प्रेस प्रकाशनी PRESS RELEASE

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: 022- 22610835 फैक्स/Fax: 91 22 22660358

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

December 21, 2017

RBI releases December 2017 Financial Stability Report

The Reserve Bank of India today released the Financial Stability Report (FSR) December 2017, a biannual publication and the 16th in the series.

The FSR reflects the overall assessment on the stability of India's financial system and its resilience to risks emanating from global and domestic factors. The Report also discusses issues relating to development and regulation of the financial sector.

Overall assessment of systemic risks

- India's financial system remains stable. Notwithstanding the efforts to normalise monetary policy by the Federal Reserve and the Bank of England, financial conditions in the advanced economies remain accommodative. Commodities space is firming up. Increased geopolitical risks imply likely volatility in commodity prices.

Global and domestic macro-financial risks

- The global economy has picked up steam and the growth momentum appears sustainable. In the emerging market context, exports are growing at their fastest clip in six years on the back of a pick-up in global growth.
- In terms of structural change, the information technology-led growth is possibly making the world a lot more unequal.
- Domestic growth rebounded in 2017-18:Q2 after initial hiccups associated with the roll-out of the nationwide goods and services tax (GST) coming on the back of demonetisation.
- The overall investment climate remains challenging though the situation has

shown improvement since 2017-18:Q1. The positive signals of improvement - ‘the decline in number and cost of stalled projects in 2017-18:Q2’, ‘the efforts to improve the quality of government expenditure’, ‘ease of doing business ranking’, ‘India’s sovereign rating upgrade by Moody’s’ and the ‘bank recapitalisation announcement’ are expected to provide a significant fillip to investment sentiments in the coming quarters.

- The overhang of liquidity conditions in the wake of demonetisation has led to unprecedented fund flows to both equity and debt mutual funds. Foreign portfolio investment (FPI) flows into the capital market also remained buoyant with a greater preference for debt.

Financial Institutions: Performance and risks

- The overall risks to the banking sector remained elevated due to asset quality concerns. Credit growth of scheduled commercial banks (SCBs) showed an improvement between March and September 2017, while public sector banks (PSBs) continued to lag behind their private sector peers.
- The gross non-performing advances (GNPA) ratio and the stressed advances ratio of the banking sector increased between March 2017 and September 2017.
- Stress test suggests that in the baseline scenario, GNPAs of the banking sector may rise from 10.2 per cent of gross advances in September 2017 to 10.8 percent in March 2018 and further to 11.1 per cent by September 2018.
- SCBs’ return on assets (RoA) remained unchanged at 0.4 per cent between March and September 2017 while PSBs have continued to record negative profitability ratios.
- Overall, capital to risk-weighted assets ratio (CRAR) improved from 13.6 per cent to 13.9 per cent between March 2017 and September 2017.
- The share of large borrowers both in total SCBs’ loans as well as GNPAs declined between March and September 2017.
- GNPAs of the NBFC sector as a percentage of total advances increased between March 2017 and September 2017.
- The network analysis indicates that the degree of interconnectedness in the

banking system has decreased gradually since 2012. The joint solvency-liquidity contagion analysis shows that the losses due to default of a bank have declined.

- From the perspective of larger financial system, SCBs continued to be the dominant players accounting for nearly 47 per cent of the bilateral exposure followed by asset management companies managing mutual funds (AMC-MFs), non-banking financial companies (NBFCs), insurance companies, housing finance companies (HFCs) and all-India financial institutions (AIFIs).

Jose J. Kattoor
Chief General Manager

Press Release: 2017-2018/1713