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Indian Currency and Way Forward

The Indian Rupee (INR) has plunged to historic lows near **97 against the US Dollar** and breaching the psychological barrier of **100 in the one-year forward market**. This marks a sharp depreciation of over 11% year-on-year and has triggered familiar anxieties about imported inflation, ballooning trade deficits, and foreign capital flight.

This is the aftermath of an escalating conflict in West Asia, Brent crude surging past **$105 per barrel**, and relentless capital outflows by Foreign Institutional Investors (FIIs) seeking safer havens or more lucrative tech-driven pastures in East Asia.

RBI's instinct to shield the rupee through managed interventions is understandable. A volatile, free-falling currency disrupts corporate planning, panics importers, and spikes retail fuel prices. To combat this, the central bank has deployed a diverse toolkit i.e. from spot market dollar sales and USD/INR buy-sell swap auctions to tightening Net Open Positions for banks to put the cap on speculation and reducing volatility.

If external supply shocks, like high oil prices, prove persistent, artificially propping up the rupee will merely drain India's hard-earned foreign exchange reserves without altering economic realities. Furthermore, aggressive interventions distort market signals and delay the necessary macroeconomic adjustments, such as reduced non-essential import demand.

Fortunately, India's current foundation is vastly superior. Growth remains robust, retail inflation is structurally more stable, and forex reserves remain healthy at nearly **$700 billion**. The economy is fully capable of absorbing a calibrated depreciation.

India cannot stop global geopolitical storms, but it can control its domestic resilience. Addressing currency depreciation requires moving away from emergency "band-aids" toward long-term structural changes. Also, weaker rupee will organically boost the competitiveness of Indian exports and compress non-essential imports.

Expanding institutional frameworks to settle bilateral trade invoices (especially for crude oil and strategic commodities) in local currencies or via the rupee-dirham/rupee-ruble mechanisms will permanently reduce daily commercial dollar demand.

India must aggressively address structural bottlenecks to boost merchandise exports. Capitalizing on the "China+1" strategy requires cutting red tape, improving logistics, and offering a stable regulatory environment to attract sticky, long-term Foreign Direct Investment (FDI) over volatile portfolio flows.

A depreciating currency is not a sign of economic failure; it is a price mechanism responding to global realities. Rather than panicking over psychological milestones, India should view this currency realignment as an opportunity to fix underlying structural imbalances. The true path to a strong currency lies not in market manipulation, but in building a self-reliant economy driven by manufacturing excellence, energy independence, and fiscal discipline.

Sunil Kumar Goel
Chief General Manager

2. THE SHADOW OF GEOPOLITICAL FRICTION: THE 2026 GLOBAL ECONOMIC OUTLOOK

The global economy has been marked by rising uncertainty in the recent years due to successive shocks. In 2025, the global economy faced trade tariffs, fragmentation and geopolitical tensions, yet demonstrated resilience by registering annual growth of 3.4 per cent[1], higher than the earlier projection of 3.2 per cent. While global manufacturing struggled due to weak external demand and high energy costs, the Services sector remained the global growth engine, fuelled by post-pandemic travel and the rapid scaling of Artificial Intelligence (AI) related professional services.

The global economic recovery experienced another setback in February'2026 as US and Israel attacked Iran and conflict spread across West Asia. The event has introduced profound uncertainty and disrupted global trade routes and energy supplies due to blockade of Strait of Hormuz. This has led to significant rise in energy prices and freight cost that is severely impacting economies around the globe.

The most immediate impact of this geopolitical instability is the stalling of the global "disinflation" process. After years of central banks efforts to bring prices down, the IMF warns that the war has triggered a new wave of pressure, **with global headline inflation expected to rise to 4.4 per cent in 2026, from earlier projections of 3.8 per cent.** This spike is largely attributed to an anticipated 19 per cent jump in energy prices. If the conflict escalates further, particularly if it threatens the Strait of Hormuz or critical energy infrastructure in the Middle East, the world could face its most severe energy crisis in modern history, as per IMF.

The global economy is once again facing the threat of stagflation due to supply chain disruptions. Under such circumstances, central banks may be required to raise the interest rates, thereby exerting additional pressure on households and businesses already grappling with rising living costs.

Amid the ongoing conflict, the **International Monetary Fund (IMF) projects the world economic growth to slow down to 3.1 per cent in 2026 and marginally recover to 3.2 per cent in 2027**, but significantly slower than the 3.4 per cent yearly Gross Domestic Product (GDP) growth in 2025.

Economic fortunes across the globe are becoming increasingly divergent because of these pressures. Emerging Markets and Developing Nations are bearing the brunt of the heightened volatility, with growth projections for these regions downgraded to **3.9 per cent in 2026 from 4.4 per cent in 2025**.

In contrast, advanced economies like the United States have shown relative resilience, maintaining a growth forecast of **2.3 per cent in 2026**, higher than 2.1 per cent in 2025. Though even there, the return to inflation targets is expected to be slower. The Eurozone remains in a precarious position, hampered by high energy costs and modest growth forecast of only **1.1 per cent in 2026,** lower than 1.4 per cent GDP growth in 2025.

[1] *As per IMF World Economic Outlook, April'26*

This combination of expensive energy and elevated interest rates has aggressively reshuffled global currency markets. Emerging Market Economies are facing severe currency pressures as global risk aversion triggers a swift "flight to safety." International investors are rapidly unwinding exposure to high-yield but risk-sensitive developing assets. Instead, capital is being aggressively reallocated into the deep liquidity of the US dollar and US Treasuries, driving the greenback to commanding heights. This mass exodus of capital forces emerging market currencies, such as the Brazilian real and the Indian rupee, into defensive depreciation. Consequently, developing nations are being pushed into a difficult macroeconomic corner: they must grapple with the rising costs of dollar-denominated external debt and heightened imported inflation, all while being forced to burn through foreign exchange reserves or hike domestic interest rates to stabilize their faltering currencies.

Apart from geopolitical tensions, other factors weighing on global economic prospects are protectionist trade policies adoption by countries, elevated public debt in several major economies and increasing environmental and demographic pressures.

Ultimately, the IMF's outlook underscores that while the global economy's structural foundation is more resilient than it was during the severe inflation shocks of the mid-2020s, it remains highly vulnerable to supply-side disruptions. For central bankers, the mandate requires remaining strictly data-dependent to prevent inflation expectations from becoming unanchored. For governments, the priority must be rebuilding depleted fiscal buffers rather than accumulating structural debt. The ultimate stabilization of the global economy will depend on whether positive structural forces, such as rapid efficiency gains from artificial intelligence and the ongoing diversification of global supply chains, can outpace the friction of geopolitical fragmentation.

Going forward, there is need for agile policy-making and stronger international cooperation to effectively navigate these global challenges.

Ajay Kumar Singh
General Manager
SMEAD, Head Office

3. FUELLING THE FUTURE: INDIA'S ETHANOL PUSH

In January 2003, India quietly launched a programme that, two decades later, would begin reshaping the country's energy landscape. The Ethanol Blended Petrol (EBP) Programme started modestly — a mandate for 5% ethanol blending in petrol across select states, aimed primarily at absorbing surplus molasses from an overproducing sugar industry. Few could have anticipated that this limited intervention would evolve into one of India's most ambitious clean-energy transitions.

India achieved its 20% ethanol blending target ahead of schedule in March 2025 — a milestone originally envisioned for 2030 and later advanced to 2025. The country is now preparing for a further increase toward 30% blending by 2030. Ethanol supplies to Oil Marketing Companies (OMCs) have surged from merely 38 crore litres in 2013–14 to more than 1,039 crore litres in 2024–25. The scale of this transformation has been remarkable.

The Strategic Case for Ethanol

The logic behind ethanol blending is compelling. India imports nearly 85–90% of its crude oil requirements, leaving the economy highly vulnerable to global oil price volatility and external sector pressures. Domestically produced biofuels offer a meaningful hedge: every litre of ethanol blended into petrol displaces a corresponding quantity of imported crude, conserving foreign exchange and reducing pressure on the current account and the rupee.

Beyond macroeconomic gains, the programme has significantly strengthened the rural economy. By creating a stable market for sugarcane, maize, and surplus food grains, ethanol production has improved the cash flows of sugar cooperatives and enhanced farm incomes in states such as Uttar Pradesh, Maharashtra, and Karnataka. For millions of rural households, the programme has emerged as a quiet but important source of economic support.

The environmental dividend is equally significant. Ethanol-blended fuels emit lower levels of carbon monoxide, unburnt hydrocarbons, and particulate-forming pollutants compared with conventional petrol. The programme has reportedly contributed to a reduction of nearly 735 lakh metric tonnes of CO_2 emissions — equivalent to planting approximately 30 crore trees.

Learning from Global Models

India's ethanol journey is often compared with those of Brazil and the United States, though the three countries are at very different stages of maturity.

Brazil currently operates at E27 and is gradually moving toward E30–E35 blends. The United States, under its Renewable Fuel Standard (RFS), has largely stabilised around E10, with limited penetration of E15 and E85 due to infrastructure and vehicle constraints.

Brazil's programme stands out as the global benchmark. It has reportedly generated energy savings equivalent to nearly 2.5 billion barrels of oil, translating into savings of over USD 200 billion in gasoline imports. A key enabler of Brazil's success has been the widespread adoption of flex-fuel vehicles capable of operating on gasoline blends as well as hydrous ethanol. If India eventually aspires to move toward E85 or E100, a similar ecosystem transition in vehicle technology will become essential.

Key Benefits of the EBP Programme

Energy Security : Ethanol blending led to foreign exchange saving by crude oil substitution of around 245 Lac MT. Reduced dependence on imported crude, conserving foreign exchange annually.

Cleaner Combustion: Ethanol-blended fuels cut carbon monoxide, unburnt hydrocarbons and particulate-forming pollutants compared to pure petrol. Reduction of roughly 735 Lac MT of CO_2 - equivalent to planting of 30 Cr. trees.

Farmer Incomes: Expands the market for sugarcane, maize and rice, supporting rural livelihoods across multiple states.

Green Finance Opportunity: Banks are increasingly funding ethanol distilleries and biofuel infrastructure under government interest-subvention schemes, deepening rural credit penetration.

Climate Alignment: Supports India's NDC commitments and broader net-zero transition goals under international climate agreements.

Climate Commitments

The EBP programme aligns closely with India's Nationally Determined Contributions (NDCs) and broader net-zero transition objectives under international climate agreements.

The financial sector has taken note of these opportunities. Ethanol projects offer lenders a rare combination of long-term policy support, predictable offtake arrangements from OMCs, and expanding ESG financing potential. For banks, this has opened a promising avenue for sustainable infrastructure lending while deepening credit penetration in rural India.

The Structural Challenges Ahead

Despite its achievements, the path toward higher ethanol blending levels is not without significant structural risks.

Supply Limitations: India does not possess a sustained agricultural surplus in either sugarcane or maize — the two principal ethanol feedstocks. Scaling production to support E85 or E100 targets would require ethanol volumes far beyond current agricultural capacity.

Lower Fuel Efficiency: There is also a fundamental efficiency consideration. Ethanol contains lower energy density than petrol, implying that higher blend ratios may increase fuel consumption per kilometre travelled. This could partially offset the intended savings from reduced crude imports.

Productivity Constraints: India's maize yields remain significantly lower than those of Brazil and the United States, limiting feedstock availability per hectare.

Cropping Pattern Distortions: Higher returns from ethanol-linked crops are encouraging shifts away from pulses and oilseeds toward maize and rice cultivation.

Food Security Risks: India already imports more than half of its edible oil requirements. A decline in domestic oilseed acreage could deepen vulnerability to global food price shocks.

The Cropping Pattern Dilemma

Perhaps the most underappreciated consequence of India's ethanol expansion is the gradual shift unfolding across agricultural landscapes.

Data from *Agricultural Statistics at a Glance 2024–25* reflects this trend clearly:

Crop	2019–20 (Mn Ha)	2024–25 (Mn Ha)	Trend
Rice	43.7	51.3	▲ +17.4%
Maize	9.6	12.1	▲ +26.0%
Sugarcane	4.6	5.5	▲ +19.6%
Pulses	28.0	27.7	▼ −1.1%

The numbers point toward a gradual squeeze on pulses — a critical protein source for millions of Indians, especially lower-income households. India is already heavily dependent on imports for edible oils; any further decline in domestic pulse and oilseed production could amplify exposure to global commodity price volatility and food inflation, potentially undermining the very macroeconomic stability the ethanol programme seeks to strengthen.

These pressures are being compounded by rising fertiliser costs, global supply-chain disruptions, and geopolitical uncertainties, all of which are increasing stress on farm economics and reducing policy flexibility.

The Road Ahead

India's ethanol story is ultimately one of strategic trade-offs. The programme has delivered tangible gains in energy security, rural incomes, emissions reduction, and green finance mobilisation. These achievements deserve recognition.

However, an unchecked acceleration toward E85 or E100 could risk replacing one strategic dependence — imported crude oil — with another: imported food and edible oils.

The solution lies not in slowing India's ethanol ambitions, but in broadening and strengthening their foundations.

Improving crop productivity, particularly maize yields, through research and extension services; ensuring balanced incentive structures for pulses and oilseeds; and accelerating the development of second-generation ethanol from agricultural residues and non-food biomass — these will be critical pillars of a sustainable long-term strategy.

India's ethanol future need not become a choice between energy security and food security. With calibrated policy design, technological innovation, and balanced agricultural incentives, the country can achieve both.

Virendra Prakash Bansal
Deputy General Manager
SMEAD, Head Office

4. GREEN FINANCE FOR A SUSTAINABLE FUTURE-THE TIME IS NOW!

3rd

THEME: ROLE OF BANKS IN PROMOTING SUSTAINABLE AND GREEN FINANCE

Sustainable development is about building an inclusive and resilient future, and sustainable finance plays a crucial role here- perhaps more urgently now than ever before. Sustainable finance aims to champion three core elements- economic growth, social inclusion and environmental protection. Green finance is a subset of sustainable finance which is specifically focused on "greening" the private finance flows. This includes local, national and transnational finance not only to address climate change but also to direct funds towards several peripheral, often overlooked areas such as marine pollution, land reclamation, waste management, urban sanitation, etc.

Climate finance is a further subset of green finance which focusses on directing funds towards projects such as renewable energy, energy efficiency, desalination, flood-resilient housing, drought-resilient crops, etc.

It is predicted that by the end of the century, the earth's surface will reach more than 2.0 degrees Celsius of warming. The Paris Agreement, ratified by a total of 194 parties in 2015, was a landmark international treaty because it was the first time a binding agreement was signed to recognize the urgent need to prioritize climate change and create a financial, technical and capacity building framework to support nations in their journey towards a more sustainable future. The Paris Agreement targets to limit global warming to well below 2.0 degrees Celsius, preferably 1.5 degrees Celsius, above pre-industrial levels by 2100. However, recent estimates suggest that global warming could reach around 2.3–2.5 degrees Celsius if all climate commitments are fully implemented, and around 2.8 degrees Celsius under current policies, indicating that the world is still significantly off track from the 1.5 degrees Celsius target[2].

The difference between 1.5 degrees and 2.0 degrees Celsius of warming is tremendous. With 1.5 degrees Celsius of warming, it is predicted that the Arctic Ocean will have one ice-free summer every 100 years, while with 2.0 degrees Celsius of warming, the Arctic Ocean will have one ice-free summer every 10 years![3]

Therefore, if we are to meet the goals of the Paris agreement, there is a dire need to augment not only commitments but also accelerate action as current trends clearly suggest inadequacy.

Data suggests that the G20 nations alone emit 75-78 per cent of the total Green House Gas (GHG) emissions. Top seven emitting nations include- China, United States, India, European Union, Russia, Brazil and Indonesia[4]. This concentration makes global cooperation not just crucial, but inevitable.

