

Financial Stability and Development Council (FSDC) - UPSC Notes

The Financial Stability and Development Council (FSDC) is an autonomous body constituted by the Government of India. UPSC Aspirants should be aware of the topics related to Finance and Economics in order to score more marks in the [IAS Exam](#).

Financial Stability and Development Council (FSDC) can be related to Indian Economy of the General Studies Paper 3 in the [UPSC Syllabus](#). Indian economy/Economics is part of both the UPSC Prelims Syllabus and the UPSC Mains Syllabus. Also, Economics is an optional subject choice in the IAS Mains exam. This highly relevant and scoring subject often poses a challenge to IAS aspirants, as they find it hard to make notes balancing both the static and dynamic components of the topics.

What is Financial Stability and Development Council (FSDC)?

The Financial Stability and Development Council (FSDC) was constituted by an Executive Order of the Union Government as a **non-statutory apex body** under the Ministry of Finance in 2010.

FSDC - Council Members

The membership of the FSDC is discussed below.

- The Finance Minister is the Chairman of the FSDC.
- Members of FSDC include Heads of the Financial Sector Regulators listed below:
 - Reserve Bank of India ([RBI](#))
 - Insurance Regulatory and Development Authority (IRDA)
 - [Securities and Exchange Board of India](#) (SEBI)
 - Pension Fund Regulatory and Development Authority (PFRDA)
- Other members are Finance Secretary, Chief Economics Advisor and Secretary of the Department of Financial Services.

FSDC Member Reforms

The government reconstituted the FSDC to include the following Members in the Council:

- Minister of State responsible for the Department of Economic Affairs (DEA)
- Secretary of the Department of Electronics and Information Technology
- Revenue Secretary
- Chairman of the Insolvency and Bankruptcy Board of India (IBBI)

The reconstitution would make FSDC more broad-based to incorporate changes in the economic regulatory framework of the country.

Functions of FSDC

The Financial Stability and Development Council was established as an autonomous body dealing with macroprudential and financial regularities in the entire financial sector of India.

- The body envisages to strengthen and institutionalize the mechanism of maintaining financial stability, financial sector development, inter-regulatory coordination along with monitoring macro-prudential regulation of the economy.
- It must be noted that no funds are separately allocated to the council for undertaking its activities.

Responsibilities of FSDC

The FSDC's responsibilities are listed below:

1. Bringing about stability in the financial sector
2. Development of the Financial Sector
3. Coordination of Inter-Regulatory bodies
4. Promoting financial literacy
5. Ensuring financial inclusion
6. Macroprudential supervision of the economy including the functioning of large financial conglomerates.
7. Coordinating India's international interface with financial sector bodies like the [Financial Action Task Force \(FATE\)](#), Financial Stability Board (FSB) and any such body as may be decided by the Finance Minister from time to time.

UPSC Questions related to FSDC

Who is the chairman of Financial Stability and Development Council?

As of 2020, Smt. Nirmala Sitharaman, the Finance Minister of India is the Chairman of FSDC.

When was Financial Stability and Development Council established in India?

The Financial Stability and Development Council (FSDC) was established in December 2010 as a non-statutory apex body under the Ministry of Finance.

Is FSDC a statutory body?

FSDC is not a statutory body.

What is the meaning of financial stability?

- Financial stability means financial institutions individually and collectively being able to deliver their functions properly, withstanding external shocks and avoiding internal weaknesses.
- The 'India Financial Stability Report' published by the Reserve Bank of India, (March 2010) defines financial stability: "From a macroprudential perspective, financial stability could be defined as a situation in which the financial sector provides critical services to the real economy without any discontinuity."

