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पंजाब नैशनल बैंक

कार्यनीति प्रबंधन एवं आर्थिक परामर्श प्रभाग

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FOREWORD



FROM THE DESK OF MANAGING DIRECTOR & CEO

PNB ECOLENS, monthly publication by our team, has completed four years of circulation. Over the years, this magazine has established itself as a source of knowledge, consistently educating and enlightening readers. By meticulously describing the evolving trends in the economic and banking sector, PNB ECOLENS offers readers not only timely updates but also provides insightful analyses and perspectives on topics of current relevance.

In the current volatile economic landscape, the importance of staying informed is paramount. PNB ECOLENS fulfils this crucial need by acting as a bridge between complex industry developments and the readers comprehension. The publication demystifies intricate issues, making them understandable and relevant for a diverse audience.

India's GDP grew by 7.8% in the third quarter of FY'26, with projections indicating an overall growth rate of 7.6% for the entire fiscal year, positioning India as the fastest-growing major economy globally. Domestic demand and increasing investment opportunities have been the primary catalysts for this expansion. The domestic economy has demonstrated notable resilience amid ongoing challenges.

The Banking industry, a fundamental pillar of economic progress, has demonstrated remarkable improvements in business, profitability, asset quality and capital adequacy. Bank functions not only as a financial intermediary but also as a proactive driver of inclusive growth. By seamlessly catering to the funding requirements of crucial sectors i.e., from Agri and MSME to Infrastructure and burgeoning green-energy landscape, the Indian Banking sector supports the nation progress at every stride.

This 4th anniversary edition of PNB ECOLENS is more than a celebration of the past; it is a reaffirmation of our future commitment. We are committed to deliver comprehensive analyses and insightful perspectives on banking, as well as domestic and global economic matters.

Heartiest congratulations to the editorial team, contributors, and every reader who has made PNB ECOLENS a success. We look forward to continued years of meaningful insight and exploration.

With best wishes,
Ashok Chandra





**FROM THE DESK OF
EXECUTIVE DIRECTOR**

It is with pride and privilege that I share this special anniversary edition of our inhouse monthly economic bulletin – PNB ECOLENS, celebrating its four years of knowledge sharing.

What began as a thoughtful initiative to foster informed dialogue on economic developments has today evolved into a credible platform for insightful analysis, diverse perspectives and meaningful discourse.

PNB ECOLENS is dedicated to exploring the full breadth of the financial and economic landscape. The bulletin provides the global and domestic economic outlook, translate complex economic data into clear insights, provide outlook on different industries or sectors, while highlighting the technological and climate developments currently reshaping the future of banking.

The bulletin has not only served as a repository of knowledge for professionals and enthusiasts alike but has also contributed to strengthening economic awareness within and beyond the banking fraternity.

This milestone is not merely a celebration of longevity, but a testament to the collective efforts of our team and readers who have nurtured this publication into what it is today. I extend my sincere appreciation to each one of you for your continued support, feedback and participation.

As we look ahead, our focus will remain on strengthening PNB ECOLENS bulletin as a catalyst for ideas, encouraging diverse viewpoints, and contributing meaningfully to the discussion on economic scenarios.

Wishing the magazine many more years of success and continued impact.

"Live as if you were to die tomorrow. Learn as if you were to live forever."

- Mahatma Gandhi

With Best Wishes,

D. Surendran



**FROM THE DESK OF
CHIEF GENERAL MANAGER**

It gives me immense pleasure and satisfaction to place before you the fourth anniversary issue of PNB ECOLENS, a publication that has evolved into a credible and insightful platform for understanding the changing economic and banking landscape. It has played a pivotal role in bringing together perspectives, insights, and developments relevant to the financial ecosystem.

The publication has steadily strengthened its position as a comprehensive source of economic insights, financial developments, and industrial outlook. It has not only informed but also enriched understanding by capturing emerging trends, policy shifts, and market dynamics in a structured and insightful manner.

As the economic environment continues to evolve, PNB ECOLENS has broadened its scope to include emerging areas of significance. The addition of sections such as Climate News, ESG Updates, and an expanded Macroeconomic Outlook reflects our endeavour to stay aligned with evolving global and domestic dynamics.

We also take this opportunity to express our sincere gratitude to our readers and contributors for their continued engagement and valuable feedback. Their support and insights have played an important role in shaping the evolution of ECOLENS and guiding its continuous refinement.

