



BANKING **MONTHLY**

MARCH 2026

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Prevailing Rates

I. Policy Rates

Repo Rate	5.25%
Reverse Repo Rate	3.35%
Standing Deposit Facility Rate	5.00%
Marginal Standing Facility Rate	5.50%
Bank Rate	5.50%

II. Lending/Deposit Rates

Base Rate	8.35% -10.00%
MCLR Rate (Overnight)	7.70% -7.95%
Savings Deposit Rate	2.50%
Term Deposit Rate > 1 Year	6.00% -6.60%

III. Reserve Ratio

CRR	3.00%
SLR	18.00%

Global Banking:

US Fed keeps interest rates steady amid economic uncertainty, Iran war

As widely anticipated, US Federal Reserve's Federal Open Market Committee (FOMC) kept federal funds rate unchanged in the range of 3.5% to 3.75%. However, to treat this as a routine pause would be to miss the larger story as the US Fed decision comes amid the ongoing Iran war, surge in crude oil prices, and persistent inflation concerns. These factors make this decision far more consequential than it appears on the surface.

Our Comments:

US Fed Chair Jerome Powell acknowledged that the economic outlook remains uncertain, particularly due to the developments in the Middle East. The Fed, does not yet have enough clarity to assess how deeply the conflict will affect inflation, growth, or employment.

Bank of Japan retains policy rates as US war on Iran clouds economic outlook

Bank of Japan maintained its policy rate. This comes to pass after the Bank indicated that the economic outlook is clouded by the uncertainty surrounding the Middle East crisis. At the end of a two-day meeting, the BOJ maintained its benchmark interest rate at 0.75%. The BOJ is in a precarious situation as a result of the conflict in Iran, since the quickly rising price of oil is expected to fuel inflation before the higher costs spread across the economy and probably hurt consumption and corporate activity.

Our Comments:

Without changing its inflation forecast, the Central Bank added Middle East to its list of risk factors, indicating that it still believes rates could rise in the upcoming months.

Chinese economy surprises with rebound but war risks loom

China set a GDP growth target of 4.5% to 5% for 2026, markedly outpacing the IMF's January projection of 3.3% for the global economy. The target reflects China's confidence that rests on solid fundamentals. Over the past five years, China's economy has grown at an average annual rate of 5.4%, contributing around 30% to global growth more than the combined contribution of the G7 nations. The world can count on China to deliver new contributions to strong and sustainable global growth.

Our Comments:

The most visible channel through which China is stabilizing the world economy is its massive domestic market. As the world's second-largest consumer market, it is creating vital demand for global goods and services. China's economy offers the world a rare combination of stability, long-term growth potential, and open cooperation.

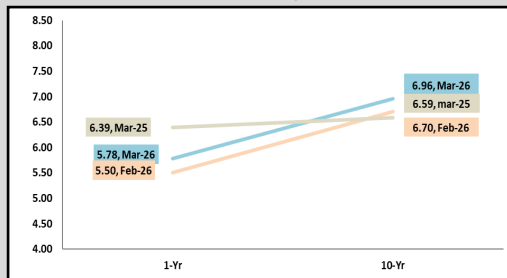
Changing inflation dynamics pose new risks for the US economy

US consumers continue to struggle with inflationary pressures. In December 2025, personal consumption expenditures inflation rose to 2.9% y-o-y, the highest in two years. Core personal consumption expenditures inflation (excluding food and energy), which is closely tracked by the US Fed Reserve, was even higher, standing at 3%.

Our Comments:

Rising inflation levels, especially above the Fed's 2% target, could complicate the easing of monetary policy and plans to deal with emerging labor-market weaknesses. For consumers, short-term borrowing costs may remain elevated compared with the period just before the last tightening cycle between 2022 and 2023.

Exhibit 1: 1 Year Yield v/s 10 Year Yield



Source: Investing.com, Progressive Research

Indian Economy:

India stuns world: Surpasses Japan and poised to grab no.3 economy spot

India has overtaken Japan to become the world's fourth-largest economy, according to the India Progress Report 2025-26 released by the NXT Foundation. The report highlights a nominal GDP of USD4.8tn and an impressive growth rate of 8.2%, positioning India as the fastest-growing economy. The country is on track to claim the position of the third-largest economy in the near future, outpacing major rivals despite international turbulence.

