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 International Monetary Fund (IMF) and WB, 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-*strengthening of the credit risk management framework* for better supervision of banks and NBFCs.
- Development of *integrated approach to monitoring conduct* risks (especially for mutual funds) and strengthening standards of self-regulatory organizations for better oversight.
- *Developing risk sharing facilities*, and securitization platforms to further mobilize capital.

*As per practice, as a concluding part of the FSAP, the **IMF** comes out with Financial System Stability Assessment (FSSA) 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

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