

## DESPITE NBFC CRISIS FINANCIAL SYSTEM STABLE; NPAs FALL TO 9.3% IN FY19: RBI REPORT

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

MUMBAI: The country's financial system "remains stable" despite recent setbacks and the NPA cycle has "turned around" with a sharp reduction in the ratio of dud assets to 9.3 percent, the Reserve Bank said Thursday in the Financial Stability Report.

The non-performing assets has "turned around" with a sharp fall in the system-wide NPAs to 9.3 percent in March 2019 from 11.2 percent a year ago, the bi-yearly report said.

The NPAs ratio is expected to narrow down further to 9 percent in March 2020 as per the baseline scenario, it said.

The share of the state-run banks in the overall NPAs was at an elevated 12.6 percent, but is likely to come down to 12 percent by March 2020.

"The country's financial system remains stable despite some dislocation of late," the report said, probably alluding to the troubles being faced by the non-banking lenders.

However, the financial market risks continue to be perceived as a "high-risk category" affecting the system, while global risks, and risk perception on macroeconomic conditions as also institutional risks are perceived medium, it said.

The report said the market has got a "discipline" among NBFCs, wherein better performing ones continue to raise funds while those with asset-liability mismatch and asset quality concerns are subjected to higher borrowing costs.

The report said resilience of the banks has increased with a sharp improvement in the provision coverage ratio of all banks to 60.6 percent in March 2019 from 52.4 percent in September 2018 and 48.3 percent in March 2018.

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