Our Comments:

According to the NXT foundation, these accomplishments indicate India's rising role in the new world order. The country is not merely expanding economically but is also demonstrating technological leadership, policy innovation & strategic infrastructure development.

February inflation rises to 3.21% under new CPI series; food inflation climbs to 3.47%

India's retail inflation rose to 3.21% in Feb, slightly above estimates, as food prices picked up. The data also reflects revised CPI series introduced by the govt. The base year for the index has been updated to 2024 from 2012, while the number of items in the consumption basket has been increased to 358 from 299 earlier.

Our Comments:

Inflation outlook could still face external risks despite relatively stable underlying price pressures. From a monetary policy perspective, the current inflation mix allows the RBI to remain patient while balancing growth support with vigilance on food and commodity-driven spikes. However, the US-Iran conflict and rising crude oil prices pose upside risks through fuel and input-cost channels.

RBI injects Rs48,014cr via seven-day variable repo rate to boost liquidity in banking system

RBI injected Rs48,014cr in transient liquidity into the banking system through a seven-day variable rate repo auction. These funds were infused at a cut-off rate and weighted average rate of 5.26%, according to the RBI's release. The liquidity injected was much lower than the notified amount of Rs1.50lk-cr, despite the sharp drop in the surplus liquidity in the banking system on account of advance tax payments. Under the VRR auction, the Central Bank auctions funds at variable interest rates for a short period, allowing banks to bid for a certain amount.

Our Comments:

RBI has infused Rs3.50lk-cr of durable liquidity into the banking system through open market purchase of govt. securities since Jan'26. In the last few months, the RBI has been infusing liquidity into the banking system to keep overnight rates under control. This has led overnight rates to hover sharply below the repo rate.

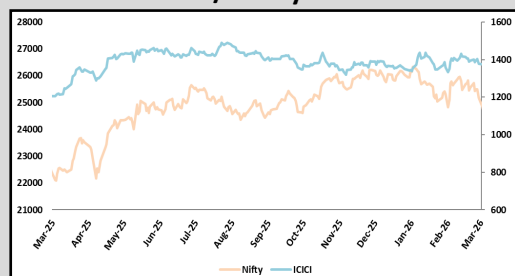
Israel-Iran war: India's economy shows early strain

India's economic momentum remained firm through early 2026, but signs of moderation are beginning to emerge as shocks from the Israel-Iran conflict ripple through the economy, as per the Chief Economic Advisor. The combined impact across the four channels on growth, inflation, the fiscal balance, and external balances is likely to be significant.

Our Comments:

There is a shift in momentum in March as geopolitical tensions in West Asia disrupted energy markets and supply chains. The recent shocks are being transmitted through higher input costs, supply constraints, and pressures across sectors. High-frequency data for March points to a sequential slowdown, including a decline in e-way bill generation and softer output growth in flash PMI estimates, even as y-o-y trends remain positive.

Exhibit 2: ICICI v/s Nifty



Source: Ace Equity, Progressive Research

Coverage News:

Prudential may exit life insurance joint venture with ICICI Bank

Prudential is exploring an exit from its life insurance joint venture with ICICI Bank, ICICI Prudential Life Insurance. Prudential Corporation Holdings Ltd, an indirect wholly owned unit of UK-based Prudential Plc, holds 21.93% in the listed insurer, while ICICI Bank owns 50.95%. Furthermore, Prudential, according to sources, is in discussions with Bharti Axa Life Insurance regarding a potential stake acquisition. Other foreign insurers are also in talks with the Bharti group-promoted company to buy into the business.

Our Comments:

The government's move to allow 100% FDI in the insurance sector is expected to create multiple opportunities for global players. Prudential has also closely observed the Indian insurance market due to its presence for the past 25 years and is quite familiar with the landscape.

Non Coverage News:

Axis Bank to infuse Rs1,500cr into Axis Finance after RBI eases rules

The bank has approved the proposal to infuse Rs1,500cr in its NBFC arm Axis Finance Ltd (AFL) via rights issue over next one year to fund business growth. The investment, cleared by the RBI on 10th March, 2026, is intended to provide growth capital to the non-banking financial company.

