

Financial Stability Report 2017

Why in news?

\n\n

Financial stability report (FSR) of the RBI has been recently released.

\n\n

What is FSR?

\n\n

\n

- Financial Stability Report (FSR) is a biannual publication which reflects the overall assessment on the stability of India's financial system.

\n

- It will discuss India's resilience to risks emanating from global and domestic factors and issues relating to development and regulation of the financial sector.

\n

\n\n

What are the factors which makes Indian economy unstable?

\n\n

\n

- Public sector banks, which account for almost 70 per cent share in the country, even private banks are experiencing much turbulence on bad loans.

\n

- Group of public sector banks are also highly vulnerable to further declines in asset quality and higher provisioning needs.

\n

\n\n

\n

- Thus balance sheets of both public sector banks and quite a few large corporate houses are in terrible shape and were seen as a major obstacle to investment and reviving growth.

\n

\n\n

What are the recent findings of the report?

\n\n

- \n
 - Government hastaken steps to recapitalise public sector banks to enable them to lend afresh and institutionalise a system to reduce stressed loans through IBC.
 - \n
 - FSR has raised pertinent questions about such moves having a sustainable solution.
 - \n
 - Credit growth of scheduled commercial banks (SCBs) has improved but the banking stability indicator (BSI) suggests that the asset quality in the Indian banking sector is worsening.
 - \n
 - Report also points out there is a worrisome development in credit quality of large borrowers, who have aggregate exposure of Rs 5 crore or more.
 - \n
 - This essentially means that stressed companies are still not able to generate enough revenue to honour loan payments.
 - \n
 - FSR concludes that the gross non-performing assets GNPA ratio may increase to 10.8 per cent by March 2018 and further to 11.1 per cent by September 2018.

\n

\n\n

\n\n

Source: Business Standard

\n\n

Quick Fact

\n\n

BSI

\n\n

- \n
 - It is an asset quality indicator for banks.

\n

- It is the expected number of banks that could become distressed given that at least one bank has become distressed.

\n

- If BSI is higher more banks are expected to become distressed if one bank in the system is distressed.

\n

\n\n

\n