India, having exceeded its initial 2015 targets already, recently updated its climate commitments. India approved its third Nationally Determined Contributions (NDC) for 2031–2035. These include a target

[2] (UNEP, Emissions Gap Report 2023)
[3] (IPCC, Special Report on Global Warming of 1.5°C, 2018)
[4] (European Commission, EDGAR Report 2023; WRI Climate Watch Data Platform, 2024)

to reduce the emissions intensity of GDP by 47 per cent by 2035 (from 2005 levels); aiming for 60 per cent of electric power capacity from non-fossil fuel sources; and generate a carbon sink for 3.5–4.0 billion tonnes of CO_2-equivalent through increased forest cover by 2035. India also remains committed to achieving net-zero emissions by 2070.[5]

While dialogue and discussions have served as a platform for exploring the various possibilities of mitigating and adapting to the adverse effects of climate change, the time has now come to turn deliberation into action and action into outcome.

There can be two ways of tackling climate change- **adaptation and mitigation**. Adaptation aims to direct funds towards reducing the adverse effects of climate change. Mitigation, on the other hand, involves efforts to reduce GHG emissions. Mitigation finance is of utmost importance as large-scale funding is required to reduce GHG emissions to a tolerable level.

Banks can play an enabling role by not only providing access to finance but also influencing the end use of those funds, consequently directing funds towards environment-friendly projects.

There lies a huge gap between the climate finance needs of developing countries and the actual flow of funds, and this gap is the biggest hurdle in achieving our climate targets. India requires more than USD 2.5 trillion till 2030 to meet its NDCs and USD 10.1 trillion to meet its net zero goal by 2070[6].

Climate finance needs to increase six times to more than USD 4.0 trillion by 2030 to bridge the net zero gap. Data suggests that 91.0 per cent of finance went to mitigation finance alone (in FY22), however, it still requires another USD 8.4 trillion till 2030[7]. Further, adaptation finance is the lowest funded, with UNEP projecting that USD 215 billion is required per year for developing countries to meet their cost of adaptation[8]. Data suggests that sufficient global capital is available for this- the global bond market is estimated at more than USD 150 trillion by end 2024[9].

Steps are needed to drive capital (especially private capital) by enhancing standards and regulatory guidance, creating more bankable projects and de-risking capital. While sectors such as renewable energy and electric vehicles are rapidly evolving, an emerging area where banks can play a role as enablers is **Carbon Capture, Utilization, and Storage (CCUS)**.

In simple words, CCUS aims to utilize technology to reduce carbon emissions by storing CO_2 and reusing it so that the captured CO_2 does not enter the atmosphere. CCUS programmes work by capturing CO_2 at its source, i.e., in factories through specialized equipment instead of releasing it into the atmosphere. The captured carbon is then liquified and transported deep underground, where it is stored beneath rock formations so that it cannot escape. The carbon can also be recycled for usage in products such as soda, concrete, plastic, or even jet fuel.

The Indian government is formulating a Rs 38,900 crore CCUS programme[10] to curb industrial carbon emissions and support its long-term climate commitments. Here, banks can play an enabling role in

[5] PIB
[6] RBI, Report on Currency and Finance 2022–23; Economic Survey 2022–23
[7] Climate Policy Initiative, Global Landscape of Climate Finance, 2023
[8] UNEP, Adaptation Gap Report, 2023
[9] Bank for International Settlements
[10] NITI Aayog, CCUS Policy Framework, 2022; PIB

funding the CCUS programmes by transforming them from high-cost, high-risk initiatives into financially viable projects.

With enhanced capital base and improved asset quality, Indian banks are now in a better position to provide structured financing to large-scale, long-term projects. Further, banks can make use of innovative financial instruments such as green bonds, blended finance, etc., to raise low-cost funds. **Green bonds** are gaining traction in the Indian market with many banks (including PSBs) issuing green bonds. These generally garner huge demand from the ESG investor base, and many a times offer tax concessions from the government. These also get a more favourable price in the market owing to their sustainable nature. Hence, market demand and policy support often lower their cost compared to plain vanilla bonds. Another manner in which banks can finance the hard-to-abate sectors is through **Transition Bonds**. Transition Bonds are used to finance the de-carbonization of carbon-intensive industries that cannot immediately meet the strict environmental criteria required for standard green bonds.

Banks can also employ a risk-sharing model through **blended finance**, which combines concessional government funding with private funds, or through partial credit guarantees from government to attract private capital as CCUS projects are high-risk.

Alternatively, banks can resort to **sector-focused lending** in high-emitting industries such as steel, cement, thermal power, and other infrastructure industries where CCUS is need of the hour. **Consortium lending** can also be another method of financing such high-risk projects where the risk is distributed across multiple financial institutions.

Risk-sharing facilities (RSFs) can also be employed by banks to fund such high-risk, early-stage projects. RSFs are bilateral agreements between a development institution and a financial institution where the risk of the portfolio is transferred to the development institution while the asset remains on the originator's balance sheet. The development institution covers a certain percentage of losses above a pre-defined threshold, allowing the lender to enhance lending while reducing capital exposure.

CCUS is an important milestone in combating climate change, however, its success will depend heavily on whether it can move beyond pilot stages into commercially viable deployment. Since CCUS is an emerging area, the onus lies on banks to provide these projects with structured funding to increase adoption. However, since banks lend based on predictable cash flows, the onus also lies on the government to make CCUS projects revenue- generating through mechanisms such as buying and selling of carbon credits, carbon capture as-a-service, selling of CO_2 for industrial use, etc.

Another major problem plaguing Indian cities is the problem of **waste management.** Overflowing landfill sites are not just a sad sight; these pose severe risks to public health, groundwater, and air quality. Methane gas emission from landfills drive a substantial portion of India's greenhouse gas emissions.

The Central Pollution Control Board reported that India produces 62 million tonnes of municipal solid waste per year[11], and it is projected that this amount will reach 165 million tonnes by 2030[12]. India's solid waste management problem is a complex mix of public disposal behaviour, resource constraints, and administrative limitations. The financial burden of remediating legacy landfills is tremendous. Contaminated ground water treatment costs range from ₹2,000–₹3,000 per kilo litre, and land

[11] Board (CPCB) CPC. Annual Report on Solid Waste Management 2021-2022

[12] PIB

reclamation costs ₹5–₹10 crores per hectare. Healthcare costs in landfill-adjacent communities are 15–25 per cent higher due to chronic illnesses and frequent disease outbreaks.[13]

Legacy dumping sites are accumulated over decades, and thus, require scientific remedies in the form of bio-mining (using bio-organisms to process waste), waste segregation, and land restoration. However, such projects are capital-intensive, technologically complex, and often lack immediate revenue streams—creating a natural role for banks as financial enablers.

Banks can support **landfill reclamation** through **structured project financing** with predictable revenue streams. Urban local bodies (ULBs) already pay contractors a fixed fee per tonne of waste processed. Banks can lend to private developers undertaking bio-mining or waste treatment, with repayment tied to the cash flows from municipalities. Repayment can also be supplemented through **land monetization and revenue-linked models**. Once a landfill is reclaimed, the land can be leased or commercially developed by the municipality. A portion of these proceeds can then be used to service debt obligations. Together, this creates a hybrid repayment structure, thereby making such projects bankable.

RBI's recent project finance norms have also eased restrictions on banks for project-based lending. The new norms support capital-intensive, long-gestation projects by significantly reducing provisioning norms from a proposed 5.0 per cent to 1.0 per cent during construction phase[14]. This is expected to free up liquidity for high-cost carbon-capture projects. The revised norms are well-suited for nascent stage, pilot projects-offering a safety net by allowing banks to extend project deadlines by up to three years without the loan being categorized as NPA. Moreover, by requiring lenders to hold a minimum 5.0 per cent stake in large consortiums and aligning loan repayments with the project's actual economic life, the RBI ensures more disciplined funding for massive infrastructure projects.

Taken together, these developments underscore that while policy has set the stage, it is ultimately banks' execution that will determine the pace and credibility of green finance. To make the green financing model successful, banks need to originate green banking products more consistently, improve the efficiency of green lending by streamlining internal processes such as project appraisal and monitoring, lower transaction costs by enabling faster identification and verification of eligible green assets through standardized procedures. It is also important for banks to actively reduce uncertainty and reputational risks by ensuring that their financing genuinely supports green activities and does not lead to greenwashing concerns. Banks must also strengthen disclosures by maintaining transparency in reporting, thereby building credibility and trust among stakeholders. Ultimately, the challenge is not the availability of capital, but the ability to channel it effectively in the right direction.

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[13] Ravish P. Sustainable Management of Landfill Sites in India: Addressing Environmental, Health, and Socioeconomic Challenges. Curr World Environ 2025;20(1)

[14] Reserve Bank of India (Project Finance) Directions, 2025

5. THE ALGORITHM AND THE LOAN OFFICER

(THEME: ROLE OF ARTIFICIAL INTELLIGENCE IN BANKING)

4th

Imagine this.

A small trader in Varanasi walks into a bank branch. He has no salary slips, no ITR, no formal credit history. He runs a thriving textile business, handles lakhs of rupees every month through UPI, pays his GST diligently, and has never defaulted on a single supplier payment in fifteen years. Yet the bank's traditional credit assessment system sees only blank fields where it expects data, and the loan gets rejected.

Now imagine a different scenario. An AI model looks at the same applicant. It reads his GST filing history, his UPI transaction patterns, his telecom payment regularity, and even the online reviews of his shop. Within minutes, it produces a credit score that reflects the man's actual creditworthiness, not the gaps in his paperwork. The loan gets approved.

This is not science fiction. This is the quiet revolution happening in Indian banking today and it deserves our full attention.

A Question of Data Points

Our history is full of instances where the tools were inadequate and the conclusions, therefore, were wrong. Scientists once believed the earth was flat. They were so certain of this that anyone stating otherwise was considered a criminal, a lunatic even. The underlying issue was not intelligence or intent. It was the poverty of data. With the data available at the time, that was the truth.

Then came better instruments, broader observations, and a richer set of data points. The world finally understood that the earth was not flat after all.

The point is this: partial data shows only partial truth. And in the context of banking, in credit assessment specifically, that can be the difference between choosing a lesser-known good borrower and a better-known bad one.

This is precisely the trap that traditional credit assessment has fallen into. The system was not designed to be unfair. It was designed around the data it had: salary slips, income tax returns, CIBIL scores, collateral valuations. Within that data universe, it made rational decisions. But that universe was always incomplete — and the decisions it produced were therefore incomplete too. Millions of creditworthy borrowers remained invisible not because they were risky, but because the instruments measuring them were too narrow to see them.

AI does not just improve the old instrument. It changes the instrument entirely.

The Price of Getting Credit Wrong

Before we discuss what AI can do, we must be honest about what the traditional system has already cost us, in both directions.

MSMEs contribute approximately 30% of India's GDP and employ over 28 crore people, yet only an estimated 14% of the sector's formal credit demand is actually being met by institutional lenders. This leaves the vast majority of financing needs unaddressed.[1] The RBI's own Expert Committee estimated

the MSME credit gap at ₹20–25 lakh crore.[2] These are not marginal borrowers at the edges of the economy. They are its engine and the current system has been unknowingly starving them of fuel.

But invisible borrowers are only half the problem. The harder truth is that the old system also made catastrophically bad decisions about borrowers it could see. Public sector banks' gross NPA ratio peaked at 14.58% in March 2018. Nearly fifteen paise in every rupee lent not coming back, with bad loans totalling ₹8.96 lakh crore. What followed was the largest banking recapitalisation in India's independent history, infusing ₹3.10 lakh crore in capital support into PSBs between FY2016-17 and FY2020-21.[3] These were the consequences of a credit system that relied on gut instinct, periodic reviews, and reactive monitoring. Instruments too narrow, and too slow, to see what was coming.

The lesson is not comfortable, but it is essential: the traditional system failed in both directions. It excluded those who should have been included. And it approved exposures it never adequately watched. Any serious case for AI must begin here, with this honest understanding.

What AI Actually Changes

AI in credit broadens the horizon. It shines light on datapoints which were important but were not yet showing up in the current system we have in place. It is a new viewpoint of evidence, a fundamental shift in what counts as proof that someone will repay a loan.

The most immediate change is in what can be counted as creditworthiness. GST filing patterns reveal the rhythm of a business - its growth, its seasonality, whether it is expanding or contracting. UPI transaction flows show cash reality with a granularity no formal bank statement could match. Utility payments, trade references, e-commerce sales histories, satellite imagery of agricultural land fed into a machine learning model, these construct a credit profile for someone who has never navigated a formal loan appraisal in their life.

The evidence from Indian deployments is compelling. Lendingkart, one of India's earliest MSME-focused digital lenders, has used GST data and bank statement analytics to disburse over ₹18,700 crore to more than three lakh small businesses across 4,100 locations.

Then there is what AI can do after a loan is issued, which may matter even more to the balance sheet. Traditional NPA recognition is largely reactive. By the time a loan is classified as stressed, the damage is often done. AI transforms a bank from an archeologist of failure into a navigator of risk. AI-powered Early Warning Systems watch a borrower's financial behaviour continuously such as dips in current account balances, unusual transaction patterns, delayed GST filings, negative news mentions and raise flags weeks or months before a default crystallises. Deloitte UK's AI-driven Risk Alert system has demonstrated the ability to identify credit stress 9 to 18 months earlier than traditional EWS.[4] India's own PSBs have moved in the same direction: under the EASE reform framework, banks have now institutionalised EWS with approximately 80 automated triggers per account, using third-party data for time-bound remedial action.[5]

Credit frauds like identity theft, document manipulation, loan stacking across lenders is a growing and measurable menace. According to the RBI's Annual Report6 2024-25, loan-related frauds accounted for ₹33,148 crore in FY2025, representing over 92% of total reported bank fraud value. The structural vulnerability is real and growing. AI models trained on historical fraud patterns can flag suspicious applications far more reliably than any manual review. At the portfolio level, AI gives banks the ability

to see concentration risks across sectors and geographies with a granularity that was simply not possible before.

Why This Moment Belongs to Public Sector Banks

Public sector banks hold the largest share of banking assets in India. They also serve the broadest, most diverse customer base including millions of borrowers who have never been adequately reached by the formal credit system. Something which was previously a responsibility, is now a strategic advantage.

The data advantage is real and formidable. A PSB like PNB serves over 18 crore customers across more than 10,000 branches in urban and rural, corporate and agricultural, salaried and self-employed. That breadth and depth of longitudinal data, decades of credit behaviour across geographies, income levels, and economic cycles is a strategic moat that no private bank and no fintech can replicate. A machine learning model trained on this corpus could be more representative, more accurate, and more inclusive than almost anything available in the Indian market.

The Account Aggregator framework amplifies this advantage further. By enabling borrowers to securely share their financial data with their consent, AA effectively unlocks the financial identity of millions who are currently opaque to formal credit i.e. the self-employed consultant, the gig worker, the dairy cooperative member. PSBs that integrate AA with AI underwriting, an approach fully aligned with the technology driven reform direction of the EASE framework, can serve these borrowers at a scale that few private institutions can match.

India's domestic credit to the private sector stands at approximately 57% of GDP which is well below the world average of around 148% when measured across all financial institutions, and a fraction of China's, which exceeds 190%.[7] That gap is not a statistic. It is a map of unmet potential of businesses that could not grow, of families whose economic mobility stalled, of an economy running below its productive capacity. The institutions that build intelligent credit assessment will capture what that gap represents. Those that remain tied to paperwork may just have to watch the opportunity pass.

The Risks We Must Name Honestly

A credible argument for AI must also be an honest one.

Bias is the deepest risk. If a model learns from historical lending data that reflects decades of discrimination such as against women entrepreneurs, rural borrowers, first-generation businesses, it will not correct that bias. It will encode it and deploy it at the speed of software. This automation of exclusion at scale is something that no human underwriter could achieve. Therefore, as a nation we must build models that actively test for and correct historical bias, not inherit it. This means diverse training data, regular bias audits, and mandatory explainability requirements so that a rejected borrower can understand and contest the reason for a decline.