Our Comments:

This fresh boost follows a recent RBI rule change that makes such investments easier and adds to the Rs2,375cr. Axis Bank has already invested over the past decade.

Atanu Chakraborty resigns as HDFC Bank part-time chairman over ethics issues

HDFC Bank part-time Chairman Atanu Chakraborty resigned citing differences over values and ethics. The RBI approved Atanu Chakraborty's appointment as part-time chairman in April 2021 for a three-year term. He was reappointed in May 2024 for a further term extending until 04th May, 2027. During his tenure, HDFC Bank merged with housing finance firm HDFC Ltd in a USD40bn deal to create a financial services behemoth.

Our Comments:

The RBI has approved Keki Mistry as interim part-time chairman for a three-month period.

IDFC First Bank settles Rs645cr Haryana claim, but another Rs116cr fake FD FIR surface

IDFC First Bank has settled Rs645cr claims linked to the Haryana fraud case, while Chandigarh Police have registered an FIR over fake fixed deposits worth Rs116.84cr.

Our Comments:

The Bank in its latest statement to the exchanges clarified that all the claims are related to the same incident at the Chandigarh branch and do not indicate any fresh issue. The Bank added that it has compensated the affected clients and it will continue to take action against those responsible for the incident to recover the money. IDFC First Bank also said that it has completed reconciliation of all relevant accounts at the Chandigarh branch and found no further discrepancies. It added that no other claims have been received from any entity across the country since February 25.

Non Coverage News:

Kotak Bank set to acquire Deutsche's retail business in Rs 4,500cr deal

Kotak Mahindra Bank has moved a step nearer to purchasing the Indian retail arm of Deutsche Bank, in a transaction estimated at roughly Rs4,500cr after emerging as the frontrunner bidder. The potential deal covers a retail portfolio worth nearly Rs27,000cr, spanning home and personal loans, MSME financing, deposits from individual customers, and wealth management assets. Of this, the wealth segment alone is pegged at about Rs7,000cr, while the majority of the book is driven by retail and MSME lending.

Our Comments:

For Kotak, the acquisition would significantly expand its consumer banking footprint by increasing loan and deposit scale, while reinforcing its MSME and wealth management businesses. It would also help the lender strengthen its presence among high-net-worth individuals and boost its share in premium urban lending markets.

SBI gets Rs6,337cr tax demand for AY24, to challenge order

State Bank of India has received an income tax demand of Rs6,337cr (including interest) for the AY23-24 and will challenge the order. According to the filing, the demand arises from disallowances made by the assessment unit on various grounds. The Bank noted that it is already in litigation on similar issues for earlier years.

Our Comments:

SBI said it will take appropriate steps, including filing an appeal before appellate authorities within the prescribed timelines. The lender also clarified that the order has no impact on its operations or other activities.

Kotak Mahindra, Federal Bank line-up to acquire StanChart's India credit-card-only customers; offer review underway

Standard Chartered is considering offers from Kotak Mahindra Bank and Federal Bank for its Indian credit card customers. This move aligns with the Bank's strategy to reduce focus on single-product clients. The sale involves up to 600,000 customers who only have credit cards. Kotak has 4.5 million issued credit cards in India, while Federal has 2 million. That compares with StanChart's 670,000 credit cards in the country. After the deal, StanChart plans to retain around 70,000 Indian credit card customers, affluent clients who have other banking relationships with the lender.

Our Comments:

This divestment aims to improve profitability by shedding non-core assets and reduce focus on single-product clients. StanChart is currently reviewing both of these offers and it is expected to take some time. For the two Indian lenders, acquiring the portfolio could present an opportunity to scale up their credit card base and reduce customer acquisition costs in a competitive market for such products.