As we embark on our fifth year, we aim to make PNB ECOLENS more engaging, insightful, and thought-provoking. We remain focused on offering fresh perspectives, exploring emerging themes, and contributing meaningfully to informed decision-making.

I extend my sincere appreciation to everyone who has been part of this journey and look forward to the continued growth and evolution of PNB ECOLENS in the years ahead.

With Best Wishes

Sunil Kumar Goyal

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OUTLOOK FOR BANKING SECTOR 2026-27

After the stellar performance in FY'26, the Banking Sector is poised to enter the FY'27 with robust fundamentals, strong growth and stable asset quality. The Banking Sector has ably supported India's economic growth momentum. The year-on-year improved profitability and asset quality has provided robust base for Public Sector Banks to continue their performance on all the metrics.

On the demand side, private consumption in 2026–27 is expected to be supported by discretionary spending. While the government's thrust on infrastructure spending continues, the revival in private sector investment is expected to sustain on the back of high-capacity utilisation, strong credit growth and benign financial conditions, however the current geopolitical conditions pose a challenging scenario.

India's real GDP is forecasted at 6.9% in FY27 by RBI, sustaining high credit demand across corporates, MSMEs, and retail. As per various agencies, Credit growth is expected to remain around 13-14 percent in FY27, led by retail, housing, and MSME loans. The RBI's measures for collateral-free MSME loans and a unified Lead-Bank portal will boost formal credit access, offering PSBs a strategic growth avenue if they strengthen risk management and recovery practices.

Deposit growth has lagged credit expansion, prompting a rush across banks and modest pressure on funding costs. While liquidity remains broadly adequate, the mismatch between loan growth and deposit mobilisation has made liability management more critical. The RBI's calibrated use of Cash Reserve Ratio (CRR) and various liquidity operations has helped smoothen the transition, but there is a requirement to deepen CASA penetration and diversify their liability base to remain resilient. *For PSBs, strengthening savings-bank and current-account franchises through digital channels and branch-network efficiency will remain a key priority in 2026–27.*

Asset quality of all the Public Sector Banks had been excellent with the NPA levels reaching multi years low. The current geopolitical situation is challenging but the quick government response and regulatory support have been helpful in mitigating the global challenges.

After a phase of margin compression in FY'25, triggered by policy rate, banks are now witnessing stabilising or slightly improving net interest margins. *For public sector banks, the challenge will be to sustain this improvement while managing the cost-to-income ratio in an increasingly digital and competitive landscape.*

With increased emphasis on digital banking channels, cyber security will present a challenging scenario to mitigate the associated risks. The reform measures taken by the regulator from time to time will pave way for providing support for building up convenient environment for PSBs. *The upholding of customer trust and service delivery will remain critical determinant of PSBs performance in the coming times as well.*

Hence the overarching objective for FY 2026-27 will be to consolidate the strengths, thereby safeguarding the stability and resilience of the broader financial system amid ongoing global headwinds, while also fostering trust and confidence among the customer base.

Ajay Kumar Singh
General Manager

2. DEEPENING INDIA'S CORPORATE BOND MARKET: FROM SCALE TO SUBSTANCE

India's corporate bond market is at a pivotal juncture. With outstanding issuances crossing ₹58 Trillion and annual fundraising touching nearly ₹10 trillion in FY2024–25, the market has achieved a scale that rivals bank credit. On the surface, this appears to be a success story. But beneath the headline numbers lies a structural reality that is far less reassuring.

At just 14–16% of GDP, India's corporate bond market remains significantly underdeveloped compared to global peers. More critically, 94% of issuances are concentrated in AAA and AA rated instruments, secondary market liquidity is thin, and nearly all issuances occur via., private placements. What India has built is not a deep market but a large, yet structurally shallow one. Furthermore, Retail participation in India is very low with respect to developed nations.

This distinction is crucial. India's aspiration of becoming a \$30 trillion economy under the Viksit Bharat 2047 vision will require massive, long-term capital mobilisation far beyond what the banking system alone can provide. A deep and inclusive corporate bond market is not optional; it is foundational.