Data privacy under the Digital Personal Data Protection Act, 2023[8] is equally non-negotiable. Borrower consent, data minimisation, and purpose limitation are not just some compliance boxes to tick. They are the conditions under which public trust in AI-driven credit can be earned and sustained. A PSB that handles borrower data carelessly will not just face regulatory consequences but will lose the very customers it is trying to serve.

However, it is absolutely essential to understand that no model is infallible. An AI which was trained before 2020 had no frame of reference for COVID-19. Some shocks lie entirely outside historical

experience. That is precisely why the loan officer is not becoming obsolete, they are becoming more capable. Their contextual judgment, reading of local markets, years of sector knowledge are not inefficiencies to be automated away. They are a layer of intelligence the algorithm needs alongside it, not instead of it.

The Algorithm Assists, Humans Decide

The story of credit risk in Indian banking is being rewritten and AI holds the pen. But like any powerful instrument, its value lies entirely in how wisely it is utilised.

Our trader in Varanasi is still waiting. Fifteen years of discipline, thousands of transactions, a business that has never missed a payment all of it invisible to a system that only knew how to look for salary slips. AI gives the credit officer the ability to process thousands of data points at once, to catch stress before it surfaces, and to extend credit to those who deserve it but have long gone unseen.

The 'partial data' problem in Indian credit is solvable. We now have better instruments. We now have richer data. The partial truth that has excluded millions of good borrowers and failed to catch millions of bad ones can finally be replaced with something closer to the whole picture.

India's ambition to become a five trillion dollar economy rests, to a big extent, on its ability to channel credit efficiently to its businesses and people. AI in credit risk is not a luxury or a technology trend. It is an economic necessity.

A practical first step is already within reach. PSBs can pilot an AI-driven underwriting model on their MSME book in two or three geographies drawing on Account Aggregator data, GST integration, and bureau analytics, infrastructure that already exists and is operational across the system. The results will build the internal evidence base needed to scale. The technology is ready. The data is ours. The decision to lead remains.

The question for public sector banks is not whether to adopt AI. The market has already answered that. The real question is: will we lead this transformation - or be led by it?

Barun Chakravarty
Senior Manager
Zonal Office- Delhi, Credit Deptt.

6. CLASSROOM : UNIFIED LENDING INTERFACE

The Unified Lending Interface (ULI) is a Digital Public Infrastructure (DPI) designed to revolutionize credit delivery in India by integrating technology, data, and policy into one seamless platform. Its key features include standardized Application Programming Interface (APIs) for lenders, access to trusted government datasets, faster identity and asset verification, and inclusive credit access for underserved borrowers.

Key Features of ULI

- **Digital Public Infrastructure for Credit**: - ULI is designed as a nationwide digital framework for lending, similar to how UPI transformed payments. It integrates technology, policy, and data to make credit delivery seamless, transparent, and accessible to all segments of society, especially underserved borrowers.
- **Standardized API Framework: -** It provides a single, standardized API through which lenders can access borrower information. This removes the need for multiple integrations, simplifies processes, and ensures that banks, NBFCs, and fintechs can make faster and more reliable lending decisions.
- **Identity and Asset Verification: -** ULI enables quick verification of borrower identity using Aadhaar, PAN, voter ID, and DigiLocker. It also supports asset verification such as farm yield data, soil health reports, vehicle ownership, and property records, reducing paperwork and fraud risks.
- I**ntegration of Government Datasets: -** The platform connects lenders with trusted datasets from ministries and government agencies like agriculture, MSME, and GSTN. This allows lenders to assess borrowers based on authentic, real-time information, making credit more inclusive and data-driven.

Benefits of ULI

- **Faster Loan Approvals: -** By consolidating identity, income, and asset data into one platform, ULI reduces the time taken for loan processing. Borrowers can get approvals quickly without repeated visits to bank branches or lengthy paperwork.
- **Reduces risk of defaults: -** Lenders gain access to trusted government datasets and financial footprints (Aadhaar, PAN, DigiLocker, GSTN, etc.), enabling more accurate risk assessment. This reduces defaults and improves the overall health of the credit system.
- **Cost Efficiency for Lenders: -** By standardizing APIs and reducing duplication of verification processes, ULI lowers operational costs for banks, NBFCs, and fintechs. This efficiency can translate into lower interest rates and better loan terms for borrowers.
- **Boost to Financial Inclusion**: - ULI supports the government's vision of digital empowerment and last-mile service delivery, ensuring that even remote and rural borrowers can access formal credit channels.

Ayesha Bhati
Senior Manager (Economics)
SMEAD, Head Office

7. GIST OF RBI CIRCULARS

Date of the circular	**May 18, 2026**
Ref No.	**RBI/2026-27/83 DOR.MRG.REC.No.71/00-00-001/2026-27**
Subject	**Reserve Bank of India (Commercial Banks - Classification, Valuation, and Operation of Investment Portfolio) Second Amendment Directions, 2026**

The RBI circular dated 18 May 2026 titled "Reserve Bank of India (Commercial Banks – Classification, Valuation, and Operation of Investment Portfolio) Second Amendment Directions, 2026" discontinued the requirement for banks to maintain an Investment Fluctuation Reserve (IFR) with immediate effect. Earlier, banks were required to create IFR as a buffer against adverse movements in the value of investment portfolios. Under the amendment, the existing IFR balance as on 17 May 2026 must now be transferred "below the line" to the Statutory Reserve, General Reserve, or Profit & Loss Account.

For foreign banks operating in India through branches, the IFR balance must be transferred to statutory reserves maintained in Indian books or retained non-repatriable surplus. The RBI introduced this change considering developments in prudential norms governing market risk and investments, thereby simplifying reserve requirements and improving flexibility in capital and reserve management for commercial banks.

Date of the circular	**May 13, 2026**
Ref No.	**RBI/2026-27/82 A.P. (DIR Series) Circular No.10**
Subject	**Operating framework for facilitating Outward Remittance services by non-bank entities through Authorized Dealer (Category I) banks in India**

This RBI circular dated 13 May 2026 simplified the process for outward foreign remittances handled through fintechs and other non-bank online platforms. Earlier, non-bank entities needed prior RBI approval to partner with Authorized Dealer (AD) banks for such remittance services. RBI has now removed this approval requirement to make the system faster and more business-friendly. At the same time, RBI placed full responsibility on banks to ensure compliance with FEMA rules, KYC norms, customer protection, cybersecurity, grievance redressal, and transparency in charges and exchange rates.

The circular also requires clear disclosure of fees, FX rates, timelines, and beneficiary credit details to customers. Importantly, customer funds cannot pass through the third party's account and must move directly from the sender's bank account to the beneficiary's bank account. In simple words, RBI made international online remittances easier and faster while strengthening customer safety and accountability standards for banks and fintech platforms.

8. ESG UPDATES

1. **China and India emerge as global leaders in wind energy capacity growth, driving record installations worldwide**

- China added more than 120 GW of new wind capacity in 2025, representing nearly three-quarters of global installations.
- India installed 6.3 GW of wind power in 2025, an 85% increase from the previous year, reclaiming its position as the world's third-largest wind market.
- Together, China and India drove the majority of the 165 GW global wind additions, pushing worldwide capacity beyond 1,300 GW.

2. **Tata Motors delivers first Prima E.55S electric trucks to Billion E Mobility, advancing zero-emission freight transport in India**

- Tata Motors handed over the first batch of Prima E.55S electric prime movers to Billion E Mobility in April 2026.
- Billion E Mobility placed an additional order for 250 electric trucks, with plans to scale up to 1,500 units in the next 18 months
- The Prima E.55S comes with India's largest in-class 450 kWh battery, offering up to 350 km range, dual fast-charging ports, and advanced driver-assist systems for long-haul logistics.

3. **India shifts carbon market focus to farm-based credits, boosting agriculture's role in climate action**

- India is redirecting its carbon market strategy toward farm-based credits, emphasizing soil health, crop diversification, and sustainable practices.
- The move aims to bring millions of farmers into the carbon trading system, enabling them to earn revenue from climate-friendly agricultural practices.
- By focusing on farm-based credits, India aligns its carbon market with international sustainability goals while strengthening rural economic resilience.

4. **Apple invests ₹100 crores in clean energy projects in India**

- Apple committed ₹100 crores to expand renewable energy and recycling initiatives in India to strengthen its supply chain sustainability.
- The investment focuses on clean energy generation, circular economy projects, and green enterprise development.
- This move aligns Apple's India operations with its global target of achieving carbon neutrality across all supply chains.

5. **IFCI launches ESG PRAKRIT platform for corporates**

- IFCI introduced ESG PRAKRIT, a digital platform to help banks and corporates with ESG assessment and compliance reporting.

- The platform provides advisory services, data analytics, and transparency tools for ESG disclosures.
- It aims to strengthen India's corporate governance and align reporting with global sustainability standards.

6. **NLC India pivots from methanol to nuclear energy investments**

- NLC India announced a strategic shift from methanol projects to nuclear energy investments to diversify its clean energy portfolio.
- The move reflects India's broader push to expand non-fossil fuel energy sources beyond solar and wind.
- Nuclear energy is expected to play a key role in meeting India's long-term decarbonisation goals.

7. **India targets 25% steel emissions cut under new policy**

- The draft National Steel Policy 2025 sets a target to reduce sector emissions by 25% while expanding production capacity to 400 million tons by 2035.
- The policy balances industrial growth with India's climate commitments under the Paris Agreement.
- It emphasizes adoption of green hydrogen, carbon capture, and energy-efficient technologies in steelmaking.

8. **Survey Shows 92% of Indian Investors interested in Sustainable Investing Despite Greenwashing Concerns**

- The Sustainable Signals: Individual Investors *2026* survey was released on May 7, 2026 by the Morgan Stanley Institute for Sustainable Investing, in partnership with iResearch**.** It covered 2,250 investors globally**,** including respondents from India.
- 92% of investors expressed interest in sustainable investing, up from 88% in 2025. This reflects growing demand for credible ESG disclosures and impact-driven portfolios among Indian investors

9. **Global CSR & ESG Awards 2026 Held in New Delhi to recognize Corporate Sustainability Leaders**

- The event, hosted on May 8, 2026 at Hyatt Regency, New Delhi, brought together 400+ delegates, 250+ brands, and 500+ nominations, making it one of India's biggest CSR & ESG gatherings.
- Discussions centered on CSR impact analysis, sustainability mandates**,** and ESG integration into corporate strategy, highlighting how Indian companies are aligning with global sustainability frameworks.
- Awards were presented to leading organizations and NGOs for innovative ESG initiatives**,** showcasing best practices in corporate responsibility and sustainable development.

10. **SEBI Launches Review of ESG Rating Providers to Strengthen Transparency and Investor Confidence**

- SEBI has constituted a multi-stakeholder working group including issuers, investors, ESG rating users, domestic and global providers, analysts, legal experts, and academia to review the current framework.

- The review aims to enhance transparency, reliability, and confidence in ESG ratings, addressing concerns about inconsistent methodologies and disclosure practices.

ESG Brain Teaser- The Draft **National Steel Policy 2025** aims to reduce emissions intensity in the steel sector by _____ percent by 2035.

Smart Green Tip - Share your green habit with a colleague — inspiration spreads faster than carbon.

11. Corporate Governance & ESG Awards

- The FPJ-Care Edge Annual Report Awards honoured Indian companies for excellence in ESG reporting and governance.
- Firms like Apollo Hospitals, Adani Ports, and Bharat Electronics were recognized for transparency and sustainability practices.
- The event emphasized that annual reports now serve as comprehensive ESG disclosures, not just financial statements.

12. PepsiCo to Deploy Green Hydrogen-Based Fertilizer to Decarbonize European Food Supply Chain

- PepsiCo signed a multi-year agreement with Fertiberia to supply up to 150,000 tons annually of Impact Zero fertilizer by 2030, covering 400,000 acres (~162,000 hectares) of farmland used for potatoes, corn, sunflower, sugar beet, and rapeseed — key ingredients for Lay's, Doritos, Ruffles, and Cheetos.
- Fertiberia's fertilizer, made using green hydrogen instead of natural gas**,** can reduce manufacturing emissions by up to 63%**.**
- This initiative supports PepsiCo's global target to implement regenerative practices across 10 million acres by 2030 and cut Scope 3 FLAG (forest, land, agriculture) emissions by 30% compared to a 2022 baseline.

13. IBM Launches GHG Emissions Calculation Solution for Spreadsheet Users

- IBM introduced a **greenhouse gas (GHG) emissions calculator** that integrates directly with **spreadsheet tools**, making it easier for businesses to track and report emissions without complex software.
- The solution is aimed at **small and mid-sized enterprises (SMEs)**, helping them comply with ESG reporting requirements and avoid costly sustainability platforms.
- By simplifying emissions tracking, IBM is promoting **wider adoption of ESG practices**, reducing barriers for companies to measure and disclose their carbon footprint.

Ask Yourself – How mindful am I about conserving water in daily routines and supporting water-positive initiatives?

Ans. to ESG Brain Teaser: 25%

ESG Cell
SMEAD, Head Office

For any ideas or suggestions related to ESG "Green Ideas Section" of the Lead Parivartan Portal(LTP) or mail to esgcell@pnb.bank.in.

9. CLIMATE NEWS

1. Indian banks' climate action falling short, driven more by regulation than strategy, CRH Report finds

Indian banks are taking only limited steps to address climate-related financial risks, mostly driven by regulatory pressure rather than long-term strategy, according to a report by Bengaluru-based think tank **Climate Risk Horizons**. The study assessed 35 banks with a combined market capitalisation of around Rs 50 trillion and found that while disclosures on emissions and climate governance have improved, climate risks are still not fully integrated into lending, investment, and financial planning. This comes as India faces severe heat waves and disruptions in fossil fuel supply.

The report evaluated banks on indicators like climate scenario analysis, coal financing policies, board-level oversight, emissions disclosure, and net-zero commitments. **Yes Bank**, **Union Bank of India**, and **Punjab National Bank** were among the top performers. While 92% of banks now disclose Scope 1 and 2 emissions, and 63% use third-party verification, only a few measure financed emissions or set coal phase-out policies. Only six banks have net-zero targets, and just two include Scope 3 emissions. Experts say these improvements largely reflect regulatory compliance rather than proactive climate strategy.

Climate risks are increasingly a direct financial concern, as floods, heat, and droughts can affect borrower repayment and portfolio stability. Although most banks report board oversight of climate issues, only some link it to credit decisions, and very few disclose results from climate stress tests. The report urges Indian banks to move beyond compliance, embed climate risk into core operations, and strengthen strategies around credit, portfolio management, and capital planning to protect financial resilience. *(downtoearth.org.in/)*

2. Banks' exposure to carbon-intensive sectors raises long-term credit risk, costs: IIM Lucknow study

A study by researchers at Indian Institute of Management Lucknow has found that banks with heavy exposure to carbon-intensive sectors are likely to face higher long-term credit risks and rising operational costs. The research examined how lending to industries such as fossil fuels and heavy manufacturing affects banks' financial health and efficiency over time. According to the study, changing climate policies and stricter regulations are making these sectors riskier for lenders, increasing the chances of loans turning non-performing.

Published in the *Journal of International Financial Markets, Institutions and Money*, the study analysed 158 banks across 26 countries. Researchers found that banks with larger investments in carbon-intensive sectors tend to become less efficient over time because they incur higher monitoring and recovery costs when stressed loans default. Co-author Vikas Srivastava said the findings underline the need for banks to consider sectoral exposure from a long-term perspective, especially as the global economy shifts toward low-carbon growth.

The report also highlighted the importance of strong capital buffers in reducing the financial impact of climate-related risks. Researcher noted that better-capitalised banks are more capable of absorbing risks linked to carbon-intensive lending. The researchers recommended that banks rethink their lending portfolios and align financial strategies with the global transition to a greener economy. They added that moving toward sustainable portfolios would not only support climate goals but also strengthen long-term business resilience and efficiency. *(economictimes.com)*

3. India Shift Towards Sustainable Water Governance

India is undergoing a significant shift in water governance, moving from traditional engineering approaches to a multidimensional framework that combines digital technologies, circular economies, and community participation. Despite receiving nearly 4,000 BCM of annual rainfall, only about 1,100 BCM of water is effectively utilizable, leaving nearly 600 million people under high to extreme water stress. Initiatives like the **Jal Jeevan Mission**, **Atal Bhujal Yojana**, and **Amrit Sarovar 2.0** illustrate that India's water challenges are increasingly governance-driven rather than solely availability-based, emphasizing efficient allocation, sustainable use, and climate resilience.

