2. Rbi Financial Stability Report (FSR)- Economy

RBI Financial Stability Report- Economy stays resilient, banks remain strong; top points to know on NPAs, unsecured loans and crypto risks. The RBI's December 2025 Financial Stability Report highlights robust economic resilience with GDP growth reaching 8.2% in Q2 and SCB asset quality improving to a GNPA low of 2.1%. However, the report flags significant emerging risks from high slippages in unsecured retail loans (particularly in private banks and fintech), the potential of stablecoins to erode monetary sovereignty, and Rupee depreciation.

RBI Financial Stability Report (FSR) - December 2025

1. Overview of the Report

Objective- The FSR assesses systemic risks to the Indian financial sector and evaluates the resilience of banking institutions.

Context- The assessment is made against a backdrop of domestic economic strength juxtaposed with global uncertainties.

Publication Details

Nature- It is a biannual publication released by the Reserve Bank of India (RBI).

Scope- It provides insights into the health of critical financial components including banking, Non-Banking Financial Companies (NBFCs), mutual funds, insurance companies, and financial markets.

2. Key Highlights and Findings

Economic Growth Outlook

Positive Trajectory- The RBI expressed a positive outlook on growth, noting that the real GDP growth exceeded expectations in the first half of the fiscal year.

Performance Metrics (FY 2025-26)

1. Q1 Growth- Registered at 7.8%.
2. Q2 Growth- Registered at 8.2%.

Drivers of Growth- The upside was primarily supported by strong private consumption and sustained public investment.

Banking Sector Resilience

Asset Quality Improvement

1. Trend- The asset quality of Scheduled Commercial Banks (SCBs) showed continued improvement.
2. GNPA Ratio- The Gross Non-Performing Assets (GNPA) ratio declined to a low of 2.1% as of September 2025.
3. Contributing Factors- This improvement is attributed to strong recovery mechanisms, prudent lending practices, and enhanced risk management frameworks.

Capital Adequacy

CRAR Status- The Capital to Risk-Weighted Assets Ratio (CRAR) remained robust, indicating banks have sufficient buffers to absorb shocks.

Bank Type	**CRAR (as of Sept 2025)**
Public Sector Banks	16.0%
Private Sector Banks	18.1%

Emerging Vulnerabilities- Unsecured Loans

Slippage Concerns- Unsecured loans have emerged as a significant stress point, accounting for **53.1%** of total retail loan slippages.

Sectoral Disparity- There is a stark contrast in the contribution of unsecured loans to slippages between private and public banks.

Sector	**Contribution of Unsecured Loans to Slippages**
Private Sector Banks	~76.0%
Public Sector Banks	15.9%

Risks in Fintech Lending

Borrower Over-Leveraging- The RBI flagged elevated impairment risks specifically among borrowers who have accumulated unsecured loans from five or more lenders.

Portfolio Composition- A significant portion of fintech portfolios is exposed to risk, with over 70**%** of fintech loan portfolios consisting of unsecured loans.

Cryptocurrency and Stablecoins

Monetary Sovereignty- The report reiterated strong concerns regarding stablecoins, emphasizing their potential to undermine the central bank's ability to regulate the money supply.

Policy Transmission- Risks are particularly high for stablecoins denominated in foreign currencies, which could Erode monetary sovereignty. Weaken the effectiveness of monetary policy transmission.

Currency Performance

Rupee Depreciation- The Indian Rupee witnessed depreciation against the US dollar.

Causal Factors- Falling terms of trade. High tariffs. A slowdown in capital flows.

Source- https-//timesofindia.indiatimes.com/business/india-business/rbi-financial-stability-report-economy-stays-resilient-banks-remain-strong-top-points-to-know-on-npa