

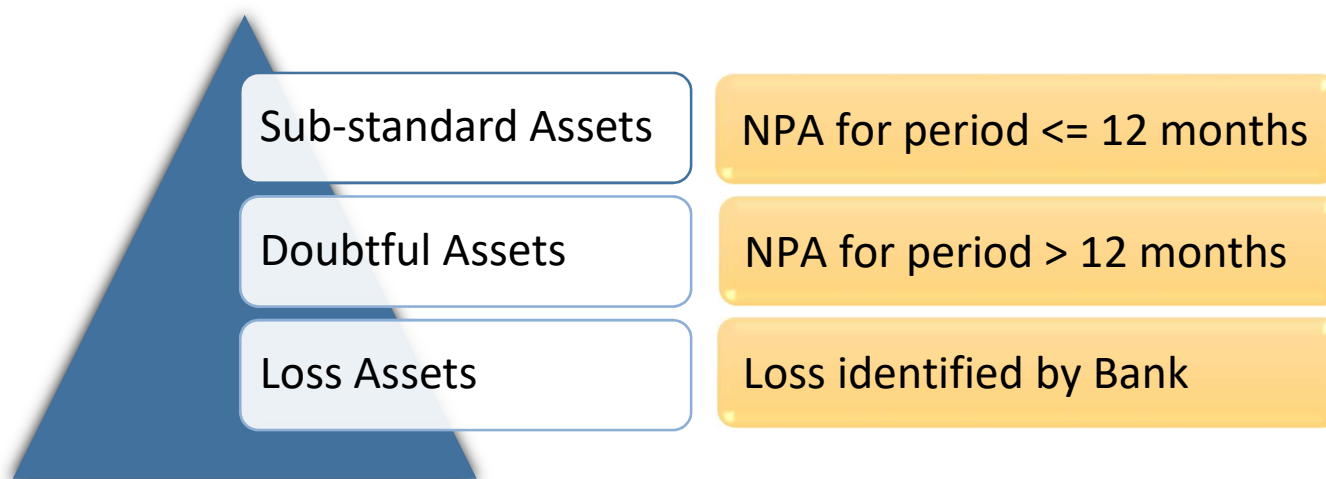
NON-PERFORMING ASSETS



INTRODUCTION

A Non Performing Asset (NPA) is a loan or advance for which the principal or interest payment remained overdue for a period of 90 days.

Classification:



FINANCIAL STABILITY REPORT

The FSR reflects the collective assessment of the Sub-Committee of the **Financial Stability and Development Council** (FSDC) on risks to financial stability, taking inputs from financial sector regulators i.e. Ministry of Finance, RBI, SEBI, PFRDA, IRDAI.

It is a periodic exercise for reviewing the nature, magnitude and implications of risks that may have a bearing on the macroeconomic environment, financial institutions, markets and infrastructure. These reports will also assess the resilience of the financial sector through stress tests.

It is published by RBI half yearly.