Key innovations include River Basin Management (RBM) for integrated interstate planning, AI-driven "Digital Twins" for predictive flood and drought management, and scaling of the circular water economy through wastewater reuse for industrial and cooling purposes. Decentralized participatory groundwater budgeting under Atal Bhujal Yojana 2.0 has empowered Gram Panchayats to manage aquifers effectively, while micro-irrigation and demand-side agricultural management under "Per Drop More Crop" optimize water use. Urban resilience is also improving through "Sponge City" infrastructure, rejuvenation of local water bodies, and smart metering under AMRUT and Jal Jeevan Mission initiatives.

However, India faces significant challenges, including fragmented federalism, over-extraction in agriculture, urban hydro-illiteracy, and climate-induced hydrological volatility. To strengthen water governance, experts recommend codifying groundwater as a public trust, establishing Integrated River Basin Authorities, incentivizing water-efficient agricultural practices, mainstreaming nature-based urban solutions, decentralizing wastewater reuse, and leveraging open-access digital hydrological data. By fostering community-led "hydro-solidarity" and integrating the Water-Energy-Food nexus, India can transform hydrological stress into sustainable water security for over a billion people. *(pib.gov.in)*

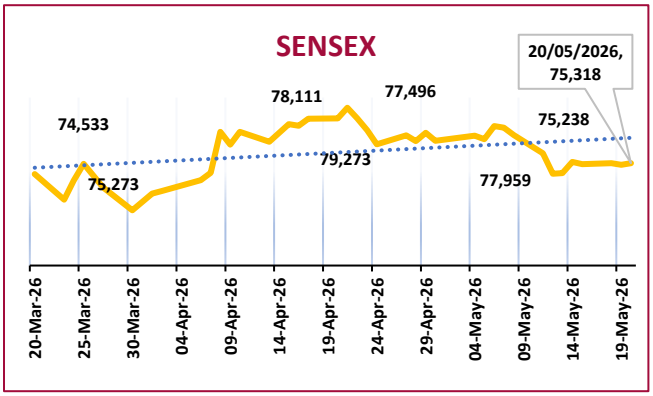
4. Strategic Shift in EV Adoption in India

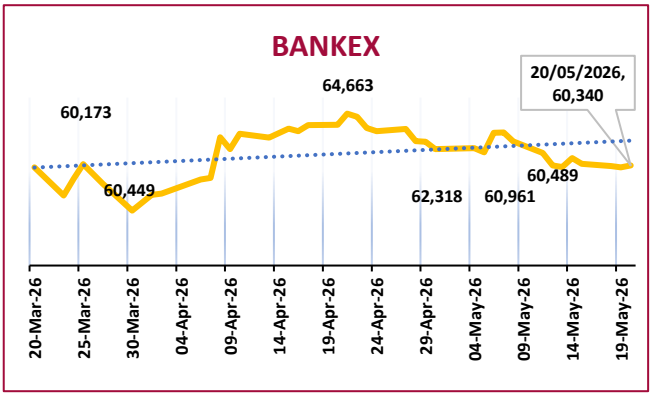
India's EV sector is moving from a subsidy-driven "early adopter" phase to a regulation-led "mass adoption" era. Delhi's EV Policy 2.0 plans to phase out new registrations of ICE 3-wheelers by 2027 and 2-wheelers by 2028, while national CAFE-3 norms push manufacturers to reduce fleet CO_2 emissions. EV sales surged to 24.5 lakh units in FY26, mostly in 2- and 3-wheelers, reflecting a maturing market where ownership economics are now as important as technology.

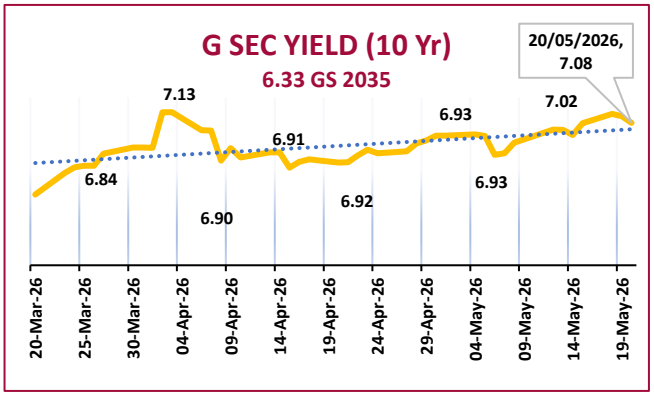
However, structural barriers remain. The charger-to-EV ratio is far below global benchmarks, upfront costs for cars and heavy-duty trucks are high, and India depends heavily on imported lithium and cobalt. Range anxiety, limited charging in rural areas, and underdeveloped recycling infrastructure pose further challenges, especially for logistics and freight operations. Without addressing these gaps, full electrification risks stalling.

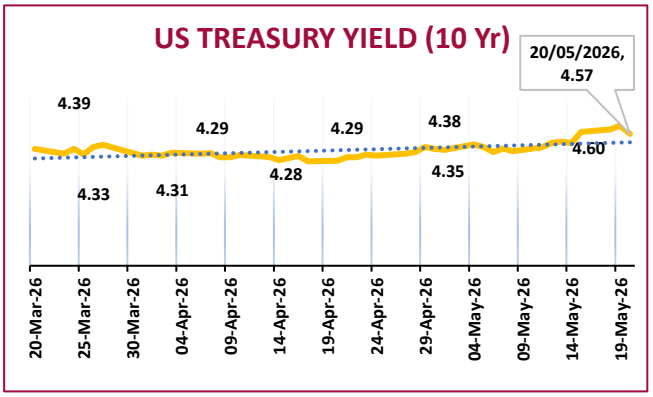
To accelerate adoption, the government has launched initiatives like PM E-DRIVE, PM e-Bus Sewa, and the PLI scheme for batteries, along with state incentives and GST reductions. Sustainable growth requires expanding fast-charging networks, integrating EVs with the grid, building a circular battery economy, and decarbonizing heavy-duty freight. Strengthening domestic supply chains and investing in alternative battery chemistries will be crucial for India's zero-emission transport future. *(deccanherald.com)*

