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Financial Stability Report (FSR) 2020

Financial Stability Report 2020

On July 24, 2020, the Reserve Bank of India released the 21st Issue of the Financial Stability Report (FSR). A collective assessment of the Sub-Committee of the Financial Stability and Development Council (FSDC) works this report.

In response to the outbreak of the Novel Coronavirus in India in the year 2020, a combination of fiscal, monetary and regulatory interventions on an unprecedented scale ensured normal functioning of financial markets.

Global Economic prospects faced a downfall in the first half of the year due to the pandemic.

Given below is an overview of the Financial Stability Report 2020. IAS Exam aspirants can refer to the following important points regarding the report:

- **Macro-Financial Risks**
    - The discovery of a vaccine shall impact the further development of financial markets
    - Global geopolitical tensions, overleveraged non-financial sectors, the ongoing losses of jobs and incomes impart heightened uncertainty to the outlook
- Credit growth of Scheduled Commercial Banks slid down to 5.9% by March 2020
- The capital to risk-weighted assets ratio (CRAR) of Scheduled Commercial Banks slid down to 14.8% in March 2020
- The gross non-performing assets (GNPA) ratio fell to 8.5%
- Overall provision coverage ratio (PCR) increased from 61.6% to 65.4%
- **Non-Banking Finance Companies (NBFC's) and Housing Finance Companies (HFC's)**
    - Asset Management Companies/Mutual Funds (AMC-MFs) were the biggest fund providers in the system
    - NBFCs and HFCs were the biggest fund receivers in the system
- To maintain market integrity and resilience in the face of severe risk aversion by market participants during the lockdown, major regulatory measures were taken up by the authorities
- According to the latest systemic risk survey, all major risk groups, viz., global risks, risk perceptions on macroeconomic conditions, financial market risks and institutional positions were perceived as 'high', affecting the financial system.
- Among macroeconomic risks, risks to domestic growth and fiscal housekeeping were perceived to be 'very high', while risks on account of reversal/slowdown in capital flows, corporate sector vulnerabilities, real estate prices and household savings were perceived to be 'high'
- Major Causes of Significant Slowdown in Global Growth
    - The biggest reason was the COVID-19 lockdown which massively slowed down the economic growth
    - Geo-Political Risks
    - Trade tensions

Related Links		
Global Financial Stability Report	Economic Contagion	Objectives of Government

2020		Budget
Reserve Bank of India	Economic Survey 2020	Micro Finance in India
Economic Planning in India	International Monetary Fund (IMF)	Monetary Policy