

MONETARY & CREDIT INFORMATION REVIEW



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Note from the Editor

In February 2026, the Reserve Bank of India, under Governor Shri Sanjay Malhotra, maintained a steady monetary policy stance with the repo rate unchanged at 5.25%, underscoring confidence in India's resilient growth and benign inflation trajectory. The Central Board assessed the global and domestic economic landscape, factoring in the challenges arising from geopolitical developments and financial market volatility.

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Brij Raj
Editor

I. Monetary Policy

Governor's Monetary Policy Statement on February 6, 2026

Governor Shri Sanjay Malhotra announced the Monetary Policy Statement on February 6, 2026. Amidst heightened geo-political tensions and elevated uncertainty, the Indian economy is in a good spot with strong growth and low inflation. Inflation remains below the tolerance band and its outlook continues to be benign. High frequency indicators suggest continuation of the strong growth momentum in Q3:2025-26 and beyond, supported by the landmark trade deal with the European Union and the US trade agreement in sight.

The Monetary Policy Committee (MPC), which met on the 4th, 5th and 6th of February, voted unanimously to keep the policy repo rate unchanged at 5.25 per cent. Consequently, the standing deposit facility (SDF) rate remains at 5.00 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 5.50 per cent. The MPC also decided to continue with the neutral stance, noting that the near-term domestic inflation and growth outlook remain positive despite intensified external headwinds.

Headline inflation remained below the tolerance band, and the revised CPI inflation outlook for Q1:2026-27 and Q2 at 4.0 per cent and 4.2 per cent, respectively, continues to be benign and near the target. Core inflation remains low, excluding volatility in precious metals. CPI inflation for 2025-26 is projected at 2.1 per cent, with risks evenly balanced, though geopolitical uncertainty and energy price volatility pose upside risks.

On the growth front, the Indian economy continues on a steadily improving trajectory, with real GDP poised to register 7.4 per cent growth in 2025-26. Private consumption, fixed investment, resilient services, revival in manufacturing, steady rural demand, improving corporate performance, infrastructure push, and trade agreements are expected to sustain momentum in 2026-27. Real GDP growth for Q1:2026-27 and Q2 is projected at 6.9 per cent and 7.0 per cent, respectively.

India's external sector remains resilient despite global uncertainty. Merchandise exports grew modestly while services exports and remittances remain robust. Foreign exchange reserves stood at US\$ 723.8 billion as on 30th January, 2026, providing strong import cover. The banking system remains sound with robust capital adequacy, improved asset quality, healthy credit growth, and proactive liquidity management by the Reserve Bank.

The Reserve Bank also announced additional measures to enhance customer protection, advance financial inclusion, increase collateral-free loans to MSMEs, strengthen UCBs, promote ease of doing business for NBFCs, and deepen financial markets. Concluding the statement, the Governor reaffirmed that benign inflation provides the leeway to remain growth-supportive while preserving financial stability and sustaining the growth momentum. To read more, please click [here](#).

Statement on Developmental and Regulatory Policies

This Statement sets out various developmental and regulatory policy measures relating to (i) Regulations; (ii) Payments System; (iii) Financial Inclusion; (iv) Financial Markets; and (v) Capacity Building.

I. Regulations

1. Advertising, Marketing and Sales of Financial Products and Services by Regulated Entities (REs)

Mis-selling financial products and services by any RE has significant consequences for both customers as well as the RE. There is a felt need to ensure that third party products and services that are being sold at the bank counters are suitable to customer needs and are commensurate with the risk appetite of individual clients. It has therefore been decided to issue comprehensive instructions to REs on advertising, marketing and sales of financial products and services. The draft instructions in this regard shall be issued shortly for public consultation.

2. Conduct of Regulated Entities in Recovery of Loans and Engagement of Recovery Agents

Currently, different sets of instructions are applicable to different categories of Regulated Entities

II. 621st Meeting of Central Board of the Reserve Bank of India

The 621st meeting of the Central Board of Directors of the Reserve Bank of India was held today at New Delhi under the Chairmanship of Shri Sanjay Malhotra, Governor. The Board assessed the global and domestic economic landscape, factoring in the challenges arising from geopolitical developments and financial market volatility.