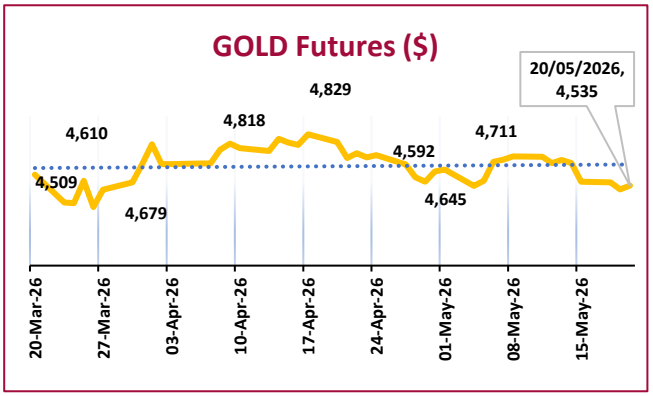
10. DAILY ECONOMIC INDICATORS

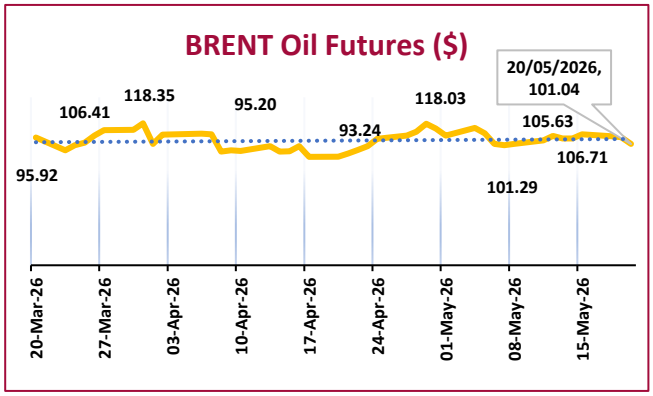


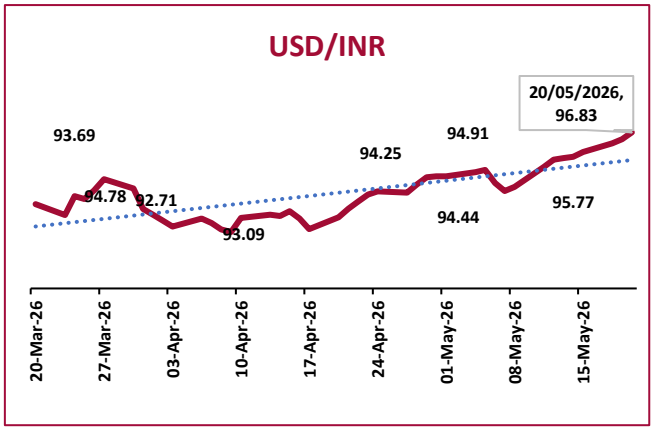


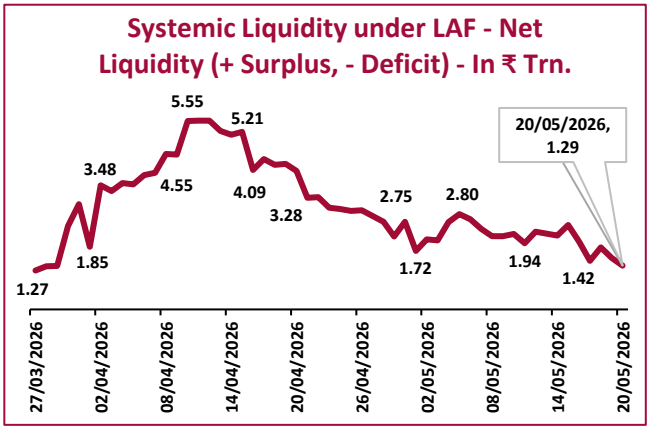








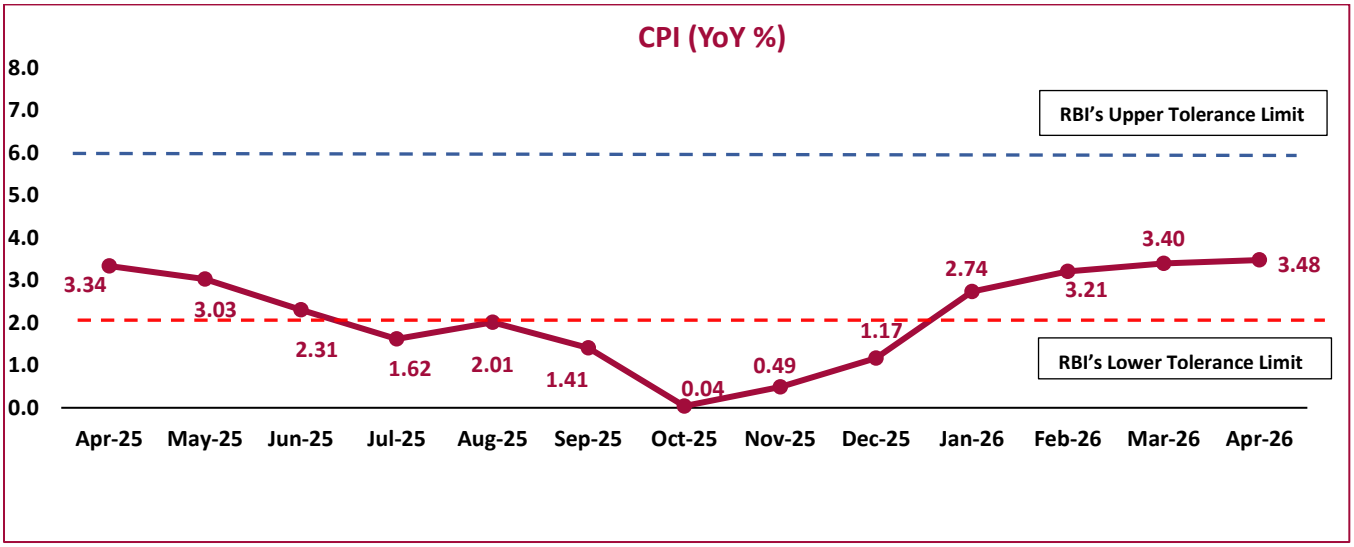


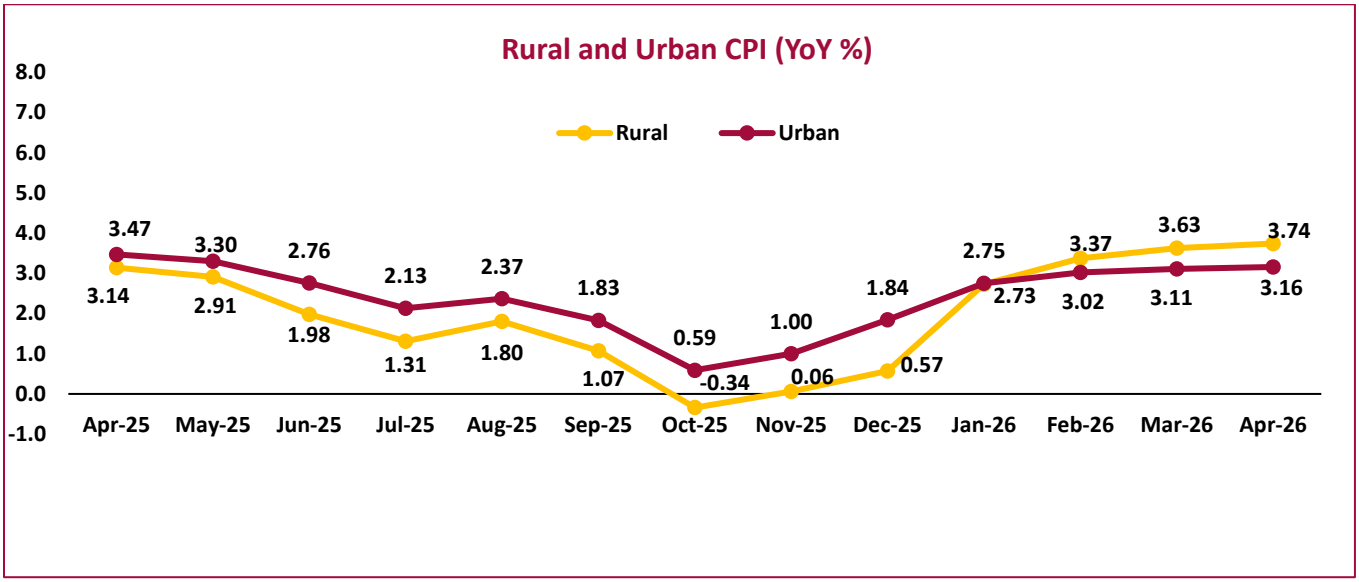


11. MONTHLY & FORTNIGHTLY ECONOMIC INDICATORS

CONSUMER PRICE INDEX (CPI) – New Base Year 2024

CPI increased to 3.48% in April 2026

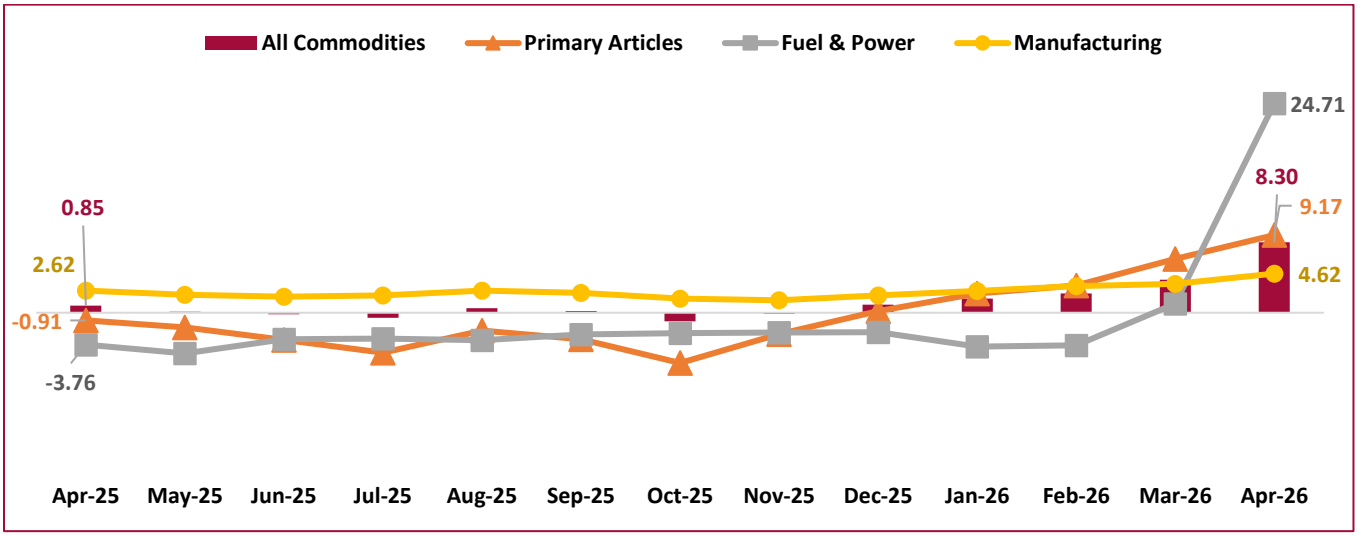




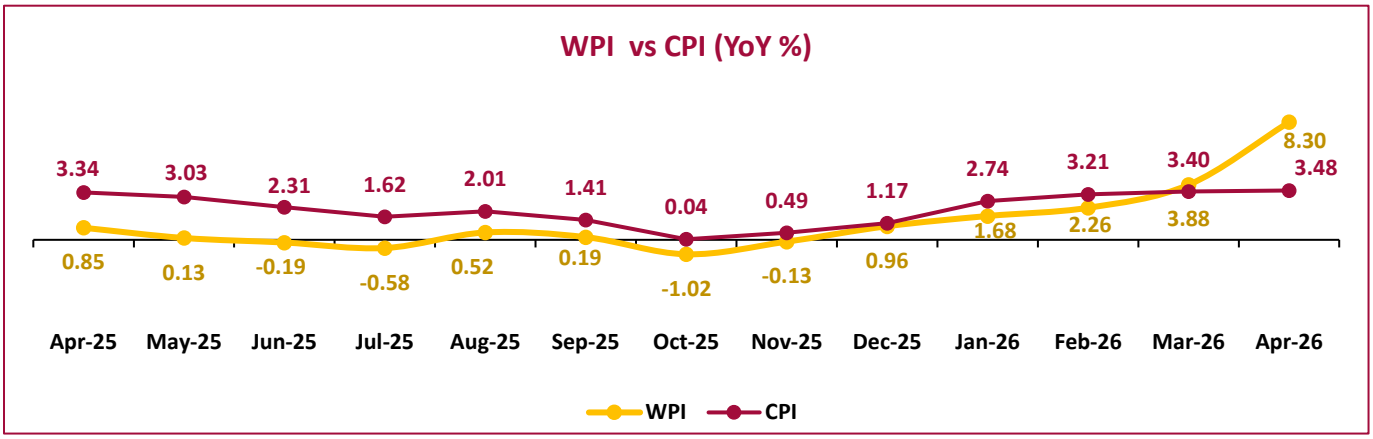
India's consumer inflation rose to 3.48% in April 2026, marginally up from 3.40% in March 2026. Rural Inflation has increased to 3.74% in April 2026 as compared to 3.63% March 2026, while Urban inflation has increased to 3.16% in April 2026 as compared to 3.11% in March 2026. Food Inflation has accelerated to 4.20% in April 2026 as compared to 3.87% for March 2026. Housing inflation rate for the month of April 2026 is 2.15% and the corresponding inflation rates for rural and urban are 2.65% and 1.96% respectively. Top 5 items which recorded highest inflation in the month of April 2026 are Silver, Coconut, Gold/Diamond/Platinum Jewelry, Tomato and Cauliflower. Top five States (having more than 50 lakhs population as per Census 2011) with highest inflation in April 2026 are Telangana, Andhra Pradesh, Tamil Nadu, Karnataka and Rajasthan.

WHOLESALE PRICE INDEX (WPI)- YOY %

WPI inflation accelerated to 8.30% in April 2026



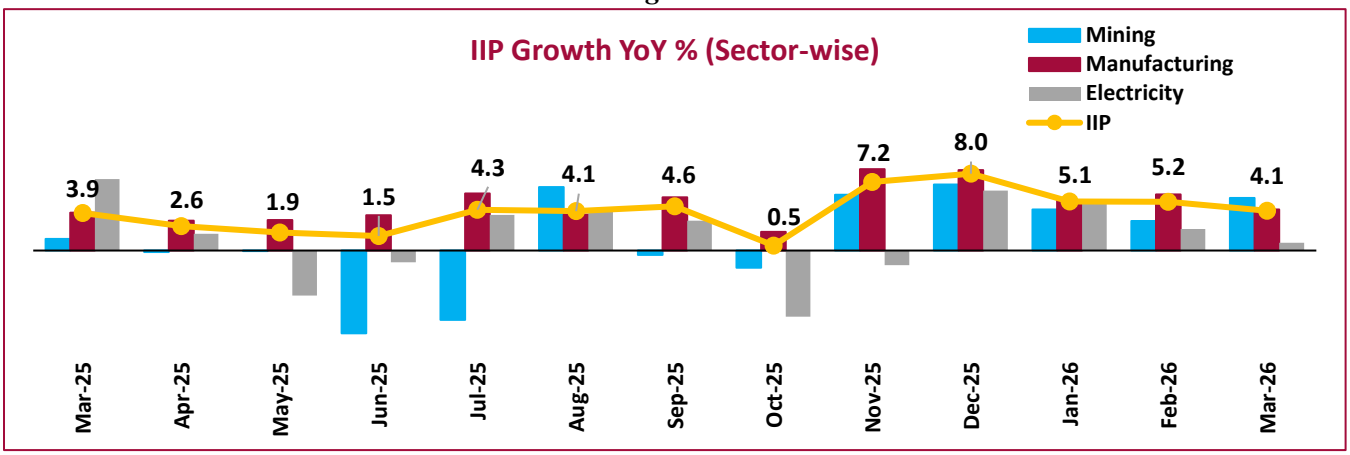
WPI Inflation YoY (%)	Primary Articles		Fuel & Power		Manufactured Products		All Commodities	
Weights	22.62%		13.15%		64.23%		100%	
	2025	2026	2025	2026	2025	2026	2025	2026
February	2.92	3.21	-0.97	-3.85	3.00	3.13	2.45	2.26
March	1.26	6.36	0.00	1.05	3.21	3.39	2.25	3.88
April	-0.91	9.17	-3.76	24.71	2.62	4.62	0.85	8.30



Wholesale Price Index rose to a three-and-a-half year high of 8.30% in April 2026 as against 3.88% in March 2026. The acceleration in WPI was primarily due to an increase in prices of crude petroleum & natural gas, mineral oils, basic metals, other manufacturing and non-food articles etc. Inflation in Primary Articles and Fuel & Power witnessed a notable uptick in prices driven by a sharp rise in energy prices, particularly crude petroleum & natural gas, which recorded a significant YoY increase of 67.18%. Manufactured Products, which carry the highest weight in the WPI basket, recorded an increase in inflation to 4.62% in April 2026 from 3.39% in March 2026.

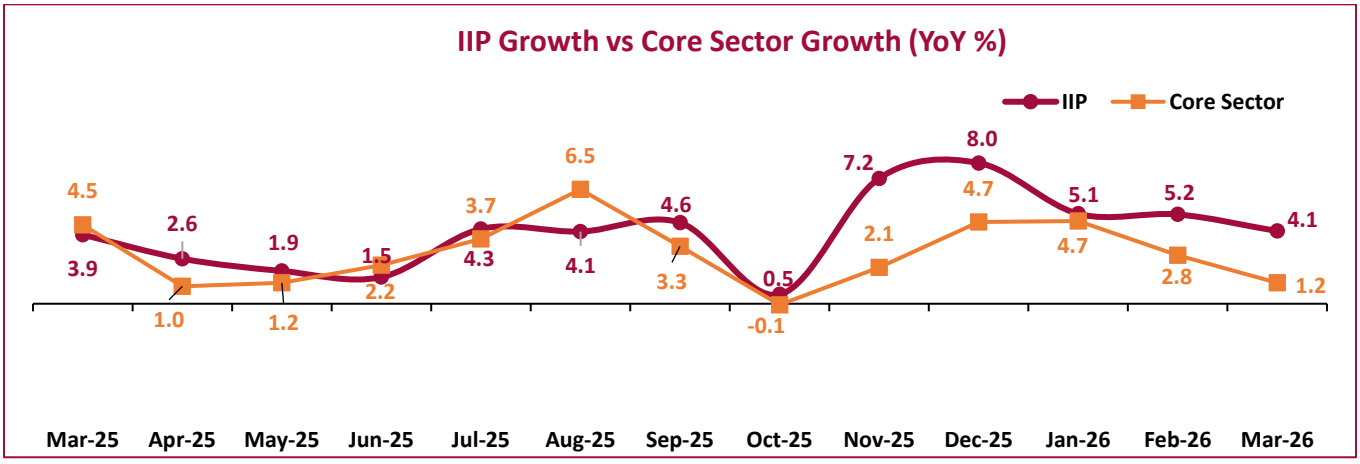
INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

IIP records 4.1% growth in March 2026



IIP Growth YoY % (Usage-wise)

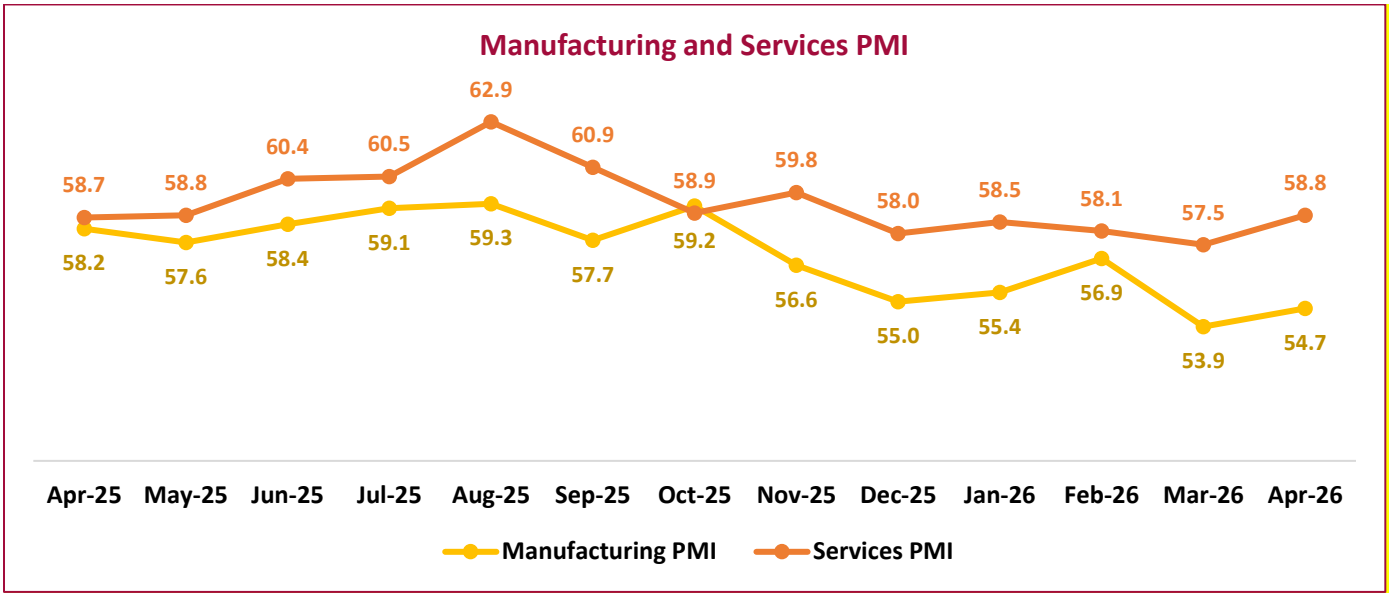
	Weight (%)	Mar'25	Feb'26	Mar'26	Apr-Mar (FY24-25)	Apr-Mar (FY25-26)
Primary Goods	34.05	3.9	1.8	2.2	3.9	1.2
Capital Goods	8.22	3.6	12.4	14.6	5.6	8.3
Intermediate Goods	17.22	3.8	7.2	3.3	4.3	5.5
Infra/Construction Goods	12.34	9.9	11.1	6.7	6.7	9.8
Consumer Durables	12.84	6.9	7.1	5.3	7.9	5.9
Consumer Non- Durables	15.33	-4.0	-0.5	1.1	-1.5	0.1



Industrial activity, as indicated by Index of Industrial Production slowed to five-month low at 4.1% in March 2026 compared to 5.2% growth in February 2026. It stood at 3.9% in March 2025. On a sequential basis, IIP improved by 9.1% in March 2026, with the index increasing to 173.2 compared to 158.8 in February 2026. The moderation in IIP growth was driven by slower expansion in the manufacturing and electricity sectors. Manufacturing which holds the highest weight in IIP grew by 4.3% in March 2026 as compared to 5.9% in February 2026. Meanwhile, electricity output growth slowed to 0.8% from 2.3% in the previous month. Growth in the mining sector accelerated to 5.5% YoY in March 2026, up from 3.1% in the previous month.

PURCHASING MANAGERS' INDEX (PMI)

Services PMI increased to 58.8 and Manufacturing PMI increased to 54.7 in April 2026

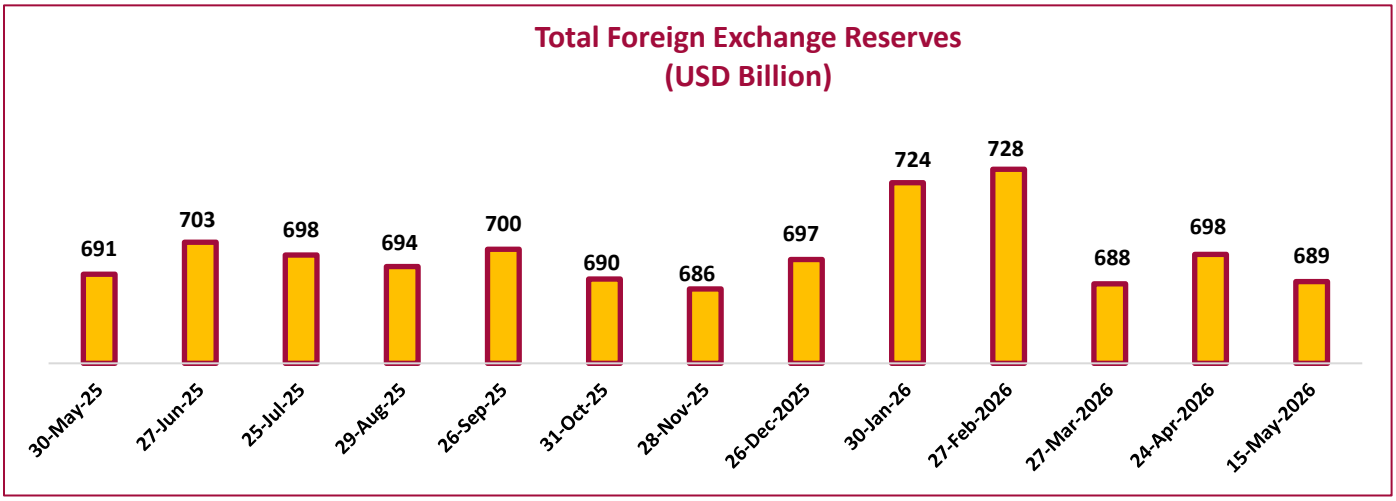


India's HSBC Manufacturing PMI came in at 54.7 in April 2026, up from 53.9 in March 2026. While both output and new orders continued to expand, the pace of growth remained subdued compared to levels seen over the past three-and-a-half years. The HSBC India Services PMI came in at 58.8 in April 2026, up from 57.5 in March 2026. The latest reading marked the strongest growth since last November 2026, supported by a faster rise in new orders and output. However, foreign demand growth eased to the weakest pace in five months, due to the Middle East war and subdued inbound tourism.

