

Financial Stability Report 2021

The Reserve Bank of India released the 24th issue of the Financial Stability Report (FSR) on December 29, 2021. This report reflects the collective assessment of the Sub-Committee of the Financial Stability and Development Council (FSDC) on risks to financial stability and the resilience of the financial system.

Highlights

The highlights of the financial stability report 2021 are as follows:

Macro financial Risks

 The global economic recovery has been losing momentum in the second half of 2021 in the face of resurfacing COVID-19 infections, the new variant Omicron, supply disruptions and bottlenecks, elevated inflationary levels and shifts in monetary policy stances and actions across advanced economies and emerging market economies.

Domestic Economy and Markets

- On the domestic front, progress in vaccination has enabled the recovery to regain traction after the debilitating second wave of the pandemic, notwithstanding signs of slowing pace more recently.
- The corporate sector is gaining strength.
- Bank credit growth is showing signs of a gradual recovery, led by the retail segment, although flow of credit to lesser rated corporates remains hesitant.
- Micro, small and medium enterprises (MSMEs) as also the micro finance segment are reflecting signs of stress.

Financial Institutions: Soundness and Resilience

• The capital to risk-weighted assets ratio (CRAR) of scheduled commercial banks (SCBs) rose to a new peak of 16.6 per cent and their provisioning coverage ratio (PCR) stood at 68.1 per cent in September 2021.



- The CRAR of urban co-operative banks (UCBs) stood at 12.9 per cent in September 2021 while that of NBFCs stood at 26.3 per cent.
- Macro stress tests for credit risk indicate that the gross non-performing asset (GNPA) ratio of SCBs may increase from 6.9 per cent in September 2021 to 8.1 per cent by September 2022 under the baseline scenario and to 9.5 per cent under a severe stress scenario.
- SCBs would, however, have sufficient capital, both at the aggregate and individual levels, even under stress conditions.

Regulatory Initiatives and Other Developments in the Financial Sector

- Financial regulators are devoting attention to distilling the lessons learned from the pandemic, analysing
 the ripple effects of rollback of policy support measures and enhancing the resilience of the financial
 system.
- On the domestic front, Government and financial sector regulators continued with their efforts towards achieving a sustainable recovery and enhancing the resilience of the financial system.

Important Regulatory Measures

- Access for Non-banks to Centralised Payment Systems.
- A Comprehensive Financial Inclusion Index (FI-Index) has been introduced.
- Payments Infrastructure Development Fund (PIDF) Scheme extended to street vendors.
- The three existing Ombudsman Schemes for Banks, NBFCs and System Participants were merged into a single scheme viz., the Reserve Bank – Integrated Ombudsman Scheme, 2021 adopting the 'One Nation One Ombudsman' approach for grievance redressal.