

RBI's Policy Decision: Comparison of policy statements since February 2026 (paraphrased)

Policy Decision	October 2025	December 2025	February 2026
Repo rate	5.50%	5.25%	5.25%
Stance	Neutral	Neutral	Neutral
Growth Projection	<ul style="list-style-type: none"> FY26 growth forecast was revised up to 6.8% (from 6.5%), with Q2 at 7.0%, Q3 at 6.4% and Q4 growth seen at 6.2% respectively. Real GDP growth for Q1FY27 is projected at 6.4%. Risks are evenly balanced. 	<ul style="list-style-type: none"> FY26 growth forecast was revised up to 7.3% (from 6.8%), with Q3 at 7.0% (earlier 6.4%) and Q4 at 6.5% (earlier 6.2%). GDP growth projections for H1-FY27 are also seen at sub-7% levels, signaling possibility of growth slowdown to below potential levels as statistical effects fade. 	<ul style="list-style-type: none"> The real GDP growth for FY26 is expected at 7.4% (from 7.3% earlier), in line with First Advance Estimates (FAE). Real GDP growth projections for Q1FY27 and Q2FY27 are revised upwards to 6.9% (from 6.7% earlier) and 7.0% (from 6.8%), respectively. However, headwinds from geopolitical tensions, uncertain global trade environment, volatility in global financial markets and international commodity prices continue to pose downside risks to the outlook.
Inflation Projection	<ul style="list-style-type: none"> Inflation projections were revised lower for Q2 and Q3 FY26 to 1.8% (from 2.1% and 3.1% earlier) while Q4 FY26 now seen at 4% (from 4.4%). FY26 inflation projection was revised dramatically lower to 2.6% from 3.1% with risks evenly balanced. Large unfavorable base effects are likely to exert upward pressure on headline CPI inflation, especially in Q4. 	<ul style="list-style-type: none"> CPI inflation projections were revised lower for Q3 and Q4 FY26 to 0.6% and 2.9%, respectively (from 1.8% and 4.0% earlier) while Q1 FY27 now seen at 3.9% (from 4.5%) and for Q2 FY27 seen at 4.0% (aligned with MPC's target). FY26 inflation projection was revised dramatically lower to 2.0% from 2.6% with risks evenly balanced. 	<ul style="list-style-type: none"> FY26 inflation projection was revised marginally higher to 2.1% from 2.0% with Q4 at 3.2% (from 2.9% earlier) and risks evenly balanced. Q1FY27 now seen at 4.0% (from 3.9% earlier) and for Q2FY27 seen at 4.2% (from 4.0%). Excluding precious metals, the underlying inflation pressures remain muted. However, geopolitical uncertainty coupled with volatility in energy prices and adverse weather events are possible upside risks to inflation.
Liquidity	<ul style="list-style-type: none"> The drawdown of government cash balances and the remaining 75bps cut in the CRR during Oct-Nov will aid banking system liquidity in the near-term. Through two-way operations, the RBI will actively manage liquidity to anchor short-term rates. Transmission has been broad-based across sectors. Going forward, adequate liquidity in the system and the remaining CRR cuts will further facilitate monetary transmission. 	<p>RBI has decided to conduct the following operations during Dec'25 to inject liquidity into the banking system:</p> <ul style="list-style-type: none"> OMO purchase auctions of G-secs for an aggregate amount of Rs 1 lakh crore in two tranches of Rs 50,000 crore each to be held on 11.12.2025 and 18.12.2025. USD/INR Buy/Sell Swap auction of USD 5 billion for a tenor of three years to be held on 16.12.2025. RBI will continue to monitor evolving liquidity and market conditions and take measures as appropriate to ensure orderly liquidity conditions. 	<ul style="list-style-type: none"> RBI will remain proactive in liquidity management and ensure sufficient liquidity in the banking system to meet the productive requirements of the economy and to facilitate monetary policy transmission. Liquidity management would be pre-emptive with sufficient allowance for unanticipated fluctuations in govt. balances, changes in currency in circulation, forex intervention, etc.
Policy guidance	<ul style="list-style-type: none"> The guidance was balanced with dovish streaks as the MPC further noted that <i>“current macroeconomic conditions and the outlook has opened up policy space for further supporting growth”</i>. Despite this opened up policy space, rates were kept unchanged amid heightened global uncertainty and as the impact of fiscal policy steps (GST rate cut) and frontloaded 100bps rate cuts and liquidity easing steps are still flowing through the economy and markets. MPC, considered it prudent to wait for the impact of policy actions to play out and greater clarity to emerge before charting the next course of action. 	<p>The guidance was outrightly dovish (<u>after a long gap, last we saw such policy in April</u>) as the MPC further noted that <i>“the growth-inflation balance, especially the benign inflation outlook on both headline and core, continues to provide the policy space to support the growth momentum”</i>.</p>	<p>The policy guidance was broadly balanced with dovish streaks with Governor clearly asserting that <i>“underlying inflation pressures stay benign (looking at core ex gold inflation at 2.6%)”</i>. The external headwinds also warrant caution. Liquidity measures from the RBI will remain in focus in the coming months</p>