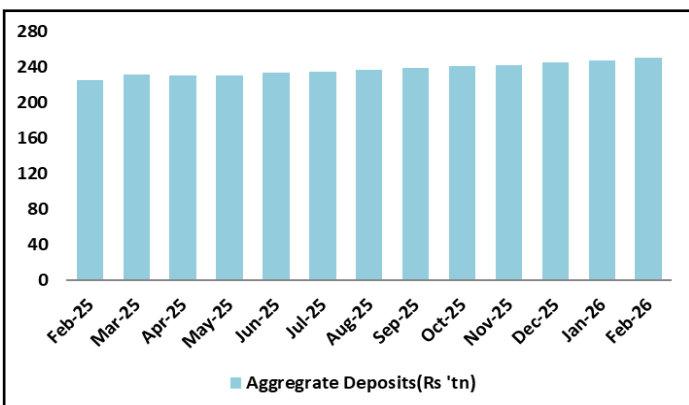
RBL Bank plans to open 200 branches in FY27

RBL Bank said it is planning to open 200 branches in FY27 to take its network to over 800 branches. The lender launched 23 new branches across many states to take its overall branch size to over 603, as per a statement. Eyeing the diaspora-related business, the bank said 13 of the 23 newly opened branches are in Kerala.

Our Comments:

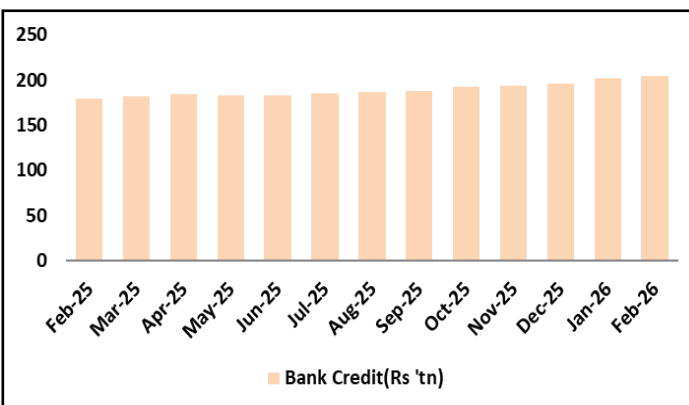
With an eye on Non-Resident (NR) business, the Bank has opened 13 of the 23 new branches in Kerala, in view the state's large NR population and strong remittance-led banking potential.

Exhibit 03: Trend of Aggregate Deposits of SCBs



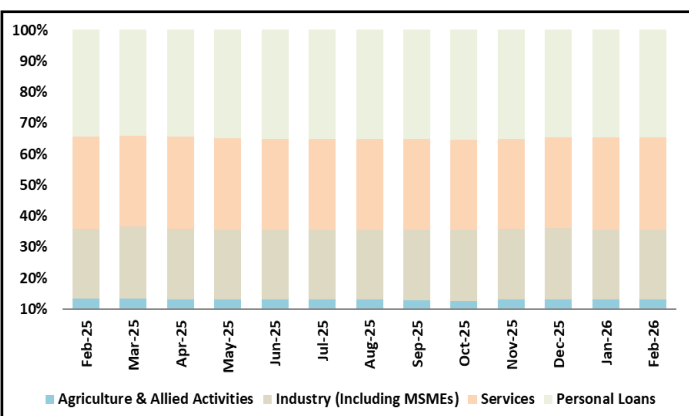
Source: Investing.com, Progressive Research

