



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

ई-मेल/email: helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

Department of Communication, Central Office, S.B.S.Marg, Mumbai-400001

फोन/Phone: 022- 22660502

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RBI releases the Financial Stability Report, July 2021

Today, the Reserve Bank released the 23rd issue of the [Financial Stability Report \(FSR\)](#), which 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 in the context of contemporaneous issues relating to development and regulation of the financial sector.

Highlights:

- Sustained policy support, benign financial conditions and the gathering momentum of vaccination are nurturing an uneven global recovery.
- Policy support has helped in shoring up financial positions of banks, containing non-performing loans and maintaining solvency and liquidity globally.
- On the domestic front, the ferocity of the second wave of COVID-19 has dented economic activity, but monetary, regulatory and fiscal policy measures have helped curtail the solvency risk of financial entities, stabilise markets, and maintain financial stability.
- The capital to risk-weighted assets ratio (CRAR) of scheduled commercial banks (SCBs) increased to 16.03 per cent and the provisioning coverage ratio (PCR) stood at 68.86 per cent in March 2021.
- Macro stress tests indicate that the gross non-performing asset (GNPA) ratio of SCBs may increase from 7.48 per cent in March 2021 to 9.80 per cent by March 2022 under the baseline scenario; and to 11.22 per cent under a severe stress scenario, although SCBs have sufficient capital, both at the aggregate and individual level, even under stress.
- Going forward, as banks respond to credit demand in a recovering economy, they will need to reinforce their capital and liquidity positions to fortify themselves against potential balance sheet stress.