PERFORMANCE OF OTHER LEADING INDICATORS

	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26
Bank deposit (YoY%)	9.8	9.9	10.1	10.2	9.3	9.4	10.8	10.2	12.7	10.6	11.3	16.2	13.2
Bank credit (YoY%)	10.1	9.0	9.5	10.0	10.1	10.8	12.0	11.5	14.5	13.4	14.0	17.1	16.5
Coal production (YoY%)	3.8	2.8	-6.9	-12.3	11.5	-1.0	-8.5	2.1	3.6	3.4	2.2	-4.1	-9.0
Electricity generation (YoY%)	-1.8	-8.2	-6.1	-0.8	1.0	0.8	-10.6	-5.0	4.4	2.2	-1.5	-1.1	2.3
Consumption of petroleum products (YoY%)	0.3	1.1	0.5	-4.4	4.8	7.0	-1.5	0.6	4.5	0.3	4.5	3.2	-4.6
Cargo handled at major ports (YoY%)	7.0	4.3	5.6	4.0	2.5	11.5	11.9	14.5	12.7	7.6	5.1	0.6	-
Cement production (million tonnes)	38.0	38.6	39.5	35.7	34.2	34.4	36.3	37.3	44.6	45.3	43.3	47.5	-
Steel consumption (million tonnes)	12.0	13.1	13.2	13.4	13.7	13.4	13.3	13.0	14.4	14.9	13.4	16.3	13.0
Two-wheelers sales (Nos. in Lakhs)	18.3	20.4	19.5	20.0	22.7	25.9	26.4	24.2	20.1	23.8	23.6	24.0	23.8
Tractors sales (Nos. in Thousand)	90.3	99.4	121.6	72.8	73.2	154.4	173.6	102.0	79.7	97.7	88.5	112.5	114.7

FOREIGN EXCHANGE RESERVES

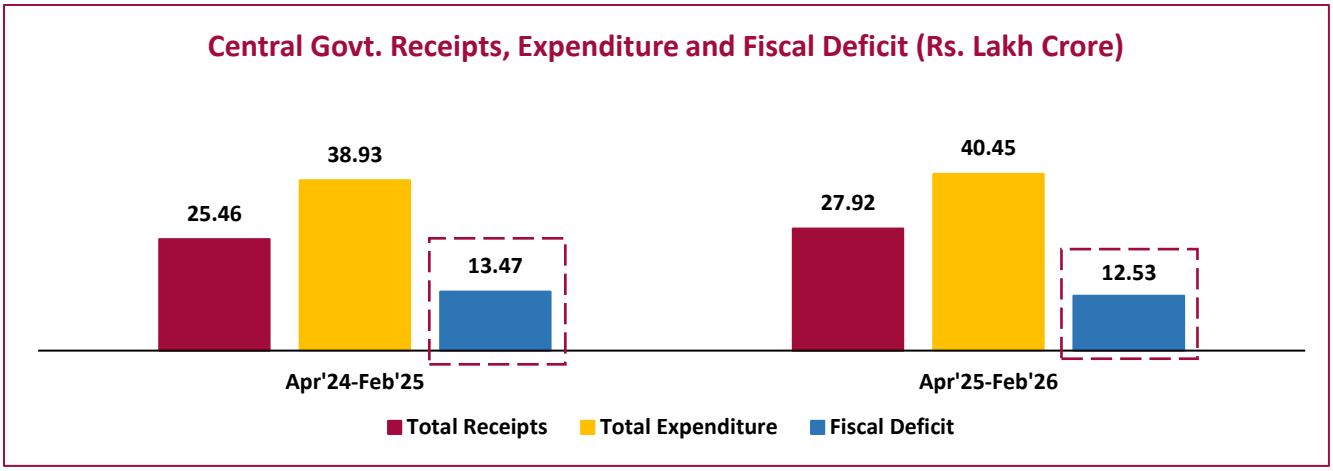


India's foreign exchange reserves stood at $689 billion in the week ending May 15, 2026.

E-WAY BILL GENERATION (No. in cr.)

	Apr -25	May -25	Jun -25	Jul -25	Aug -25	Sep -25	Oct -25	Nov -25	Dec -25	Jan -26	Feb -26	Mar -26	Apr -26
E-way bill Generation	11.9	12.3	11.9	13.2	12.9	13.2	12.7	13.0	13.8	13.7	13.3	14.1	13.3

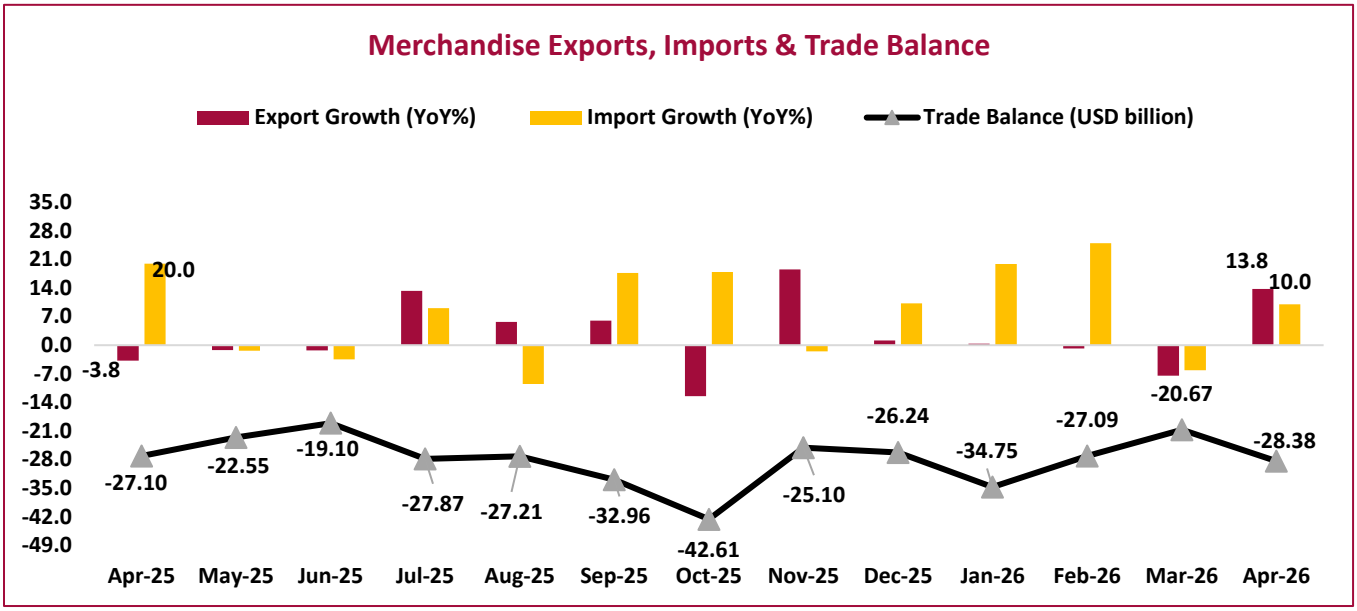
FISCAL DEFICIT

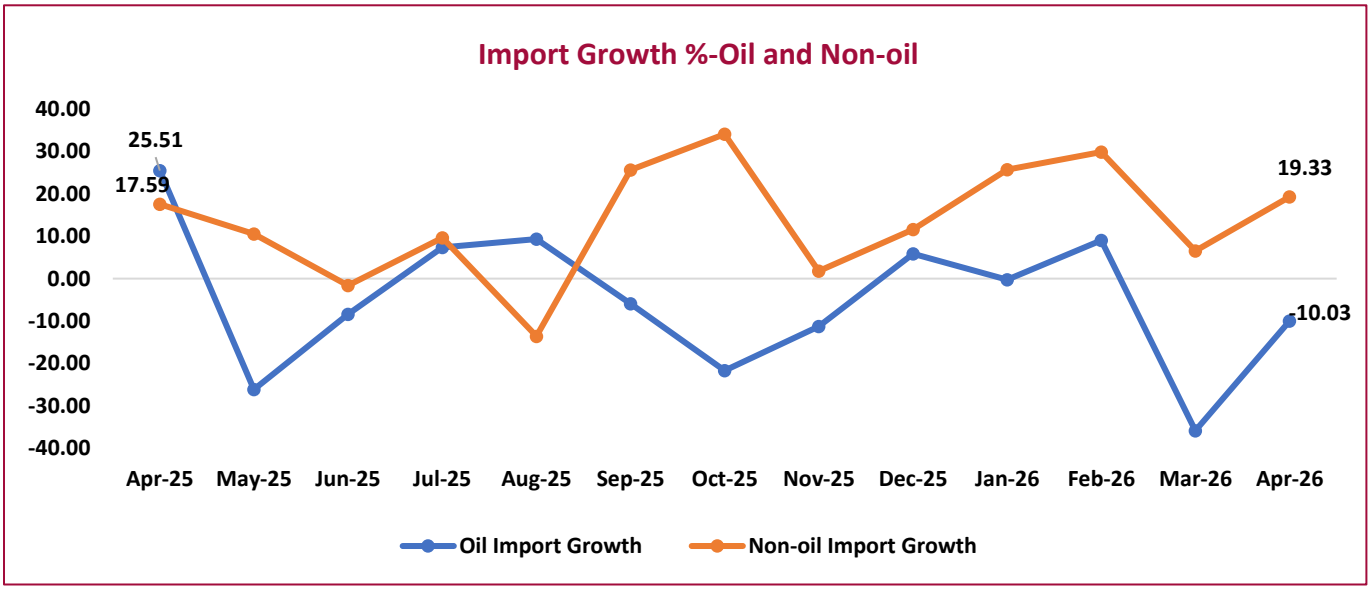


The government's fiscal deficit till February 2026 period came in at ₹12.53 lakh crore amounting to 80.4% of the Revised Estimates (RE) vis-à-vis ₹13.47 lakh crore i.e. 85.8% of RE in February 2025. Govt.'s total expenditure stood 40.45 lakh crore reaching 81.5% of the RE during April-February 2026. This compares to ₹38.93 lakh crore recorded in the same period last year i.e. 82.5% of estimate. Total revenue receipts of ₹27.26 lakh crore accounted for 81.6% of the RE, marginally up from 81.2% last year during the same period, due to better achievement in net tax revenue.

FOREIGN TRADE

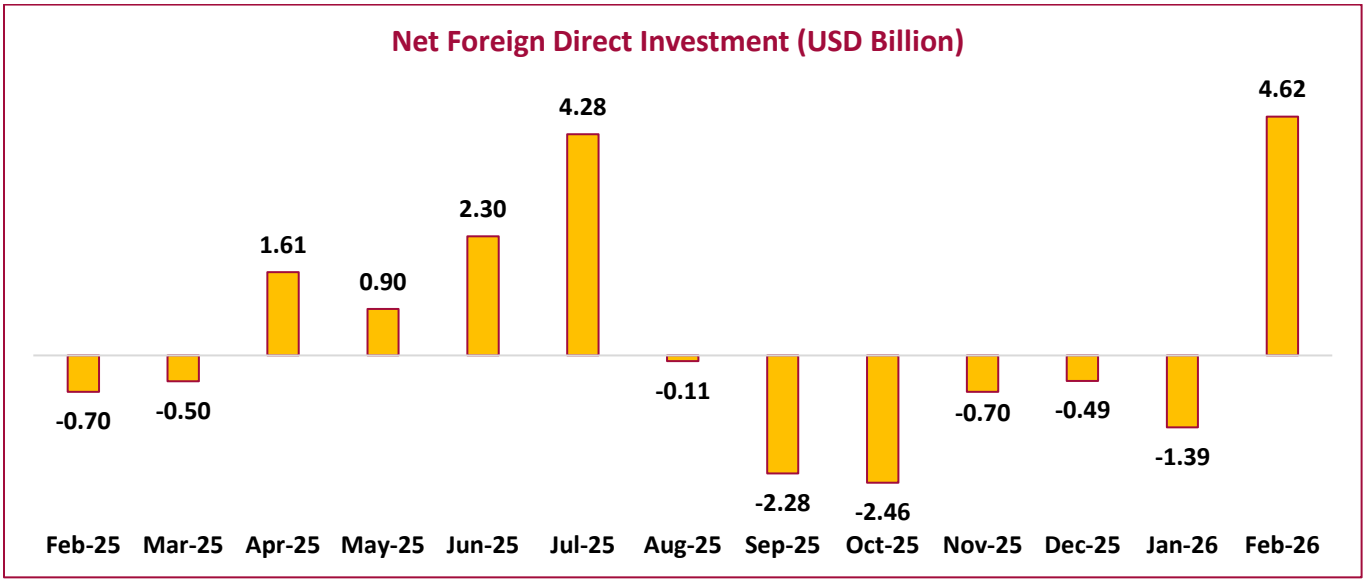
Trade Deficit widens to 28.38 USD billion in April 2026



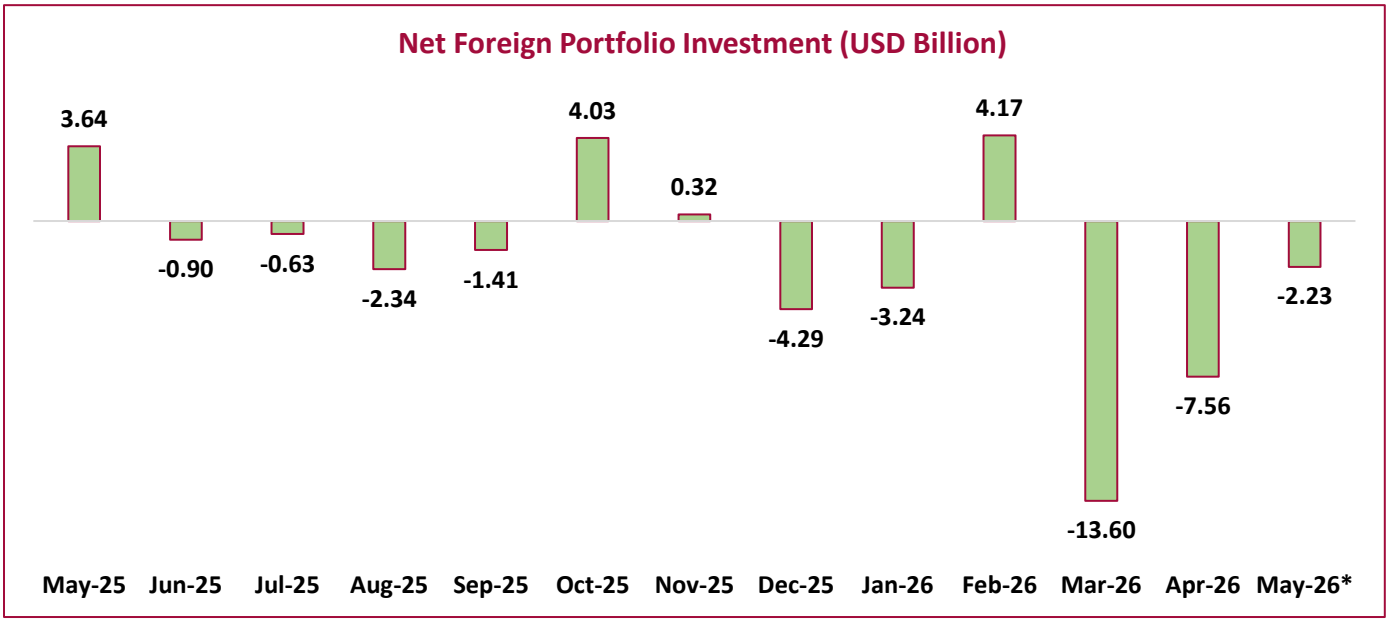


The difference between imports and exports of goods stood at $28.38 billion in April 2026. It increased from $27.10 billion in April 2025. It was recorded at $20.67 billion in March 2026. Merchandise exports rose to $43.56 billion in April 2026 from $38.28 billion in April 2025, registering an increase of 13.78% on YoY basis. Merchandise imports grew by 10.03% YoY to $71.94 billion in April 2026, primarily driven by higher imports of gold and silver. Exports of non-petroleum products increased by 9.01% YoY to $33.97 billion, while petroleum product exports surged 34.66% YoY to $9.59 billion. Gold imports witnessed a sharp rise of 81.69% YoY, while silver imports more than doubled to $411.06 billion recording a growth of 157.16% YoY.