Exhibit 04: Trend of Bank Credit of SCBs



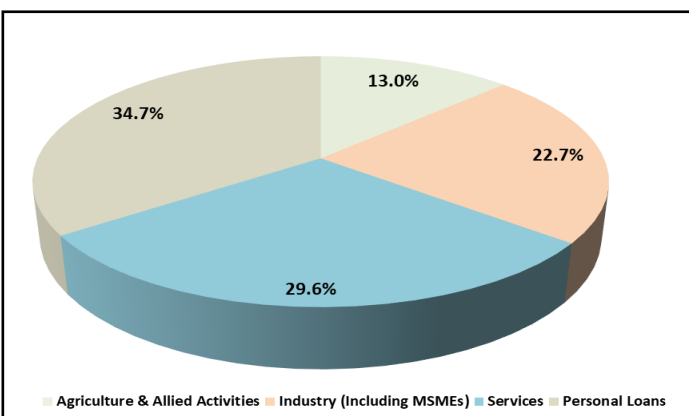
Source: RBI, Progressive Research

Exhibit 05: Deployment of Gross Bank Credit by major sectors



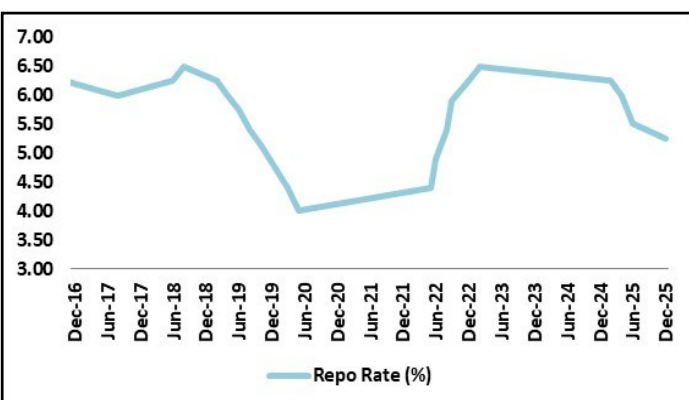
Source: RBI, Progressive Research

Exhibit 06: Sectoral breakup of Gross Bank Credit of the major sectors in February



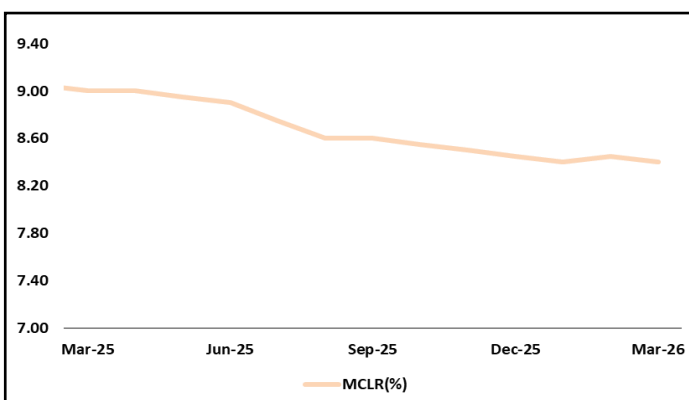
Source: RBI, Progressive Research

Exhibit 07: Repo Rate Trend



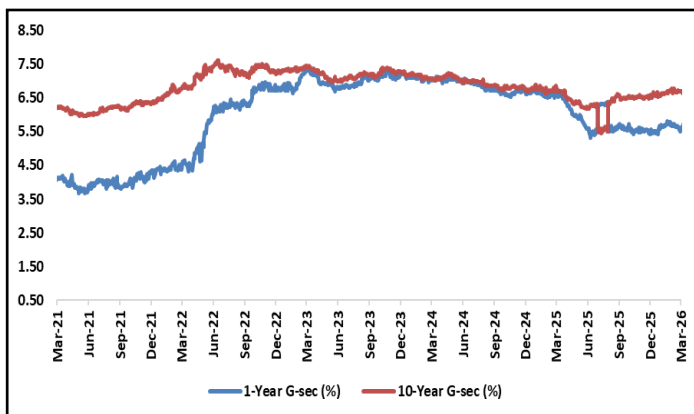
Source: NSE, Progressive Research

Exhibit 08: MCLR trend in the last 3 years



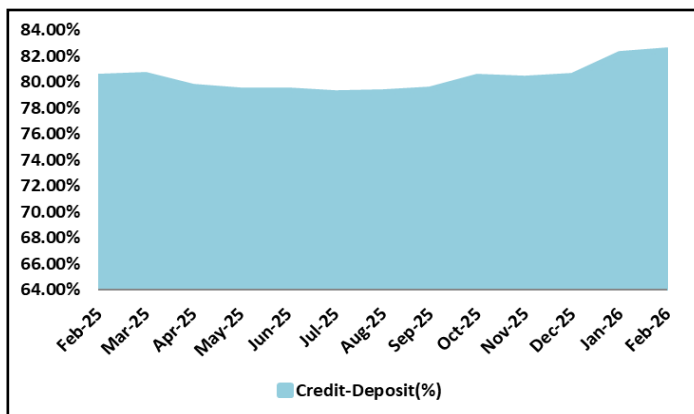
Source: Ace Equity, Progressive Research