➤ Customer protection

- Decided to issue comprehensive instructions to Regulated entities (REs) on advertising, marketing and sales of financial products and services.
- To review and harmonise all the extant conduct related instructions on engagement of recovery agents & other aspects related to recovery of loans.
- Draft revised instructions on limiting customer liability in digital transactions, including a framework for compensation in case of small value fraudulent transactions, shall be issued shortly for public consultation
- 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.

➤ To step up bank lending

- 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.
- To enhance the limit of collateral free loans to Micro & small enterprises (MSEs) from Rs 10 lakh to Rs 20 lakh. The above provisions shall be applicable to all loans to MSE borrowers sanctioned or renewed on or after April 01, 2026.
- Financial inclusion related steps:
 - Proposed to issue a comprehensive set of instructions on the Lead Bank Scheme with a view to streamline the operational aspects. The RBI is launching a new Unified Reporting Portal specifically for LBS data. Currently, data reporting under this scheme is often fragmented; the new portal aims to centralize and automate the flow of information between banks and the regulator.
 - Proposed to issue a revised set of instructions to banks on the Kisan Credit Card (KCC) Scheme, consolidating those on agriculture and allied activities.
 - Regulatory guidelines relating to use of Business Correspondents (BCs) by banks to be reviewed.

➤ Financial market related steps

- Regulatory framework to enable the introduction of derivatives on credit indices and total return swaps on corporate bonds will be issued.
- Revised framework provides Authorised Dealers (ADs) with greater flexibility with respect to foreign exchange products, risk management and platforms. Draft directions in this regard will be issued shortly.
- With a view to ensuring 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.

➤ Other steps to boost UCBs and NBFCs

- 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.
- Will be launching soon Mission SAKSHAM (Sahakari Bank Kshamta Nirman)- a sector-wide capacity-building and certification framework for the UCB Sector.
- Proposed that Type-I NBFCs with asset size not exceeding Rs 1,000 crore, may be exempted from registration requirement with the Reserve Bank subject to certain specified conditions.
- Proposed to dispense with the requirement of prior approval for opening branches by NBFC - Investment and Credit Companies (ICCs).

Annexure

Impact Summary: VRR Limit Removal (Feb 2026)

Market / Metric	Immediate Impact (Feb'26)	Medium-Term Impact (2026-27)
Bond Yields	Marginal Softening: Sentiment boost might shave 2-5 bps off corporate yields.	Structural Support: Unlimited pool prevents sharp yield spikes during heavy supply.
Rupee	Stability: Helps INR hold steady around 90.2-90.5 range.	Resilience: Committed 3-year flows act as a "shield" against US dollar strength.
Inflow Volume	Steady: No "flood" expected since headroom already exists.	Cumulative Growth: Gradual rise in FPI ownership as entry hurdles are gone.
Corp. Borrowing	Better Pricing: Ease of access for large FPI anchor tickets.	Cost Reduction: Lower interest spreads for Indian companies.

Source: UBI Research

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