

## Monetary Policy-February 2026

### MPC keeps the Repo Rate unchanged; Retained the Neutral Stance

RBI's Monetary Policy Committee (MPC) met for the first time after the Budget from 4th to 6th Feb, 2026, the sixth and last bi-monthly for FY26. The committee unanimously decided to keep the repo rate unchanged at 5.25%, and has maintained the Neutral stance. This year, the RBI has lowered the repo rate by a cumulative 125bps in four meetings, beginning in February 2025.

*RBI keeps repo rate unchanged at 5.25% and maintained the stance at Neutral; reverse repo rate remains unchanged at 3.35%.*

#### Highlights of Monetary Policy:

- **Repo Rate:** 5.25% (5.25% in December 2025)
- **Reverse Repo Rate:** 3.35% (3.35% in December 2025)
- **Standing Deposit Facility:** stands unchanged at 5.0%
- **Bank Rate:** 5.50% (5.50% in December 2025)
- **MSF:** 5.50% (5.50% in December 2025)
- **GDP Projection:** Real GDP growth for FY26 is projected at 7.4% from the earlier estimate of 7.3%. Q4FY26 is projected at 6.5%, Q1FY27 at 6.90% and Q2FY27 at 7.0%
- **CPI Inflation:** CPI forecast for FY26 is projected at 2.1%. Q4FY26 is projected at 3.2%, Q1FY27 at 4.0% and Q2FY27 at 4.2%

#### Some Highlights:

- Headline CPI inflation remained low at 0.7% in November and 1.3% in December, 2025. While food group continued to be in deflation, inflation within the fuel group remained moderate in Nov and Dec. Core inflation (CPI excluding food and fuel) too remained benign, despite the pick up in prices of precious metals. Excluding gold, core inflation remained stable at 2.6% in December. On the supply side, real GVA growth of 7.3% is driven by buoyant services sector, resilient agricultural sector and revival in manufacturing activity
- The services exports are expected to remain strong whereas the merchandise exports will get a boost from the prospective trade deal with the US. The landmark comprehensive trade pact with the EU coupled with trade deals with New Zealand and Oman should help diversify exports and strengthen the external sector
- Agricultural activity is expected to be supported by healthy reservoir levels, robust rabi sowing and improvement in crop vegetation conditions. Improving corporate sector performance and sustained momentum in informal sector should boost manufacturing activity. Construction sector growth is expected to remain firm while the services sector should continue to be resilient, with strengthening domestic demand
- Recovery in urban consumption should further strengthen with continued support from GST rationalisation and monetary easing. High capacity utilisation, accelerating bank credit, conducive financial conditions and government's continued emphasis on infrastructure should give an impetus to investment activity
- On the external financing side, gross FDI to India increased at a robust pace during April-Nov'25. India continues to remain an attractive FDI destination for greenfield projects. FPIs to India this year so far (April-Feb), however, recorded net outflows of USD5.8bn. As on 30th Jan'26, India's foreign exchange reserves stood at USD723.8bn
- System liquidity, as measured by the net position under the Liquidity Adjustment Facility (LAF), stood at a surplus of Rs0.71k-cr (on a daily average basis). Based on assessment of systemic liquidity and its outlook, the RBI announced and undertook further durable liquidity augmenting measures in the second half of January and February 2026
- In response to the cumulative 125bps cut in the policy repo rate, the weighted average lending rate (WALR) of Scheduled Commercial Banks declined by 105bps for fresh rupee loans during February-Dec'25. The weighted average domestic term deposit rate (WADTDR) on fresh deposits declined by 95bps, while that on outstanding deposits softened by 41bps over the same period
- Bank credit growth recorded an uptick in recent months; supported by sustained lending to all sectors, particularly retail, services and MSMEs. Large industries also recorded higher credit growth

#### Other Measures Announced:

##### (1) Regulations:

- **Advertising, marketing and sales of financial products and services by Regulated Entities (REs):** It has been decided to issue comprehensive instructions to REs on advertising, marketing and sales of financial products and services in order to avoid mis-selling of financial products and services by any RE