Exhibit 09: RBI trying to keep the gap between short and long term bond in check



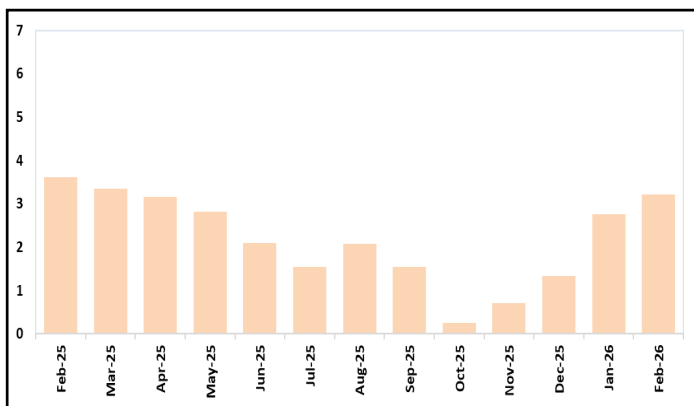
Source: Investing.com, Progressive Research

Exhibit 10: Credit-Deposit ratio of the SCBs in Feb-26



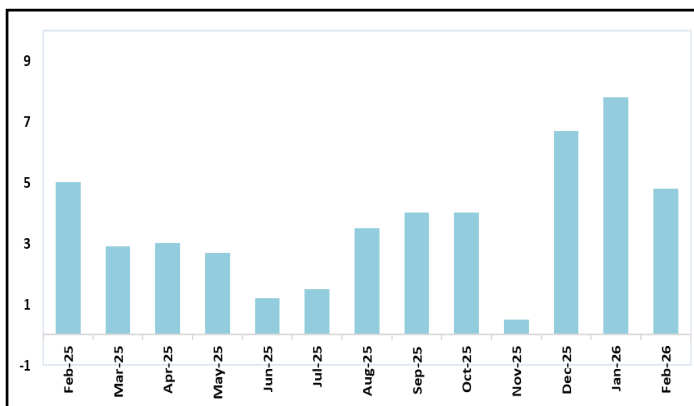
Source: RBI, Progressive Research

Exhibit 11: Retail Inflation Range Bound



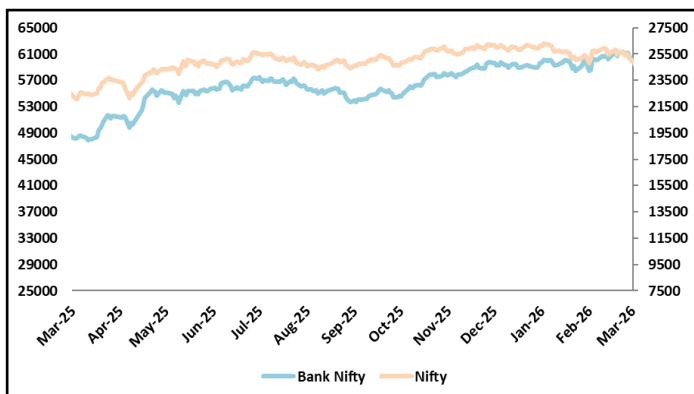
Source: RBI, Progressive Research

Exhibit 12: Change in Y-o-Y IIP data



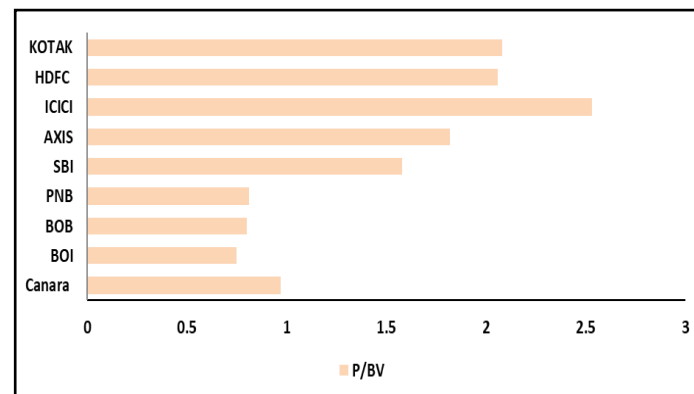
Source: RBI, Progressive Research

Exhibit 13: Bank Index v/s Nifty Index



Source: NSE, Progressive Research

Exhibit 14: Major Banks' Valuation as on 01st April, 2026



Source: Ace Equity, Progressive Research

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