FOREIGN INVESTMENTS



India's net Foreign Direct Investment (FDI) in February 2026 stood at $4.6 billion. This broke a six-month negative streak to reach a 45-month high. The surge was driven by a combination of high gross inward FDI (nearly $9 billion) and a sharp decline in outward FDI and repatriation outflows.



**upto 20th May 2026*

Foreign portfolio investors (FPIs) have remained persistent sellers in the Indian stock market this year. The sustained selling pressure comes amid rising global bond yields triggered by uncertainty surrounding the US-Iran war, subdued domestic earnings growth, and continued global capital allocation toward artificial intelligence (AI)-focused companies.

DEPOSIT AND CREDIT OF SCBs

Parameter (Rs. Lakh Crore)	02.05.2025	31.03.2026	15.04.2026	30.04.2026	YoY Growth (%)	Fortnightly Growth (%)
Deposits	230.34	262.30	256.48	258.64	12.29	0.84
Advances	182.85	213.60	209.18	212.12	16.01	1.41
Business	413.19	475.90	465.66	470.76	13.93	1.10

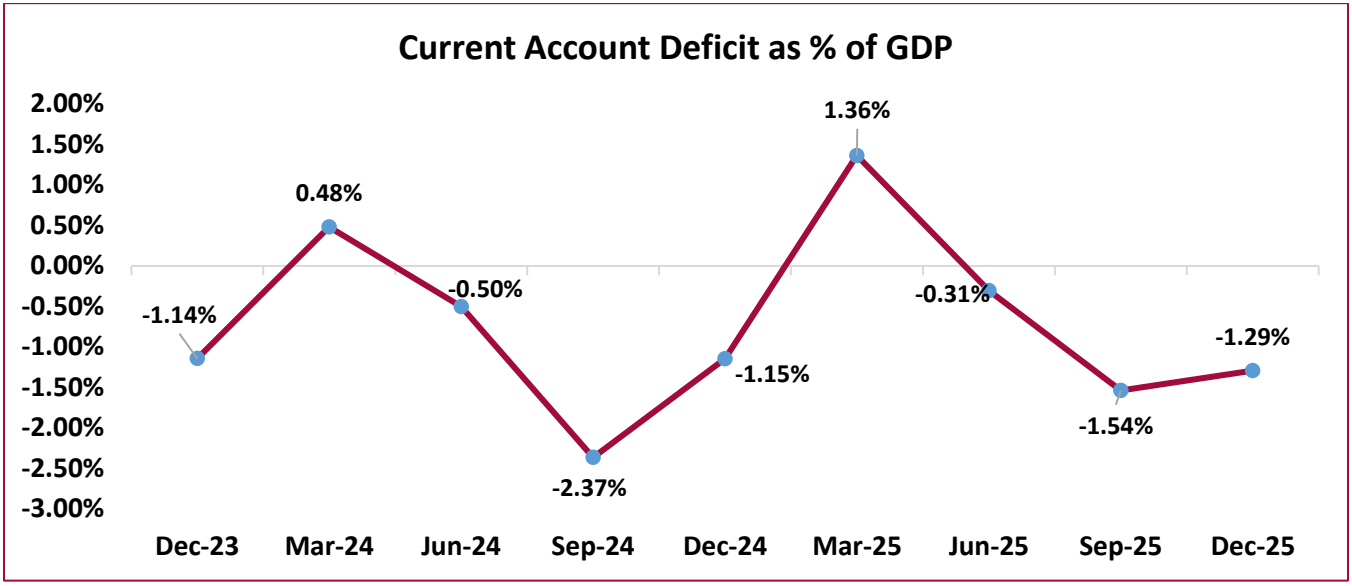
SECTORAL DEPLOYMENT OF CREDIT- INDUSTRY WISE

Parameter* (Rs. Lakh Crore)	Mar-25	Jan-26	Feb-26	Mar-26
Total Non-food	**183.7**	**203.9**	**206.7**	**212.9**
Agriculture and allied activities	**22.9**	**25.1**	**25.4**	**26.5**
Industry	**39.9**	**43.9**	**44.5**	**45.8**
Of which				
Micro & small	8.0	10.3	10.3	10.6
Medium	3.6	4.3	4.3	4.4
Large	28.2	29.3	29.9	30.8
Personal loans	**59.7**	**67.2**	**68.0**	**69.4**
Of which				
Housing (Including priority sector housing)	30.1	32.8	33.1	33.6
Credit card outstanding	2.8	3.0	2.9	2.9
Education	1.4	1.5	1.6	1.6
Vehicle loans	6.2	7.2	7.3	7.4
Services	**50.9**	**57.2**	**58.1**	**60.6**
Of which				
Computer software	0.3	0.4	0.5	0.5
Tourism, hotels & restaurants	0.8	1.0	1.0	1.0
Shipping	0.1	0.1	0.1	0.1
Aviation	0.5	0.5	0.5	0.5
Retail trade	5.4	5.9	5.8	6.0
Commercial real estate	5.2	6.0	6.1	6.3

Non-food bank credit grew by 15.9% in March 2026 as compared to 10.9% in March 2025. Credit to agriculture and allied activities registered a y-o-y growth of 15.7% as compared to 10.4% in March 2025. Credit to industry recorded a y-o-y growth of 15.0% as compared to 8.2% in March 2025. Credit to 'Micro and Small' and 'Medium' industries sustained robust expansion. Credit to large industries also strengthened further. Credit to services sector registered a growth rate of 19.0% y-o-y as compared to 12.0% in March 2025, supported by higher growth in segments such as 'non-banking financial companies' (NBFCs), 'trade' and 'commercial real estate'. Credit to personal loans segment recorded a y-o-y growth of 16.2% as compared to11.7% in March 2025.

12. QUARTERLY ECONOMIC INDICATORS

CURRENT ACCOUNT BALANCE



India's current account deficit increased to US$ 13.2 billion (1.3 per cent of GDP) in Q3FY26 from US$ 11.3 billion (1.1 per cent of GDP) in Q3FY25. The current account deficit represents the gap between the value of a country's exports and imports of goods and services. It serves as a crucial indicator of the country's external sector. Merchandise trade deficit at US$ 93.6 billion in Q3FY26 was higher than US$ 79.3 billion in Q3FY25.

13. GLOBAL INTEREST RATES

Central Banks	Countries	Latest Interest Rate (%)	Last Change	Next Meeting Date
Bank of Japan	Japan	0.75%	Dec 19, 2025 (25bps)	Jun 16, 2026
European Central Bank	Europe	2.15%	Jun 5, 2025 (-25bp)	Jun 11, 2026
Federal Reserve	U.S.A	3.75%	Dec 10, 2025 (-25bp)	Jun 17, 2026
Bank of England	U.K	3.75 %	Dec 18, 2025 (-25bp)	Jun 18, 2026
Peoples Bank of China	China	3.00%	May 20, 2025 (-10bp)	-
Reserve Bank of India	India	5.25%	Dec 05, 2025 (-25bp)	Apr 09, 2026

14. MACRO ECONOMIC INDICATORS OUTLOOK

- **GDP Growth** - India's real GDP growth for **FY27** is projected to moderate to a range of **6.7%–6.9%**, balancing strong domestic fundamentals against mounting global headwinds. The **Reserve Bank of India (RBI)** in its recent policy assessments, projected a growth rate of **6.9%** for FY27 (down from an estimated 7.6% in FY26), noting that the ongoing West Asia crisis will act as a drag on supply chains and production. International agencies reflect a similar caution. The International Monetary Fund (IMF) and the World Bank peg India's FY27 growth at **6.5%** and **6.6%** respectively, while domestic rating agencies (like India Ratings) project a baseline growth of **6.7%**. Continued tailwinds from GST rationalization, a robust services sector, healthy domestic consumption and public sector capex are expected to buffer the economy, though rising international commodity prices pose downside risks.

- **Inflation** - Headline Consumer Price Index (CPI) inflation is expected to see a renewed upward push in the near term, with the RBI projecting an average CPI of **4.6%** for FY27. This comes after inflation hit historical lows in FY26. In the near-term CPI is anticipated to remain elevated largely driven by international energy volatility and potential El Niño threats to the south-west monsoon. For the first time, the RBI has explicitly projected core inflation (ex-food and fuel), pinning it at an average of **4.4%** for FY27, signalling persistent underlying non-food price sticky points.

- **Fiscal Deficit -** The central government continues its push toward fiscal consolidation, holding onto its glide path. However, the macro setup introduces slight risks of fiscal slippage. Elevated crude oil prices (modelled at a baseline of $95/barrel by analysts) could burden the government with additional fertilizer or fuel subsidies to protect consumers. This pressure is expected to be largely cushioned by an anticipated robust dividend payout from the RBI.

- **Current Account Deficit -** The Current Account Deficit is poised for an expansion to 2.0 - 2.5% of GDP, driven primarily by external shock factors. Elevated crude oil prices alongside disruptions to global trade routes due to the maritime bottlenecks in West Asia are driving up the import bill. Concurrently, export-oriented sectors are feeling the squeeze of a slowing global economy, widening the trade deficit.

- **G-Sec Yield (10-Year Benchmark)** - In line with extended rate stability and rising global treasury yields, the benchmark **10-year G-sec yield has hardened**, consolidating in a higher band of **6.80% – 7.10%** (up from the sub-6.6% ranges seen in mid-2025).
- **Gold Prices** - Safe-haven assets are experiencing intense volatility. Driven by escalating tensions in West Asia and a surging U.S. Dollar Index (climbing near 99.30), domestic gold futures on the MCX spiked past a historic **₹1,60,000 per 10 grams on May 13.** Ongoing geopolitical tensions (including U.S.–Iran frictions), persistent global inflation, and steady central bank diversification continue to provide a floor to prices.
- **External Sector -** Foreign Portfolio Investors (FPIs) have turned aggressive net sellers in 2026. Driven by surging U.S. Treasury yields and a flight to safer assets, FPIs pulled out over **₹27,000 crore in May alone**, bringing total equity capital flight in calendar year 2026 to a staggering **₹2.2 lakh crore**—driving foreign ownership in Indian equities to a 14-year low.
- **Rupee (INR)** – The massive dual pressure of capital flight and a ballooning oil import bill has triggered sharp depreciation for the domestic currency. The INR has depreciated 11% in the past year, with more than 5% depreciation having occurred post 28the February since the US- Iran war broke. The Rupee recently breached a historic milestone, going past the 96 mark to settle at an all-time low of **₹96.54 per USD** on 19th May.
- **Industrial Production (IIP) -** Industrial activity faces a mixed outlook for FY27. While domestic manufacturing continues to benefit from strong infrastructure spending and healthy capacity utilization, export-dependent sub-sectors face clear supply-chain gridlocks. Conversely, electricity generation and mining are seeing steady domestic utility demands, compensating for the softer external manufacturing prints.

15. INDUSTRY OUTLOOK

DATA CENTRES – BACKBONE OF AI & DIGITAL INFRA

The digital economy is rapidly reshaping global infrastructure, making Data Centres the backbone of the modern information economy. No longer just storage facilities, they now strategically power cloud computing, AI, E-commerce, and digital governance. In India, this transformation is accelerating faster due to soaring internet usage, skyrocketing data consumption, and supportive government policies.

Current Market Landscape & Capacity Projections - India currently stands among the fastest-growing digital consumer markets globally with an average monthly data consumption per smartphone user climbing from less than 1 GB in 2015 to an unprecedented 31 GB in 2025, among the highest rates globally *(Nokia MBiT Report)*. Simultaneously, overall internet penetration has expanded from 15% to ~70% over the same decade. India now possesses more than 900 million active internet users, ranking 2nd globally after China *(International Telecommunication Union/World Bank)*. This rapid digitalization has significantly escalated demand for hyperscale storage, cloud infrastructure, and high-density computing facilities.

To handle this surge, India's current installed Data Centre capacity has scaled to around 1.5 GW (1,500 MW), tracking a rapid historical ~32% CAGR recorded between 2022-25. This capacity is projected to quadruple, reaching ~6 GW by 2030. To scale the incremental 4.5 GW needed to meet this target, infrastructure developers will need to inject an estimated baseline capital expenditure of $45 billion into standard infrastructure. This capital requirement is anticipated to scale past $90 billion if the capacity is targeted directly at high-density, liquid-cooled AI processing clusters.

Technological Shifts and Policy Support - AI workloads require significantly higher computing power and energy density compared with conventional cloud operations, resulting in increased demand for GPU-intensive data centres. Consequently, India's Data Centre industry is increasingly transitioning from conventional storage-oriented facilities toward AI-enabled compute infrastructure. Policy support has also strengthened considerably. The IndiaAI Mission, data localisation requirements across financial and digital ecosystems, state-level data centre policies, and incentives for digital infrastructure have accelerated investment momentum. States such as Maharashtra, Tamil Nadu, Telangana, Uttar Pradesh, and Gujarat have introduced dedicated policies offering land support, electricity concessions, and fiscal incentives to attract investments.

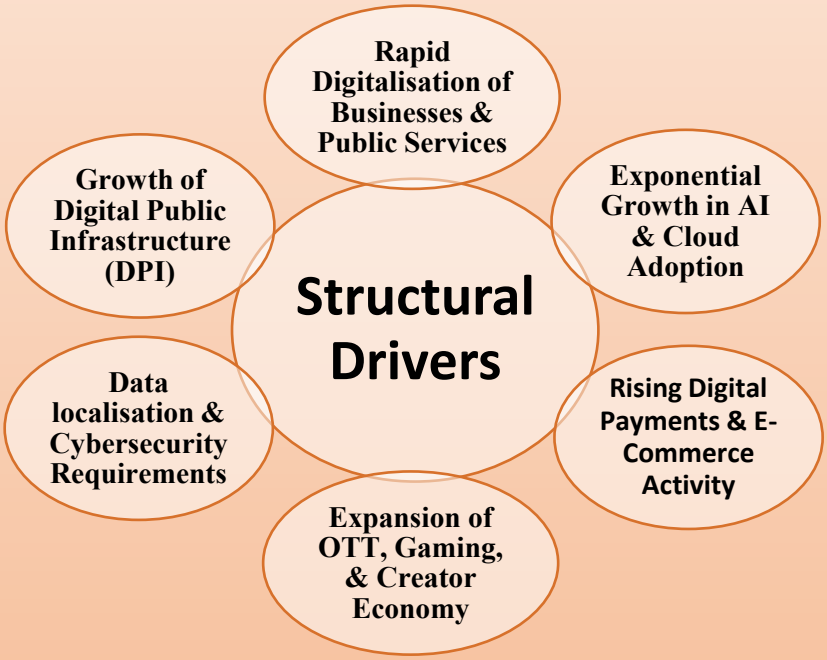
Key Investment Announcements in India's Data Centre Industry

Company	Major Infrastructure Plans	Capital Scope & Target Scale
AWS	Expansion of Cloud Regions & Digital Infrastructure	$35 Bn for 2-3 GW by 2030
Microsoft	Large-scale AI & Cloud Infrastructure Investments	$17.5 Bn
Google	Expansion of Cloud & AI Compute Capacity	$15 Bn for 1 GW
Reliance	Integrated AI-data Infrastructure Ecosystem	~$17+ Bn for 1.5 GW
AdaniConneX	Multi-city Hyperscale Data Centre Expansion	1 GW capacity by 2030

Implications for the banking and financial sector are massive as data centres are highly capital-intensive assets requiring complex, long-gestation project financing, structured term loan facilities, dedicated grid-transmission infrastructure funding, and extensive renewable energy integration.

