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भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001
DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001
फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 22660358

वेबसाइट : www.rbi.org.in/hindi
Website : www.rbi.org.in
इ-मेल email: helpdoc@rbi.org.in

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**RBI Working Paper Series 2:**
**Indian banks could be more competitive on lending front if they achieve 100 per cent NSFR**

The Reserve Bank of India today placed on its website a Working Paper titled "Net Stable Funding Ratio – An Estimate for Scheduled Commercial Banks in India" under the Reserve Bank of India Working Paper Series*. The working paper has been authored by Dr. P. Bhuyan and Dr. A.K. Srimany.

Net Stable Funding Ratio (NSFR) is one of the two new liquidity ratios introduced by the Basel Committee on Banking Supervision (BCBS) after the financial crisis that began in 2007. NSFR defined as percentage ratio of available stable fund to required stable fund divulges liquidity risk in medium and longer term horizon and should be greater than 100. This paper estimates the ratio for scheduled commercial banks (SCBs) in India at end March 2012 based on the guidelines issued by Basel Committee on Banking Supervision (BCBS).

Major findings of the study are:

i) Estimated NSFR is found to be less than 100 per cent in respect of quite a few SCBs.

ii) Majority of the banks with balance sheet size less than ₹ 1,000 billion had the ratio below 100 per cent.

iii) A few banks in India may have to make some restructuring in their balance sheets to achieve NSFR of at least 100 per cent.

iv) Lending rate at system level (all SCBs taken together) may go up by a few basis points to achieve NSFR of at least 100 per cent.

v) Increased income from other sources (non-interest income) would, however, reduce the impact of the increase in lending rate to meet NSFR.

vi) Indian SCBs would be more competitive on the lending front on implementation of 100 per cent NSFR.

**The Reserve Bank of India introduced the RBI Working Papers series in March 2011. These papers present research in progress of the staff members of the Reserve Bank and are disseminated to elicit comments and further debate. The views expressed in these papers are those of authors and not of the Reserve Bank of India. Comments and observations may kindly be forwarded to authors. Citation and use of such papers should take into account its provisional character.*

**Sangeeta Das**
Director

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