Smt. Nirmala Sitharaman, Hon'ble Union Minister of Finance and Corporate Affairs, addressed and interacted with the Directors of the Central Board, after the Board meeting. The Hon'ble Union Minister of Finance articulated the strategic vision of the Union Budget 2026-27, which was inspired by the three Kartavyas, and delineated expectations from the financial sector toward achieving its goal of Viksit Bharat. The Directors expressed their appreciation for the Budget and shared their perspectives.

The Union Finance Minister was accompanied by Shri Pankaj Chaudhary, Hon'ble Minister of State for Finance, Dr. Arunish Chawla, Secretary, Department of Investment and Public Asset Management, Shri V. Vualnam, Secretary, Department of Expenditure, Shri Arvind Shrivastava, Secretary, Department of Revenue and Dr. V. Anantha Nageswaran, Chief Economic Adviser.

Deputy Governors Shri T. Rabi Sankar, Shri Swaminathan J., Dr. Poonam Gupta, Shri Shirish Chandra Murmu and other Directors of the Central Board - Shri Nagaraju Maddirala, Secretary, Department of Financial Services; Ms. Anuradha Thakur, Secretary, Department of Economic Affairs; Shri Satish K. Marathe, Shri S. Gurumurthy, Smt. Revathy Iyer, Prof. Sachin Chaturvedi, Shri Venu Srinivasan, Shri Pankaj Ramanbhai Patel and Dr. Ravindra H. Dholakia - attended the meeting.

(REs) with respect to the engagement of recovery agents and conduct related aspects of loan recovery.

It has now 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. Accordingly, the draft instructions in this regard shall be issued shortly for public consultation.

3. Review of framework of Limiting Customer Liability in digital transactions

The extant instructions on limiting the liability of customers in unauthorised electronic banking transactions were issued in 2017, which deal with scenarios and timelines for zero / limited liability of a customer. In view of the rapid adoption of technology in the banking sector and payments systems, since issuance of these instructions, the existing instructions have been reviewed. Accordingly, the draft revised instructions, including a framework for compensation in case of small value fraudulent transactions, shall be issued shortly for public consultation.

4. Bank Lending to Real Estate Investment Trusts (REITs)

Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) were conceptualised in India with a view to free up banks' funds in completed and operational real estate and infrastructure projects by refinancing such exposures with pooled funds of institutional as well as retail investors. Consistent with these objectives, commercial banks were not permitted, ab initio, to lend to these entities. While bank lending to InvITs was allowed subsequently, lending to REITs was not permitted hitherto. 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. Draft directions in this regard will be issued shortly for public consultation.

5. Review of Lending norms for UCBs

In the recent past, several regulatory measures have been undertaken with the objective of providing greater flexibility to UCBs in their lending operations. 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 while maintaining prudential discipline, taking into consideration the growth in total loans and advances of the UCBs over the past few years. Draft directions in this regard will be issued shortly for public consultation.

6. Exemption from registration to eligible NBFCs not availing public funds and not having customer interface (including 'Type I NBFCs')

The Scale-Based Regulatory Framework for NBFCs envisages differential regulatory treatment for NBFCs that do not avail public funds and do not have any customer interface. Given their unique nature, a review of the regulations presently applicable to these NBFCs has been undertaken. Considering their significantly lower systemic-risk profile, it is proposed that such Type-I NBFCs with asset size not exceeding ₹1,000 crore, may be exempted from registration requirement with the Reserve Bank subject to certain specified conditions. The proposed exemption will reduce compliance requirements for these NBFCs. Accordingly, draft Amendment Directions will be issued shortly for feedback from stakeholders.

7. Amendment of NBFC Branch Authorisation Directions-2025

At present 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. In view of the comprehensive prudential and governance framework applicable to NBFC-ICCs, it is proposed to dispense with the requirement of prior approval for opening branches by such NBFCs. The draft instructions in this regard shall be issued shortly seeking stakeholders' comments.

II. Payments System

8. Discussion Paper on "Exploring safeguards in digital payments to curb frauds"

Over the past decade, digital payments in India have expanded at an unprecedented pace, reflecting a structural shift in the way individuals and businesses conduct financial transactions. However, it has been accompanied with growing sophistication of fraudulent activities targeting innocent customers. In alignment with the objective of promoting digital payments in a safe and secure manner, 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. The proposed measures are intended to mitigate frauds and strengthen customer protection.

