GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA
UNSTARRED QUESTION NO. 3429
Answered on Tuesday, April 1, 2025/ 11 Chaitra, 1947 (Saka)

Losses to banks due to crashing stock market

3429 SMT. JEBI MATHER HISHAM:

Will the Minister of Finance be pleased to state:

(a) the total financial loss incurred by Indian Banks due to their mutual fund investments during the recent stock market crash, the bank- wise details thereof;
(b) the concrete steps taken to enhance oversight of bank's mutual fund investments to safeguard public deposits and mitigate risks;
(c) the impact of stock market crash on retail investors in mutual fund through banks, the measures being implemented to restore confidence and stabilize the financial market; and
(d) whether Government plans to assist affected banks with additional capitalisation, whether specific recovery strategies are being developed to address the overall impact on the banking sector?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) to (d): Reserve Bank of India's (RBI) prudential guideline mandates banks to adopt a comprehensive Board approved investment policy and restrict aggregate exposure to the capital markets, including investments by banks in mutual funds. Further, RBI has informed that it does not maintain information of gains or losses of banks from their investments in capital markets.

Banks, as part of their internal risk assessment framework, take concrete steps to enhance the oversight on banks' investments in securities, including, *inter alia*, mutual funds, to safeguard the public deposits and mitigate risks. The internal risk assessment framework of banks includes, *inter alia*, conducting regular portfolio reviews and stress tests to identify potential vulnerabilities arising from market fluctuations. The performance and valuation of bank's investments are regularly monitored and reported to respective Board to ensure the compliance with the regulatory framework and to safeguard the stakeholders' interests and the public deposits.

Financial Institutions including banks, as part of financial awareness campaigns, undertake various measures including, *inter alia*, regularly guiding the customers to invest in mutual fund products that suit their risk appetite and financial goals, encouraging investors to stay invested and avoid panic selling, educating the mutual fund investors about various assets classes *vis-à-vis* benefits and risks involved.

As per the financial stability report, December-2024 of RBI, the banks have limited direct capital market exposures owing to regulatory prescriptions, any impact of a possible significant fall in equity prices on banks' capital would be low for the system.

Also, banks are adequately capitalized, with aggregate Capital to Risk- Weighted Assets Ratio (CRAR) of Schedule Commercial Banks at 16.4% as on 31.12.2024, which is well above the minimum regulatory requirement.

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