Bharat' has begun consultations with stakeholders to frame recommendations on banking sector reforms. The committee has circulated questionnaires to banks, non-banking financial companies (NBFCs), regulators and fintech firms, seeking suggestions to make Indian banking competitive, resilient, inclusive and future-ready.

Composition of the committee

Constitution: The government set up the committee in October 2026; it was announced by Finance Minister Nirmala Sitharaman in the Budget 2026-27.

Chairman: Shri Suresh N. Patel, former Central Vigilance Commissioner (CVC).

Members: Shri Shirish Chandra Murmu (Deputy Governor, RBI), Smt. Padmaja Chunduru (former MD & CEO, Indian Bank), Shri N.S. Vishwanathan (former Deputy Governor, RBI).

Member Secretary: Joint Secretary (Banking), Department of Financial Services.

Tenure: Six months.

Terms of Reference

According to the government's official release of 30 October 2026, the committee has seven tasks:

1. **Global competitiveness:** Assess current banking practices and prudential norms; adapt global best practices for India and provide a roadmap for globally competitive banks.
2. **Regulatory framework:** Review the regulatory and legal frameworks for banks, including Regional Rural Banks and Cooperative Banks, and suggest reforms for efficiency and ease of doing banking.
3. **Capital needs:** Assess long-term capital requirements of banks, Development Financial Institutions (DFIs) and NBFCs, with recommendations on funding sources to support credit growth.
4. **Cost of capital:** Examine differences in the cost of capital for business and suggest policy options to boost private investment.
5. **AI and digital:** Prepare a roadmap for AI and digital innovation in banking, with safeguards against cyber risks, and a strategy for a future-ready workforce.
6. **Priority sector lending:** Review the Priority Sector Lending (PSL) framework and the Lead Bank Scheme for relevance and effectiveness in inclusive credit delivery.
7. **Other matters:** Recommend on any other matter referred by the Government of India.

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The consultation process

First stage: In its first two meetings, the committee discussed key areas under its terms of reference and identified stakeholder groups, banks, NBFCs, DFIs, regulators, industry associations and fintech organisations.

Questionnaires: Structured questionnaires have gone to each group; consultation meetings with key stakeholders will follow.

Goal: The recommendations will be aligned with the Viksit Bharat 2047 goal.

Background: the reform-committee tradition

India has a long tradition of banking-reform committees, from the Committee on the Financial System (Narasimham I and II, 1991 and 1998) to the P.J. Nayak Committee (review of governance of bank boards, 2014, which recommended the Bank Board Bureau). What distinguishes the new panel is its long-horizon 2047 goal, its focus on new technology such as AI, and the aim of global competitiveness.

Why it matters for the exam

Committee chairpersons, years of constitution and terms of reference are permanent Prelims question areas. The committee is also an occasion to revise the banking-structure facts, RRBs, cooperative banks, DFIs, PSL and the Lead Bank Scheme.

The way forward

The real test comes when the report arrives within the six-month tenure, the implementation of recommendations, especially in sensitive areas such as cooperative banks and the PSL framework. The suggestions received in this consultation will indicate the direction of the final report.

Prelims Practice Questions

Question 1. Consider the following statements:

Statement 1: The 'High Level Committee on Banking for Viksit Bharat' was announced in the Budget 2026-27.

Statement 2: The committee is chaired by the Deputy Governor of the Reserve Bank of India.

Statement 3: A review of the Priority Sector Lending framework and the Lead Bank Scheme is part of the committee's terms of reference.

Which of the statements given above is/are correct?

(a) 1 and 2 only

(b) 1 and 3 only

(c) 2 and 3 only

(d) 1, 2 and 3

▼ **Answer and Explanation**

Correct answer: (b)

Statement 1 is correct: The committee was announced by Finance Minister Nirmala Sitharaman in the Budget 2026-27 and constituted in October 2026.

Statement 2 is incorrect: The chairman is former Central Vigilance Commissioner Suresh N. Patel; RBI Deputy Governor Shirish Chandra Murmu is a member.

Statement 3 is correct: The seven terms of reference in the government release expressly include a review of the PSL framework and the Lead Bank Scheme.

Question 2. Consider the following statements about the 'High Level Committee on Banking for Viksit Bharat':

Statement 1: The committee has a tenure of six months.

Statement 2: A former Deputy Governor of the Reserve Bank of India is a member of the committee.

Statement 3: The Member Secretary of the committee is the Joint Secretary (Banking), Department of Financial Services.

Which of the statements given above is/are correct?

(a) 1 and 2 only

(b) 2 and 3 only

(c) 1 and 3 only

(d) 1, 2 and 3

▼ **Answer and Explanation**

Correct answer: (d)

Statement 1 is correct: The committee's tenure is six months.

Statement 2 is correct: N.S. Vishwanathan (former Deputy Governor, RBI) is a member.

Statement 3 is correct: The Member Secretary is the Joint Secretary (Banking), Department of Financial Services.

Frequently Asked Questions (FAQ)

When and how did the Lead Bank Scheme begin?

A study group headed by Prof. D.R. Gadgil (report: October 1969) proposed an 'area approach' for expanding banking in rural areas; a bankers' committee under F.K.F. Nariman (November 1969) endorsed it, recommending each bank take 'Lead Bank' responsibility for certain districts. RBI introduced the scheme in December 1969. Its last major review was in 2009 by a committee under former RBI Deputy Governor Usha Thorat. As on 31 March 2025, 12 public sector banks and two private banks (Jammu & Kashmir Bank and ICICI Bank) hold Lead Bank responsibility across 782 districts. (Source: RBI's Lead Bank Scheme master circular, https://www.rbi.org.in/SCRIPTs/BS_ViewMasCirculardetails.aspx?id=12808)

What are the current Priority Sector Lending (PSL) targets?

Under RBI's PSL Master Directions (2025), effective 1 April 2025, domestic commercial banks (excluding RRBs and SFBs) must lend a total of 40 percent of ANBC or CEOBSE, whichever is higher, to the priority sector; sub-targets are 18 percent for agriculture, 7.5 percent for micro enterprises and 12 percent for advances to weaker sections. (Source: RBI's PSL Master Directions, 2025, https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12799)

Sources

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