III. Financial Inclusion

9. Revision in Lead Bank Scheme

The Reserve Bank has undertaken a detailed review of the existing guidelines on 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. The draft Circular will be issued shortly for public consultation. In addition, the Reserve Bank will be launching a unified portal for reporting of Bank-wise LBS data which is currently fragmented across various portals. This is expected to significantly enhance the data quality and provide better insights towards achieving the objectives of LBS.

10. Revision in the Guidelines of Kisan Credit Card (KCC)

The Reserve Bank has comprehensively reviewed the KCC Scheme with a view to expand coverage, streamline operational aspects and address emerging requirements. It is now proposed to issue a revised set of instructions to banks on the Scheme, consolidating those on agriculture and allied activities. The proposed guidelines include, among others, standardisation of crop season, extension of KCC tenure to six years, alignment of drawing limit with Scale of Finance (SoF) for each crop season and inclusion of expenses on technological interventions. The draft guidelines will be issued shortly.

11. Review of guidelines relating to use of Business Correspondents (BCs) by banks

Business Correspondents have been functioning as critical enablers of last mile access to financial services, particularly in respect of underserved, rural, and remote locations. Reserve Bank 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 placed for public consultations shortly.

12. Enhancement in Collateral free loan limit from ₹10 lakh to ₹20 lakh

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 ₹10 lakh to ₹20 lakh. The above provisions shall be applicable to all loans to MSE borrowers sanctioned or renewed on or after April 01, 2026. Instructions in this regard will be issued shortly.

IV. Financial Markets

13. Development of corporate bond market

An active derivatives market can facilitate efficient management of credit risks, improve liquidity and efficiency in the corporate bond market and facilitate issuance of corporate bonds across the rating spectrum. An announcement was made in the Union Budget speech delivered on February 1, 2026, that total return swaps on corporate bonds and derivatives on corporate

bond indices will be introduced. Accordingly, a regulatory framework to enable the introduction of derivatives on credit indices and total return swaps on corporate bonds will be issued shortly for public feedback.

14. Foreign Exchange Dealings of Authorised Dealers

Banks and standalone primary dealers authorised under FEMA, 1999, access the foreign exchange market for market making, balance sheet management and hedging of risks. The regulatory framework governing the facilities for such Authorised Dealers (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. Draft directions in this regard will be issued shortly for public consultation.

15. Review of the Voluntary Retention Route for FPI investment in debt instruments

The Voluntary Retention Route (VRR) was introduced by the Reserve Bank in March 2019 to provide an additional channel for investments by Foreign Portfolio Investors (FPIs) with long-term investment interest in the Indian debt markets. Over the years, the Bank has been recalibrating the Route to improve operational flexibilities and ease of doing business. The VRR has been witnessing active investment by FPIs, and over 80 per cent of the current investment limit of ₹2.5 lakh crore has been utilised. 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. Necessary directions will be separately issued.

V. Capacity Building

16. Mission Saksham – Capacity Building for the UCB Sector

Primary (Urban) Co-operative Banks (UCBs) are vital institutions for promoting financial inclusion and serving the unbanked. Securing their next phase of growth would depend on developing stronger skills and competencies, along with technical capabilities and operational resilience in them. To serve this objective, the Reserve Bank will soon be launching 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 1.40 lakh participants, across all functions. The Reserve Bank shall endeavour to conduct these training programmes at locations close to participating UCBs, with content delivery in regional languages to the extent feasible. The Mission will be pursued in partnership with the Umbrella Organisation of UCBs and National / State Federations.

Minutes of MPC

The 59th Meeting of the Monetary Policy Committee, constituted under Section 45ZB of the Reserve Bank of India Act, 1934, was held during February 4 to 6, 2026.

Accordingly, under Section 45ZL of the Reserve Bank of India Act, 1934, the Reserve Bank published the minutes of the proceedings of the meeting on February 20, 2026, i.e., the fourteenth day after meeting of the

MPC. The MPC also reviewed the surveys conducted by the Reserve Bank to gauge consumer confidence, households' inflation expectations, corporate sector performance, credit conditions, the outlook for the industrial, services and infrastructure sectors, and the projections of professional forecasters. To read more, please click [here](#).