## Monetary Policy-February 2026

### Other Measures Announced (contd.):

#### (1) Regulations (contd.):

- **Conduct of REs in recovery of loans and engagement of recovery agents:** It has been decided to review and harmonise all the extant conduct related instructions on engagement of recovery agents and other aspects related to recovery of loans
- **Review of framework of limiting customer liability in digital transactions:** In view of the rapid adoption of technology in the banking sector and payments systems, the existing instructions (on limiting the customers liability in unauthorized electronic banking transactions) have been reviewed and accordingly, the draft revised instructions, including a framework for compensation in case of small value fraudulent transactions, shall be issued in due course
- **Bank lending to Real Estate Investment Trusts (REITs):** Upon review and considering the presence of strong regulatory and governance framework for listed REITs, it is proposed to permit commercial banks to extend finance to REITs, subject to appropriate prudential safeguards. The existing guidelines in respect of lending to InvITs are also being harmonised for parity with prudential safeguards proposed for lending to REITs
- **Review of lending norms for UCBs:** It is now proposed to rationalise the extant regulatory norms applicable for unsecured loans by UCBs; limits for lending to nominal members; and the tenor and moratorium requirements for housing loans. The proposed review shall adopt inter alia, a tiered and simplified approach taking into consideration the growth in total loans and advances of the UCBs over the past few years
- **Exemption from registration to eligible NBFCs not availing public funds and not having customer interface (including Type I NBFCs):** It is proposed that Type-I NBFCs with asset size not exceeding Rs1,000cr may be exempted from registration requirement with the RBI subject to certain specified conditions. The proposed exemption will reduce compliance requirements for these NBFCs
- **Amendment of NBFC Branch Authorisation Directions-2025:** As per extant regulatory requirement, NBFC Investment and Credit Companies (ICCs) engaged in the business of lending against gold collateral with over 1,000 branches are required to obtain prior RBI approval for opening new branches; it is now proposed to dispense with the requirement of prior approval for opening branches by such NBFCs

#### (2) Payments System:

- **Discussion paper on exploring safeguards in digital payments to curb frauds:** It is proposed to issue a discussion paper exploring the introduction of calibrated safeguards in digital payments such as introduction of lagged credits, additional authentication for specific class of users like senior citizens, etc.

#### (3) Financial Inclusion:

- **Revision in Lead Bank Scheme (LBS):** It is now proposed to issue a comprehensive set of instructions on the scheme with a view to streamline the operational aspects. In the revised scheme, the objectives of LBS and the framework to achieve them are proposed to be delineated clearly. The revised guidelines are expected to enhance the effectiveness of the scheme. Additionally, the RBI will be launching a unified portal for reporting of bank-wise LBS data which is currently fragmented across various portals
- **Revision in the guidelines of Kisan Credit Card (KCC):** The proposed revised guidelines include, among others, standardisation of crop season, extension of KCC tenure to 6 years, alignment of drawing limit with Scale of Finance (SoF) for each crop season and inclusion of expenses on technological interventions
- **Review of guidelines relating to use of Business Correspondents (BCs) by banks:** The RBI had set up a committee, consisting of officials from Reserve Bank, DFS, IBA and NABARD, to comprehensively examine their operations and make suitable recommendations for enhancing their efficiency. Basis the committee's recommendations, the related regulatory guidelines are being reviewed and the draft amendment directions will be issued in due course
- **Enhancement in collateral free loan limit from Rs10lk to Rs20lk:** With a view to facilitate improved access to formal credit, support entrepreneurial activity and strengthen last mile credit delivery for Micro and Small Enterprises (MSEs) with limited collateral, it has been decided to enhance the limit of collateral free loans to MSEs from Rs10lk to Rs20lk. The above provisions shall be applicable to all loans to MSE borrowers sanctioned or renewed on or after 01st April, 2026

#### (4) Financial Markets:

- **Development of corporate bond market:** As per the Union Budget 2026, the total return swaps on corporate bonds and derivatives on corporate bond indices are expected to be introduced and accordingly, a regulatory framework to enable the introduction of derivatives on credit indices and total return swaps on corporate bonds will be issued

## Monetary Policy-February 2026

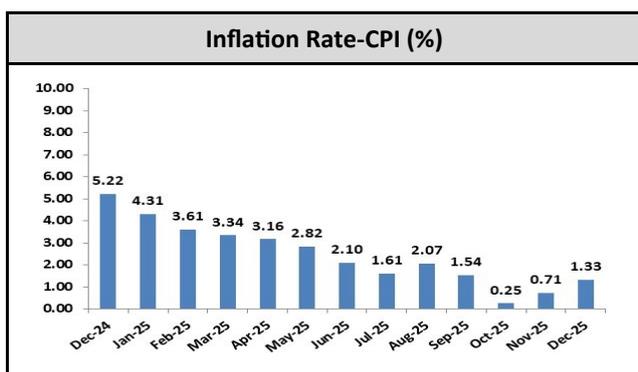
### Other Measures Announced (contd.):

#### (4) Financial Markets (contd.):

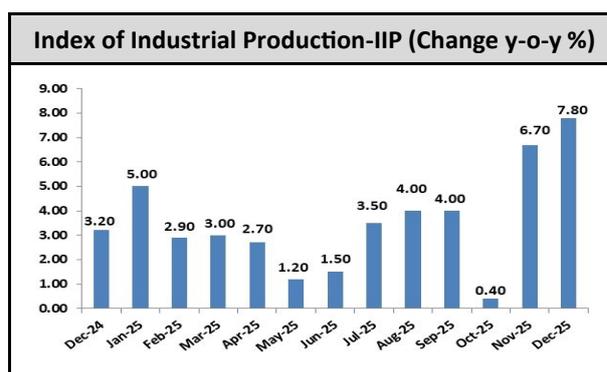
- **Foreign exchange dealings of Authorised Dealers (ADs):** The regulatory framework governing the facilities for ADs has been reviewed, rationalised and refined in view of the current market practices and requirements, domestically and globally. The revised framework provides these ADs with greater flexibility with respect to foreign exchange products, risk management and platforms will be issued
- **Review of the Voluntary Retention Route (VRR) for FPI investment in debt instruments:** With a view to ensure predictability about the availability of investment limits under the VRR and to further increase ease of doing business, it has been decided that (a) investments under the VRR shall now be reckoned under the limit for FPI investments under the general route and (b) certain additional operational flexibilities will be provided to FPIs investing under the VRR

