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India: Financial Sector Assessment Program, 2024

The Financial Sector Assessment Program (FSAP), a joint program of the International Monetary Fund (IMF) and the World Bank (WB), undertakes a comprehensive and in-depth analysis of a country's financial sector. Since September 2010 the exercise has become mandatory for jurisdictions with systemically important financial sectors. Currently, it is -mandatory for 32 jurisdictions, including India, to be conducted every five years, and for another 15 jurisdictions every ten years. As per the practice, as a concluding part of the FSAP, the IMF comes out with Financial System Stability Assessment (FSSA) report and the World Bank brings out the Financial Sector Assessment (FSA) report. Last FSAP for India was conducted in 2017. The FSSA report was published by IMF in December 2017 and the FSA report was published by World Bank in December, 2017.

2. Based on the assessment carried out during 2024, the World Bank has released the India-FSA report on their website on October 30, 2025. IMF had already released the India-FSSA report on their website on February 28, 2025.

3. India welcomes assessment of the financial sector undertaken by the joint IMF-World Bank team.

4. WB's FSA report highlights that India's financial system has become more resilient, diversified, and inclusive since the last FSAP in 2017. The report acknowledges that financial sector reforms helped India recover from various distress episodes of 2010s as well as the pandemic. It stresses that achieving India's vision to become a USD 30 trillion economy by 2047 requires further impetus to the financial sector reforms to boost private capital mobilization.

5. On regulation and supervision of banks and NBFCs, WB acknowledged India's expansion of regulatory authority on cooperative banks, tightening of key prudential rules, and reorganization of regulatory and supervisory departments to enhance effectiveness. WB welcomed the scale-based regulation for NBFCs which recognises the different needs of this diverse industry. WB has recommended further-strengthening of the credit risk management framework for better supervision of banks and NBFCs.

6. WB acknowledges that oversight in securities markets has been sound, backed by reforms, including enhancing collateral management and business continuity for investors, framework for sustainable investments, mutual fund liquidity requirements,

and the Corporate Debt Market Development Fund (CDMDF). WB has indicated a way forward for better oversight through development of integrated approach to monitoring conduct risks (especially for mutual funds) and strengthening standards of self-regulatory organizations.

7. WB acknowledged that India's world class Digital Public Infrastructure and government programs have significantly improved access to a wider range of financial services for both men and women. Suggestions have been made for further boosting account usage especially for women, and to facilitate access to wider range of financial products for individuals and MSMEs.

8. The FSA report acknowledges that India's insurance sector development has been in line with the peers. WB's graded assessment found an overall sound level of observance of Insurance Core Principles (ICPs) reflecting India's commitment to global best practices and a resilient insurance sector. The report mentions licensing, suitability requirements, enforcement powers, and public disclosure as areas of strength.

9. Under Climate Risk analysis, WB highlighted that agriculture and banking sector remain resilient to short-term climate shocks, however granular data and adaptive measures are needed, as localized risks, prolonged agricultural shocks, and a difficult low-carbon transition could still put financial strain. They recommended that scaling up of climate-related investment including the development of a Sustainable Finance Roadmap and a national Climate Finance taxonomy. This may help domestic investors.

10. WB noted that the Indian authorities have made a concerted efforts to strengthen the credit infrastructure, including implementing and strengthening the Insolvency and Bankruptcy Code 2016 (IBC) and an out-of-court workout framework issued by RBI. It noted that finance to the MSME sector has been growing, backed by the developing factoring system under the RBI-regulated factoring platform (TReDS) and Priority Sector Lending (PSL) framework. To further enhance credit to the MSME sector, WB has recommended to monitor and publish comprehensive MSME credit data, including demand side data along with establishing a MSME data observatory.

11. For India's capital markets, WB has noted that the Capital markets (equity, government bonds and corporate bonds) have increased from 144 percent to about 175 percent of GDP since the last FSAP. These gains have been supported by a robust capital market infrastructure and diverse investor base. The report suggests developing credit enhancement mechanisms, risk sharing facilities, and securitization platforms to further mobilize capital.

12. The recommendations in case of India FSAP are mainly focused on carrying out further improvements in the structure and functioning of the financial system. Many of the detailed recommendations are in conformity with the concerned authorities'/regulators' own developmental plans. India remains committed to adoption of internationally accepted standards and best practices in a suitable manner, attuned to domestic needs and economic conditions, wherever necessary.

The FSA released by WB can be accessed at:

<https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099103025110514063>

The Press Release issued by Department of Economic Affairs, Ministry of Finance (MoF), Government of India can be accessed at:
https://dea.gov.in/files/press_release_documents/Draft%20Press%20Release%20-Oct%2021.pdf

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