APPENDIX-I

HIGHLIGHTS OF
NARSIMHAM COMMITTEE
REPORT ON
THE FINANCIAL SYSTEM

The Government of India appointed a Committee under the Chairmanship of Shri M. Narsimham to examine all aspects relating to the structure, organization, functions and procedures of the financial system. The Deputy Governor, Reserve Bank of India (Banking Operations), Chairmen of State Bank of India, IDBI, ICICI, Shri Manu Shroff, Shri Y. H. Melegam, Shri Mrinal Datta Chaudhari and the Additional Secretary (Banking) were the members of the Committee. The various functions entrusted to the Committee were as follows:

(I) Examination of the existing structure of the financial system and its various components and to make recommendations to improve the efficiency and effectiveness of the system with particular reference to the economy of operations, accountability and profitability of the commercial banks and financial institutions.

(II) Recommend measures for improving and modernizing the organizational systems, procedures and managerial policies.

(III) Recommend measures for infusing greater competitive vitality into the system, so as to enable the banks and financial institutions to respond more effectively to the emerging credit needs of the economy.

(IV) Examination of the cost, composition and adequacy of the capital structure of various financial institutions and to make recommendations in this regard.

(V) Review relative roles of different types of financial institutions in the financial system and to make recommendations for their balanced growth.

(V) Review the existing supervisory arrangements relating to various entities in the financial sector and to make recommendations for ensuring appropriate and effective supervision.

(VI) Review existing legislative framework and to suggest necessary amendments for implementing the recommendations.