#### (5) Capacity Building:

- **Mission Saksham-UCB sector:** The RBI intends to launch Mission Saksham (Sahakari Bank Kshamta Nirman) a sector-wide capacity-building and certification framework. The capacity building of the sector would be implemented through a large number of physical training programmes as well as a scalable learning platform, to cover about 1.40lk participants, across all functions. The Mission will be pursued in partnership with the Umbrella Organisation of UCBs and National/State Federations



Source: tradingeconomics.com



Source: tradingeconomics.com

### Our View:

The MPC was expected and it did maintain a status quo on the repo rate with the Neutral stance, amid the continued global economic uncertainty, pressure on government bond yields and volatility in the domestic currency. Inflation remains below the tolerance band (2.1% expected for FY26) and continues to be benign while the high-frequency indicators point to a continuation of strong growth momentum in the near term. The signing of the landmark trade deals with the EU and US is expected to support sustained growth going forward. The MPC also reaffirmed that while domestic inflation and growth prospects remain positive; external headwinds have intensified since the last policy in December. With the fiscal support rising and external trade prospects improving, focus is on how the RBI balances inflation risks with growth momentum. The growth outlook for FY26 has been revised to 7.4% from earlier projection of 7.3%, reflecting a change in the Central Bank's assessment of economic momentum. On the outlook, the Governor has said that the economic activity is expected to hold up well in the coming year, even as global conditions remain uncertain and as always, the RBI will remain pro-active in liquidity management to meet productive requirements of the economy. Overall, the policy has been stable and consistent; dynamic as and when liquidity measures would be required.

FINAL VERDICT			
MPC Meetings	REPO	REVERSE	CURRENT STANCE
February 2026	5.25%	3.35%	Retained the Neutral Stance
December 2025	5.25%	3.35%	

## Monetary Policy-February 2026

### DISCLAIMERS AND DISCLOSURES-

Progressive Share Brokers Pvt. Ltd. and its affiliates are a full-service, brokerage and financing group. Progressive Share Brokers Pvt. Ltd. (PSBPL) along with its affiliates are participants in virtually all securities trading markets in India. PSBPL started its operation on the National Stock Exchange (NSE) in 1996. PSBPL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) for its stock broking services and is Depository Participant with Central Depository Services Limited (CDSL) and is a member of Association of Mutual Funds of India (AMFI) for distribution of financial products.

PSBPL is SEBI registered Research Analyst under SEBI (Research Analysts) Regulations, 2014 with SEBI Registration No. INH000000859/Research Analyst BSE Enlistment No. 5049. PSBPL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. PSBPL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

PSBPL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Progressive Share Brokers Pvt. Ltd. (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company (s) covered in this report:-

- PSBPL or its associates financial interest in the subject company: NO
- Research Analyst (s) or his/her relative's financial interest in the subject company: NO
- PSBPL or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (PSBPL) has not been engaged in market making activity for the subject company.
- PSBPL or its associates actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- PSBPL or its associates may have received any compensation including for brokerage services from the subject company in the past 12 months. PSBPL or its associates may have received compensation for products or services other than brokerage services from the subject company in the past 12 months. PSBPL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Subject Company may have been client of PSBPL or its associates during twelve months preceding the date of distribution of the research report and PSBPL may have co-managed public offering of securities for the subject company in the past twelve months.
- The research analyst has served as officer, director or employee of the subject company: NO
- Registration granted by SEBI and certification from NISM is in no way guarantee performance of the intermediary or provide any assurance of returns to investors

PSBPL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our sales people, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses (if any) may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution publication, availability or use would be contrary to law or regulation or which would subject PSBPL or its group companies to any registration or licensing requirement within such jurisdiction. If this document is sent or has reached any individual in such country, especially, USA, the same may be ignored. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of PSBPL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of PSBPL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

### Terms & Conditions:

This report has been prepared by PSBPL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of PSBPL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and its at discretion of the clients to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. PSBPL will not treat recipients as customers by virtue of their receiving this report.

#### Registered Office Address:

Progressive Share Brokers Pvt. Ltd,  
122-124, Laxmi Plaza, Laxmi Indl Estate,  
New Link Rd, Andheri West,  
Mumbai-400053, Maharashtra  
www.progressiveshares.com | Contact No.:022-40777500

#### Compliance Officer:

Ms. Mamatha Poojari,  
Email: compliance@progressiveshares.com,  
Contact No.:022-40777500

#### Grievance Officer:

Email: grievancecell@progressiveshares.com