

Ukraine-Russia tension, crude oil pose challenge to India's financial stability: FM Nirmala Sitharaman

Synopsis

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Russia-Ukraine Crisis: Indian govt watching the crisis closely, no impact on trade yet, says FM Nirmala Sitharaman

Finance Minister [Nirmala Sitharaman](#) said on Tuesday rising [crude oil](#) prices amid escalating Ukraine-Russia tensions pose threat to India's [financial stability](#) and the government is closely monitoring the situation.

Talking to media persons after the [Financial Stability and Development Council](#) (FSDC) meeting here, Sitharaman said the situation is worrisome and India has called for a diplomatic solution to the Ukraine-Russia crisis.

On the challenges posed by the rise in crude oil prices to the Indian economy, the Finance Minister said, "It is difficult to say how it will go. Even today, in the FSDC, when we were looking at the challenges which are posed for the financial stability, crude was one of the things."

Crude oil prices surged close to \$100 per barrel in the international markets on Tuesday after tensions between Russia and the United States and major European countries over the Ukraine issue escalated.

The United States and its European allies are set to impose new sanctions on Russia after President [Vladimir Putin](#) formally recognised two breakaway regions in eastern Ukraine. Russia has also troops in the breakaway regions. The move is likely to further escalate the tensions in the region.

Asked about the Government of India's plan to deal with the economic challenges posed due to the growing Ukraine-Russia tensions, Sitharaman said, "we are keeping a watch."

The Finance Minister earlier chaired the 25th meeting of the Financial Stability and Development Council (FSDC) The Council noted the need for a constant vigil on financial conditions and the functioning of financial institutions in the country.

"The Council deliberated on the various mandates of the FSDC and major macro-financial challenges arising in view of global and domestic developments," Finance Ministry said in a statement.

The Council noted that the Government and all regulators need to maintain a constant vigil on the financial conditions and functioning of important financial institutions, especially considering that it could expose financial vulnerabilities in the medium and long-term, it said.

The Council also discussed measures required for further development of the financial sector and to achieve an inclusive economic growth with macroeconomic stability.

Nirmala Sitharaman is on a two-day post-Budget outreach visit to Mumbai, where she is meeting with representatives of industry, financial market functionaries and bankers, the Finance Ministry said.

The Council chaired by the Finance Minister also discussed operational issues relating to currency management. It also took note of the activities undertaken by the FSDC Sub-Committee chaired by the RBI Governor and the action taken by members on the past decisions of FSDC.

The Financial Stability and Development Council has been set up by the government in consultation with financial market regulators, to strengthen and institutionalise the mechanism for maintaining financial stability, enhance inter-regulatory coordination and promote financial sector development.

Without prejudice to the autonomy of regulators, the Council monitors macro-prudential supervision of the economy, including the functioning of large financial conglomerates, and addresses inter-regulatory coordination and financial sector development issues. It also focuses on financial literacy and financial inclusion.