Commercial banks are structured to play an increasingly dominant credit underwriting role. This momentum is further accelerated by the government's landmark tax holiday granted to foreign cloud service providers operating out of India until 2047. The data centre asset class now increasingly resembles traditional core infrastructure industries in terms of long-term capital intensity and robust balance sheet requirements.

Structural Challenges - Data centres are energy-intensive facilities operating continuously with high cooling requirements. AI-driven workloads are sharply increasing electricity demand, raising concerns regarding grid stability, renewable energy sourcing, and sustainability. Industry estimates suggest that power consumption from Indian data centres could more than triple by the end of the decade. As per information available with the Ministry of Power, electricity demand from data centres is estimated to reach 13.56 GW by 2031–32. Land acquisition in urban clusters, water availability for cooling systems, cybersecurity risks, and shortage of specialized talent remain additional constraints.



India’s large digital consumer base, favorable macro policy environment, rapid multi-sector technological adoption, and expanding innovation ecosystem solidify the country's position as a premier global hub for infrastructure investment.

Over the years, the Data Centre sector will emerge as a vital structural pillar of India’s digital economy which is projected to contribute nearly 20% of the national GDP by 2030, catalyzing global capital, enabling deep AI-led scaling, and cementing India's dominance in the global digital value chain.

Kartik Khandelwal
Officer (Economics)
Head Office, SMEAD

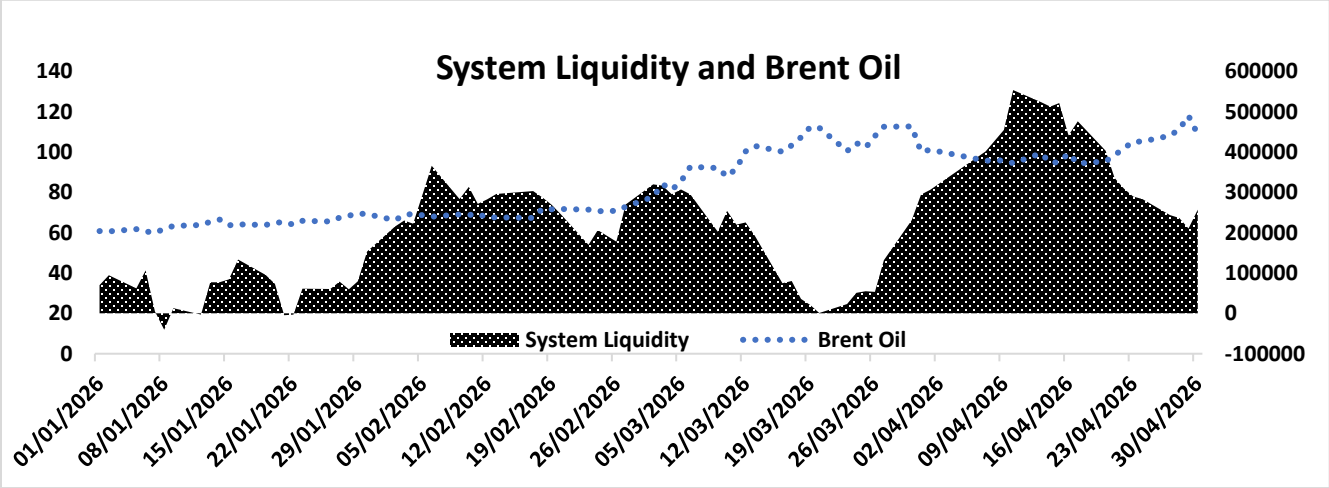
16. MARKET INSIGHTS

Background:

During April, financial markets witnessed easing compared to March, due to easing brent prices amidst U.S.-Iran ceasefire. Although, post ceasefire market tightened due to inflationary concerns, with the market pricing in near-term cautious approach by RBI.

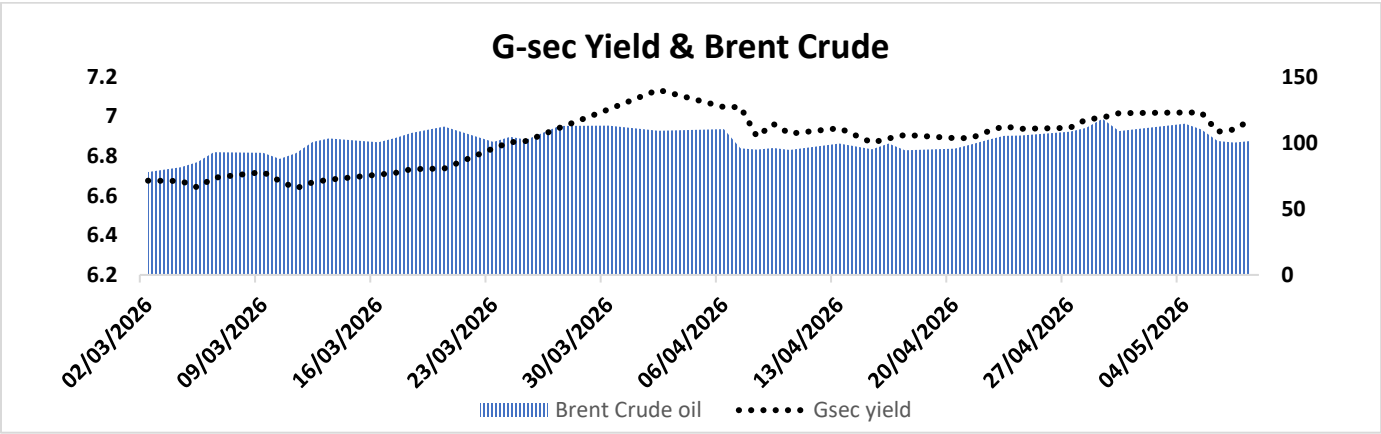
Outlook:

i) System Liquidity:



- During April, system liquidity remained in a wide range of 0.70% to 2.15% of NDTL.
- Peaks in liquidity were observed during periods of salary flows and higher g-sec redemptions and lows due to rise in currency in circulation and lower capital expenditure offtake in Q1FY27.
- Near-term outlook on liquidity remains contingent upon developments on U.S.-Iran conflict. Any negative news would likely increase dollar sales by RBI, dragging down FX reserves. However, RBI Annual Dividend Transfer to government, expected by May'26 end, when utilized by govt. would support system liquidity.

ii) G-sec yields:

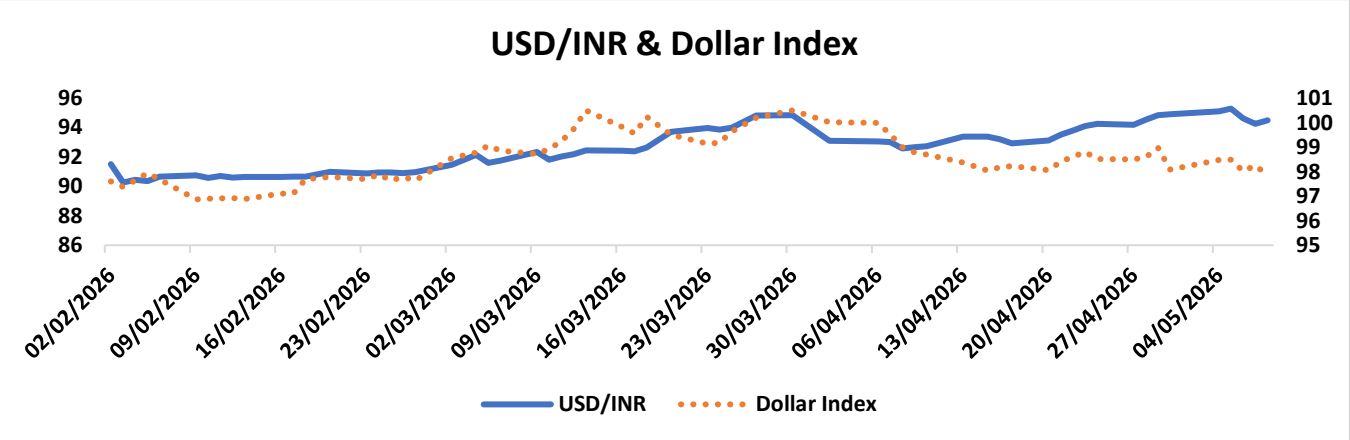


- During April, India 10-yr. govt. benchmark yield traded in the range of 6.86-7.14% and closed at 7.01% on 30.04.2026. Yields remained elevated in early April but moderated significantly following announcement of temporary ceasefire.
- Although lower-than-anticipated H1FY27 market borrowings are likely to ease oversupply issues, near term bond market sentiments are expected to be driven by West Asia geopolitical developments.

Scenario analysis for 10-yr. benchmark yields

Scenario	Likely range	Major Drivers
Base/Moderate Case	6.85-7.00%	• Near term CPI prints in-line with anticipation, • Any positive development on U.S.-Iran conflict, • Positive update on Bloomberg Inclusion Index and • Reduced volatility in USD/INR could make capital flows less volatile.
Upside / Stress Case	7.00-7.15%	• Any upside in U.S. yields arising from Fed commentary turning more hawkish. • Rise in crude oil prices due to negative development on U.S.-Iran conflict.

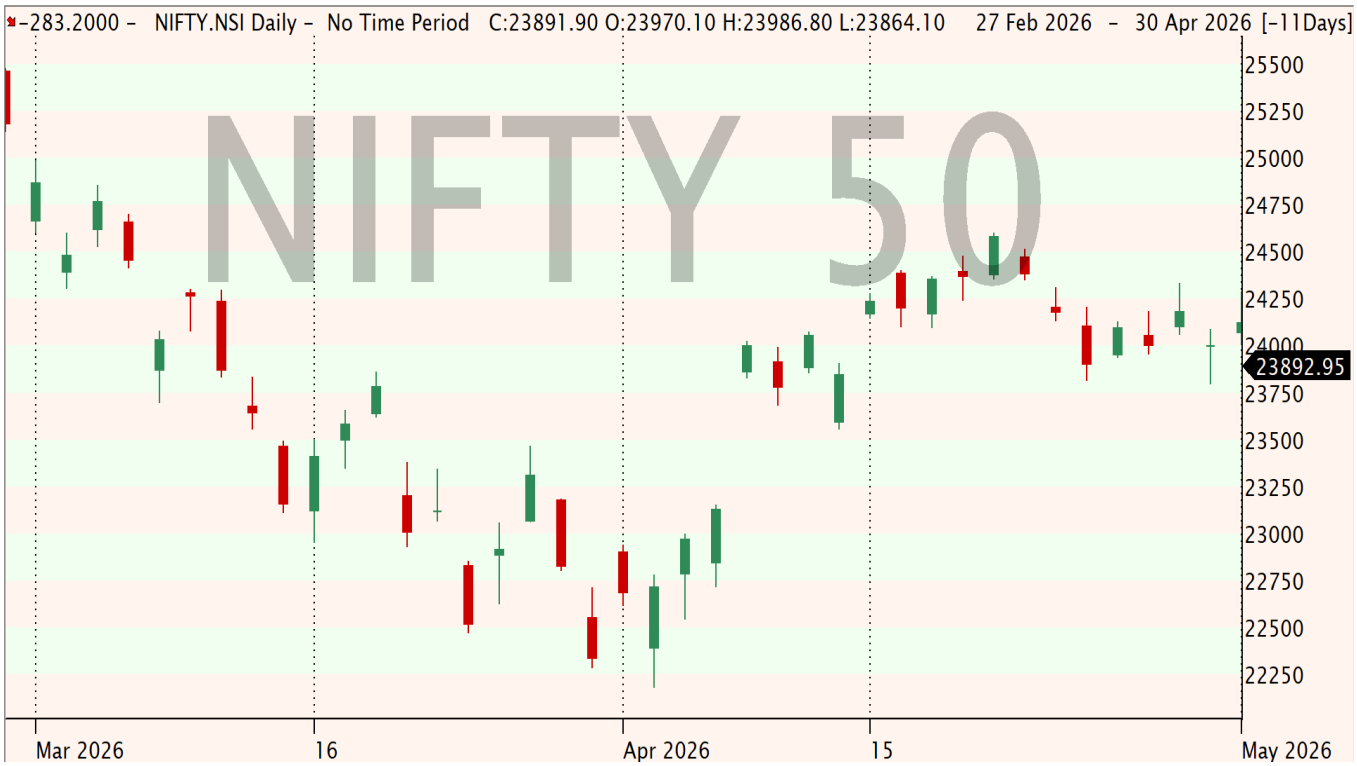
iii) USD/INR:



- During the month, USD/INR pair traded in the wide range of 92.29-95.33 and closed at 94.91 as on 30.04.2026.
- While Dollar selling by state-run banks on behalf of RBI capped losses and latest Net Open Position norms supported the unit towards month end, INR breached the 95-level driven by year-end Dollar demand from oil marketing companies.
- Leadership transition at the Fed does not look enough to guide and convert the remainder of committee to turn dovish. The war is expected to spike inflation concerns amidst a resilient labour market.

- INR is expected to remain under pressure, though the pace of depreciation may moderate if crude oil prices soften and RBI intensifies its market intervention. Market rumours suggest Central Bank is exploring measures to boost Dollar inflows, such as introducing special schemes for NRI similar to FCNR(B) window in 2013 and incentivizing exporters to repatriate foreign earnings more quickly. If these measures materialise, boost in foreign funds is expected to support INR.

iv) Equity Market:



- Equity benchmark witnessed range-bound movement during April'26. Equity outlook remains cautious, with volatility likely at elevated due to global macro risks, crude oil movement and foreign investor positioning.
- While high frequency growth indicators of April'26 point towards limited impact of Middle East war, same may be attributed to inventories built before surge in energy costs.
- In near term, investors may refrain from building positions aggressively in case clear resolution to war situation is not visible.

17. BOOK REVIEW

PRINCIPLES FOR DEALING WITH THE CHANGING WORLD ORDER: WHY NATIONS SUCCEED AND FAIL BY RAY DALIO

Ray Dalio, founder of hedge fund Bridgewater & Associates, brings into the book his perspective on "Big Cycles" that have driven the successes and failures of all the major economies throughout history. He provides pithy insights into the timeless and universal forces that shape these global powers.

In his study encompassing 500 years of world history, Dalio examines the rise and decline of the Dutch, British, and United States economies, along with their respective currencies: the guilder, the pound, and the dollar. He establishes in a beautiful way that the cycle of rise and fall of Nations is directly proportional to the rise of country's currency and vice versa. He has also examined the rise of China and its currency Renminbi and how it has now become a force to reckon with.

As an investor, Dalio has used his study and knowledge of history to position himself to take advantage of big cycles and advises others to keep the cycles in mind while navigating the investment jungle.

His attempt is a good study on anticipating the future by learning the past.

The book serves as an excellent, concise read on the patterns of shifting wealth and power over the last 500 years, offering crucial lessons on how to position oneself for what lies ahead.

Ajay Kumar Singh
General Manager
SMEAD, Head Office

18. DATA SOURCES

- *Reserve Bank of India (RBI)*
- *Ministry of Statistics and Programme Implementation (MOSPI)*
- *Office of Economic Adviser*
- *Ministry of Commerce and Industry, Department of Commerce, DGFT*
- *Press Information Bureau*
- *GST Council*
- *State of Working India 2026, PFLS*
- *Websites of major Central Banks*
- *Controller General of Accounts (CGA)*
- *Investing.com*
- *Press Articles*
- *CMIE*
- *Statista*

QUOTE OF THE MONTH

"An investment in knowledge pays the best interest."

— Benjamin Franklin

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