

## Financial Sector Assessment (FSA) report 2025

**Prelims:** Current events of national and international importance

## Why in News?

The latest Financial Sector Assessment (FSA) report has stated that India would require impetus to boost private capital mobilization for becoming a \$30 trillion economy by 2047.

- Released by World Bank (WB)
- **Key takeaways** India's financial system has become more resilient, diversified, and inclusive since the last Financial Sector Assessment Program (FSAP) in 2017.
- *India's capital markets* (equity, government bonds and corporate bonds) have increased from 144 percent to about 175 percent of GDP since the last FSAP.

**Financial Sector Assessment Program (FSAP),** a joint program of the <u>International Monetary Fund (IMF) and WB,</u> undertakes a comprehensive and in-depth analysis of a country's financial sector.

- Highlights WB acknowledged the financial sector reforms helped India recover from various distress episodes of 2010's as well as the pandemic.
- India's expansion of regulatory authority on cooperative banks, tightening of key prudential rules, and reorganization of regulatory and supervisory departments.
- Scale-based regulation for NBFCs that recognises the different needs of this diverse industry.
- **Business continuity** for investors, framework for sustainable investments, mutual fund liquidity requirements, and the Corporate Debt Market Development Fund (CDMDF).
- Oversight in securities markets has been sound, backed by reforms, including enhancing collateral management.

- **Recommendations** Further-<u>strengthening of the credit risk</u> <u>management framework</u> for better supervision of banks and NBFCs.
- Development of <u>integrated approach to monitoring conduct</u> risks (especially for mutual funds) and strengthening standards of self-regulatory organizations for better oversight.
- <u>Developing risk sharing facilities</u>, and securitization platforms to further mobilize capital.

As per practice, as a concluding part of the FSAP, the **IMF** comes out with <u>Financial System Stability Assessment (FSSA)</u> report and the World Bank brings out the Financial Sector Assessment (FSA) report.

## References

- 1. The Hindu Financial Sector Assessment (FSA) report 2025
- 2. The Economic Times | reforms needed for \$30 tn economy: WB report on India