21st ISSUE OF FSR

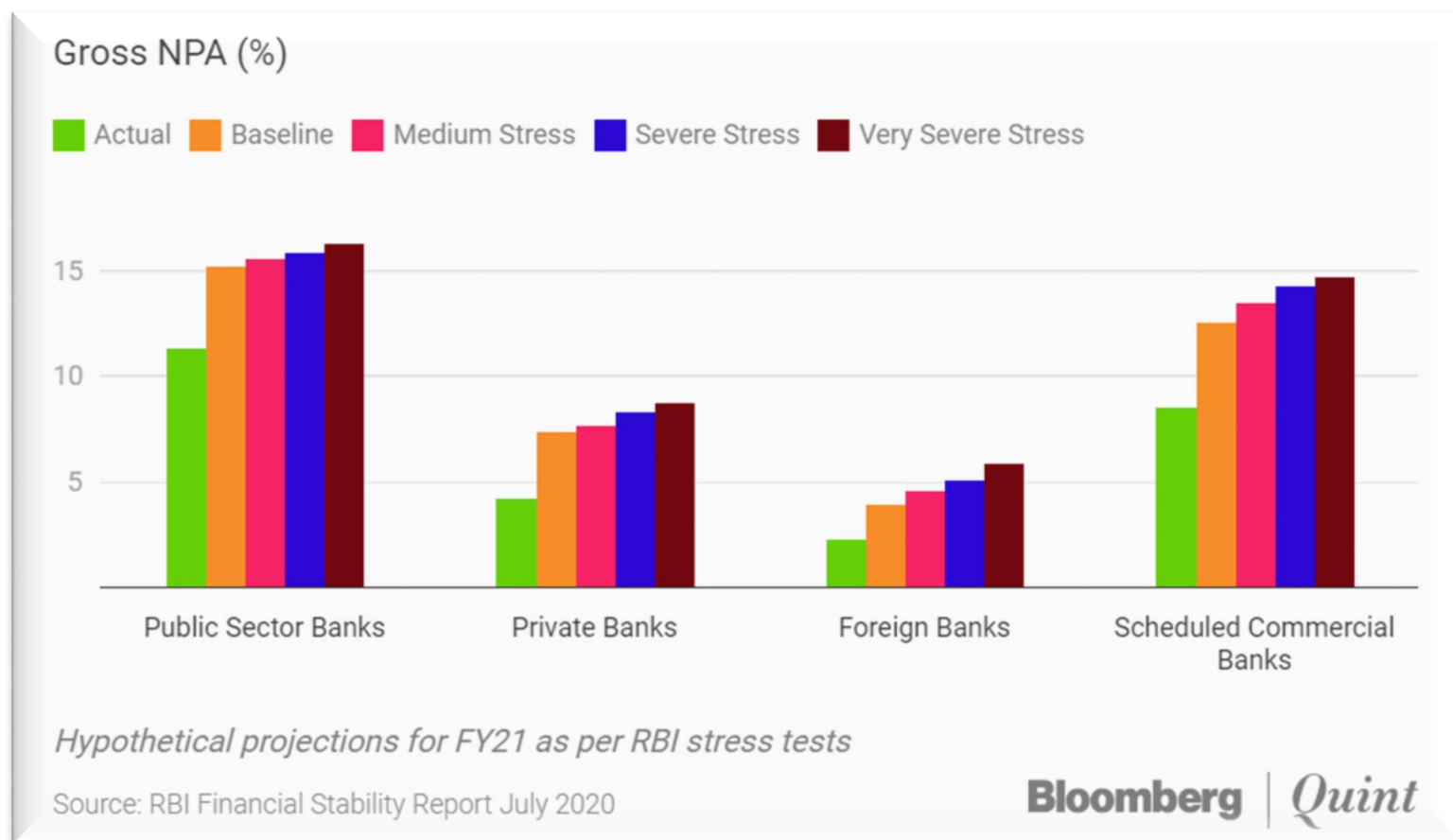
Macro stress tests for credit risk indicate that the **Gross NPA ratio of all SCBs may increase from 8.5% in March 2020 to 12.5% by March 2021 under the baseline scenario. The ratio may escalate to 14.7% under a very severely stressed scenario.**

Reasons :

- Pandemic and National Lockdown
- RBI had allowed banks and financial institutions to offer a moratorium of three months on payment of instalments on all term loans, which was subsequently extended by another three months till August-end. Impact of moratorium is still uncertain and evolving.

According to the structure of the test, the RBI considered four possible scenarios with worsening macroeconomic indicators:

- Baseline Scenario
- Medium Stress
- Severe Stress
- Very Severe Stress



	ACTUAL	BASELINE	MEDIUM	SEVERE	VERY SEVERE
Public Sector Banks	11.3	15.2	15.5	15.9	16.3
Private Banks	4.2	7.3	7.7	8.3	8.7
Foreign Banks	2.3	3.9	4.5	5.1	5.8
Scheduled Commercial Banks	8.5	12.5	13.5	14.2	14.7

* Actual represents % of Gross NPA as on Mar 2020.