

## Annex-1

### Systemic Risk Survey

The Systemic Risk Survey (SRS) was introduced by the Reserve Bank of India in October 2011 to capture the views of market participants and other stakeholders on the aggregate risks facing the financial system. The present survey of October 2013 is the fifth in the series.

Perceptions of market experts have not changed significantly since the previous survey conducted in April 2013. Global and domestic macro-economic risks are perceived as the major risks threatening the financial system. However, the intensity of the global risks within the major risk groups remained unchanged. Market risks and Institutional risks were perceived to have medium impact in these surveys (Figure 1).

The current survey indicates that among the global risks, risk on account of global slowdown has receded slightly and sovereign risks have moved to medium risk from high risk category as perceived in the previous survey, while global funding risks have scaled up from medium to high risk category. On the domestic macro-economic front, deterioration in domestic economic outlook is considered to be most critical, up from medium risk category in previous survey to high risk. Risk from domestic inflation, corporate leverage and household savings have also increased marginally. On the other hand, risks arising from CAD, fiscal, sovereign downgrade and infrastructure were perceived to have receded in the current survey. The foreign exchange risk, asset quality deterioration and additional capital requirements of banks have also been mentioned as other risks (Figure 2). The perception about confidence in the Indian financial system has deteriorated during the past six months (Chart 1).

On likely changes about credit off-take in next three months, respondents felt that credit demand is likely to remain unchanged or may increase marginally. Regarding credit quality, majority of respondents felt that it is likely to deteriorate in the near future (Chart 2).

**Figure 1: Major Risk Groups identified in Systemic Risk Surveys – October 2013**

Major Risk Groups	Oct-13	Change	Apr-13	Change	Oct-12	Change	Apr-12	Change	Oct-11
A. Global Risks		↔		↔		↑		↔	
B. Macro-economic Risks		↑		↑		↓		↓	
C. Market Risks		↑		↓		↓		↔	
D. Institutional Risks		↔		↑		↔		↓	
E. General Risks		↔		↓		↔		↔	

**Note:**

**Risk Category**

<b>Very high</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Very low</b>

Change in risk since last survey		
↑	↔	↓
Increased	Same	Decreased

*The risk perception, as emanates from the systemic risk survey conducted at different time points (on half yearly basis in April and October), may shift (increase/ decrease) from one category to the other, which is reflected by change in colour. However, within the same risk category (i.e. the boxes with same colour), the risk perception may also increase/ decrease or remain the same, which have been shown by the arrows. The shift in risk perception is between to consecutive surveys.*

**Source:** RBI, Systemic Risk Surveys – October 2011 to October 2013 (Half yearly)

Figure 2 : Various Risks identified in Systemic Risk Survey – October 2013

Risk Item	Oct-13	Changes	Apr-13
<b>A. Global Risks</b>	Global slow down	↓	
	Sovereign Risk / Contagion	↓	
	Funding Risk (External Borrowings)	↑	
	Global Inflation / Commodity Price Risk (including crude oil prices)	↔	
	Other Global Risks	↑	
<b>B. Macro-economic Risks</b>	Deterioration in domestic economic outlook	↑	
	Domestic Inflation	↑	
	Current Account Deficit	↓	
	Capital inflows/ outflows (Reversal of FIIs, Slow down in FDI)	↔	
	Sovereign rating downgrade	↓	
	Fiscal Risk (High Fiscal deficit)	↓	
	Corporate Sector Risk (High Leverage/ Low Profitability)	↑	
	Lack / Slow pace of Infrastructure development	↓	
	Real Estate Prices	↔	
	Household savings	↑	
	Political Risk	↓	
	Other Macroeconomic Risks	↓	
	<b>C. Market Risks</b>	Foreign Exchange Rate Risk	↑
Equity Price Volatility		↔	
Funding Risk / Liquidity Risk/ Interest Rate Risk		↓	
Other Market Risks		↑	
<b>D. Institutional Risks</b>	Regulatory Risk	↔	
	Asset quality deterioration	↑	
	Additional capital requirements of banks	↑	
	Funding difficulties of banks	↓	
	Low credit off-take	↓	
	Excessive credit growth	↔	
	Operational Risk	↓	
	Other Institutional Risks	↑	
<b>E. General Risks</b>	Terrorism	↓	
	Natural disaster	↔	
	Social unrest (Increasing inequality)	↔	
	Other General Risks	↔	

Note:

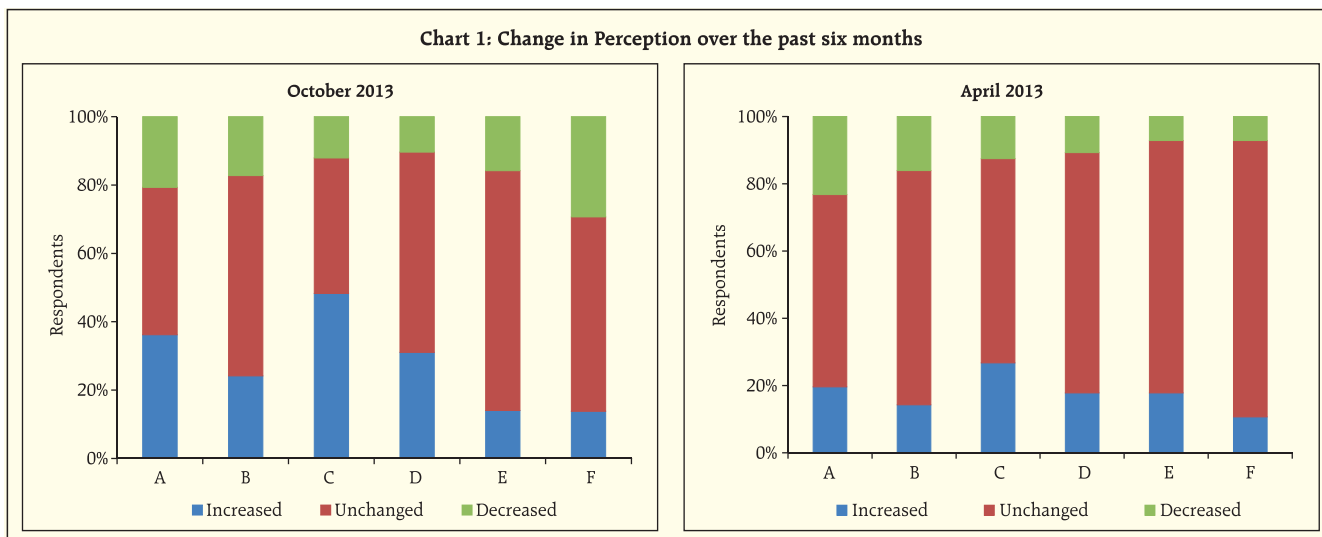
Risk Category

Very high	High	Medium	Low	Very low
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Change in risk since last survey		
↑	↔	↓
Increased	Same	Decreased

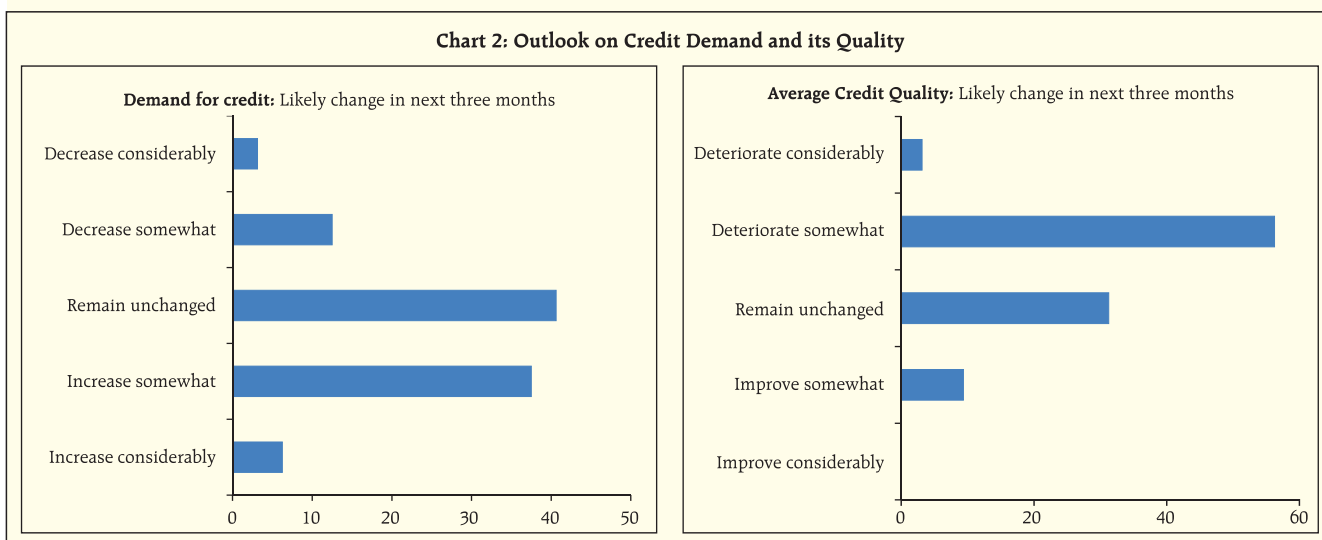
The risk perception, as emanates from the systemic risk survey conducted at two time points, may shift (increase/ decrease) from one category to the other, which is reflected by change in colour. However, within the same risk category (i.e. the boxes with same colour), the risk perception may also increase/ decrease or remain the same, which have been shown by the arrows.

Source: RBI. Systemic Risk Surveys – April 2013 and October 2013



**Note:** A: High impact event occurring in the global financial system in the period ahead (In Short Term : upto 1 year)  
 B: High impact event occurring in the global financial system in the period ahead (In Medium Term : 1 to 3 years)  
 C: High impact event occurring in the Indian financial system in the period ahead (In Short Term : upto 1 year)  
 D: High impact event occurring in the Indian financial system in the period ahead (In Medium Term : 1 to 3 years)  
 E: Confidence in the stability of the global financial system as a whole  
 F: Confidence in the stability of the Indian financial system

**Source:** RBI, Systemic Risk Surveys – April 2013 and October 2013



**Source:** RBI, Systemic Risk Survey – October 2013