III. Regulation

RBI invites public comments on the draft Amendment Directions on Non-Banking Financial Companies – Branch Authorisation Directions

The Reserve Bank had issued the [Reserve Bank of India \(Non-Banking Financial Companies – Branch Authorisation\) Directions, 2025](#) (hereafter referred as the 'Master Directions'), on November 28, 2025, which inter alia prescribes regulations on opening and closure of branches of Non-Banking Financial Companies (NBFCs). As announced in the Governor's Statement on [February 06, 2026](#), the Reserve Bank has published [the Reserve Bank of India \(Non-Banking Financial Companies – Branch Authorisation\) Amendment Directions, 2026](#). Consequently, relevant paragraphs of [the Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025](#) and [the Reserve Bank of India \(Housing Finance Companies\) Directions, 2025](#), shall be amended suitably. The comments on the draft Amendment Directions were invited from the Regulated Entities, and other interested parties till **February 27, 2026**. To read more, please click [here](#).

RBI Issues Amendment Directions on Lending to Micro, Small & Medium Enterprises (MSME) Sector

The Reserve Bank issued the Lending to Micro, Small & Medium Enterprises (MSME) Sector (Amendment) Directions, 2026 on February 9, 2026, modifying certain provisions of the Master Direction - Lending to Micro, Small & Medium Enterprises (MSME) Sector (Updated as on July 23, 2025). These amendments have been carried out to (i) enhance the extant Collateral-Free Loan Limit for Micro and Small Enterprises (MSEs) to ₹20 lakh, and (ii) align with certain regulatory changes that have been notified separately, with the objective of strengthening last mile credit delivery for Micro and Small Enterprises with limited assets to provide as collateral. The amended Directions shall come into effect from April 01, 2026. To read more, please click [here](#).

Review of Lending norms for UCBs

The Reserve Bank, in pursuance of the announcement made in the Statement on Developmental and Regulatory Policies dated February 6, 2026, issued the following draft Amendment Directions for public comments on February 10, 2026, proposing to amend existing Directions issued by the Department of Regulation, RBI: Reserve Bank of India (Urban Co-operative Banks -

Concentration Risk Management) - Amendment Directions, 2026; Reserve Bank of India (Urban Co-operative Banks - Credit Facilities) - Amendment Directions, 2026; and Reserve Bank of India (Urban Co-operative Banks - Financial Statements: Presentation and Disclosures) - Second Amendment Directions, 2026. The above draft Amendment Directions propose to rationalise the definition of unsecured advances, enhance the individual loan limits for such advances and revise the aggregate ceiling for such advances by UCBs to 20% of total advances from the extant ceiling of 10% of total assets, enhance the lending limit to nominal members for purchase of consumer durables to ₹2.5 lakh per borrower, deregulate the tenor and moratorium requirements for housing loans for Tier 3 and Tier 4 UCBs, and introduce certain disclosure requirements for the UCBs. To read more, please click [here](#).

RBI invites public comments on the Draft Circular on Lead Bank Scheme (LBS)

The Reserve Bank issued revised guidelines on the Lead Bank Scheme on February 13, 2026, as part of the announcement made in the Statement on Developmental and Regulatory Policies dated February 06, 2026, to streamline the operational aspects, and accordingly, the draft circular on the revised guidelines of the Lead Bank Scheme has been issued for public comments. The revised guidelines aim to finetune the objectives of the Scheme; the structure, membership and agenda of various fora under the Scheme; clear delineation of roles and responsibilities of key functionaries; and provisions to further strengthen the State Level Bankers' Committee and Lead District Manager offices, among others. To read more, please click [here](#).

IV. Publication

RBI Bulletin – February 2026

The Reserve Bank released the February 2026 issue of its monthly Bulletin on February 20, 2026. The Bulletin includes bi-monthly monetary policy statement (February 6, 2026), one speech, three articles and current statistics. The three articles are: [I. State of the Economy](#); [II. Union Budget 2026-27: An Assessment](#); and [III. Retail Inflation Volatility in India: Sources, Determinants, and Implications](#). To read more, please click [here](#).

V. Data Release

Important data released by the Reserve Bank during the month of February 2026 are as follows:

S/N	Title
1	Urban Consumer Confidence Survey (UCCS) – January 2026
2	Inflation Expectations Survey of Households (IESH) – January 2026
3	Rural Consumer Confidence Survey (RCCS) – January 2026