Five Structural Fractures

- 1. The Liquidity Paradox:** Despite its size, India's corporate bond market suffers from persistent illiquidity. Bonds are largely held by insurance companies and pension funds in buy-and-hold portfolios, rarely traded after issuance. Daily secondary market volumes have stagnated at ₹6,000–₹7,000 crore for years. Without trading, there is no price discovery. Without price discovery, there is no real market only a large private placement system.
- 2. The AAA Concentration Trap:** India's bond market is overwhelmingly skewed toward top-rated issuers. AAA and AA bonds account for 94% of total issuances, effectively excluding mid-rated firms. This locks out a vast segment of the real economy i.e., MSMEs, infrastructure projects, and growing corporates that require long-term capital but do not meet the highest rating thresholds. Instead of democratising capital access, the market has become concentrated among a limited set of issuers.
- 3. The Market-Making Vacuum:** A functional bond market depends on continuous two-way pricing. India lacks institutionalised market makers. Banks dominate issuance but do not hold inventory. Brokers and NBFCs offer limited liquidity in select securities. Without credible exit options, investors default to buy-and-hold strategies, further weakening market liquidity.
- 4. The Funding Infrastructure Gap:** Market making requires efficient access to short-term funding, typically through repo markets. In India, the corporate bond repo market remains underdeveloped due to a critical regulatory asymmetry. Funds raised through corporate bond repos attract CRR and SLR requirements, unlike government securities repos which are exempt. This makes corporate bond repo transactions economically unattractive for banks. This single distortion effectively chokes the funding backbone required for market making.
- 5. Regulatory Fragmentation:** India's corporate bond market is governed simultaneously by SEBI, RBI, and the Ministry of Corporate Affairs (MCA) with overlapping jurisdictions. Bonds issued by Banks and NBFC's are regulated by RBI and SEBI whereas Bonds issued by Non-Financial Corporates falls under SEBI and MCA. The result is different documentation requirement and compliance requirements that discourage the small and lower rated issuers. Public issuances have declined from 13% of total issuance in FY'14 to just 2% in FY'24. In FY'24 just 45 public issues raised Rs.19,000 Cr. against more than 1300 private placements raising approx. Rs.8 Lac Cr.

The Credit Enhancement Imperative

Among all reform priorities, credit enhancement stands out as the most immediate and scalable solution to broaden market access. Institutional investors such as insurance companies, pension funds, and provident funds which are largely restricted to investing in AA and above rated instruments. This excludes a significant pool of viable BBB and A rated issuers.

Credit enhancement may address this mismatch. By providing partial guarantees through development finance institutions, public funds, or multilateral agencies, lower-rated bonds can be upgraded to investment-grade levels acceptable to institutional investors. The benefits include issuers gain access to long-term capital at lower borrowing costs; investors retain safety through the guarantor's credit strength and markets benefit from a broader and more diversified issuer base. This is not a complex innovation but a proven mechanism to bridge the gap between investor constraints and issuer needs.

A Phased Reform Roadmap

Short Term (0–18 months): Optimize system processes

- Establish an inter-regulatory coordination body (SEBI, RBI, MCA, Ministry of Finance)
- Create a single-window system for issuers
- Equalise CRR/SLR treatment for corporate bond repos vs G-Sec repos
- Develop a real-time corporate bond data repository
- Consolidate fragmented ISINs

These steps focus on reducing friction and improving market efficiency.

Medium Term (18 months–4 years): Broaden Participation

- Introduce a formal market-making framework with capital and liquidity support
- Expand repo access and funding mechanisms
- Allow calibrated exposure to A and BBB rated bonds for institutional investors
- Introduce tax incentives to attract retail investors, especially in infrastructure bonds
- Credit Default Swaps (CDS) market needs to be developed simultaneously, as it functions as insurance against default and enable investors to hedge and diversify portfolios and gain access to credit risk without holding the Bonds.

Long Term (4–10 years): Build Market Depth

- Develop an MSME bond market with pooled credit enhancement structures
- Position GIFT City as a global hub for ESG and transition finance
- Integrate India more deeply into global fixed income markets through increased FPI participation.

Conclusion

India stands at a genuine inflection point. Policy momentum is building, interest rates have softened, and issuer demand is rising. But the window for meaningful reform is finite. Global competition for capital from markets such as Indonesia, Vietnam, and the UAE is intensifying. Fiscal space will tighten as development spending increases. And repeated delays in reform execution risk undermining credibility.

The next decade will determine whether India can finance its infrastructure ambitions at scale, reduce systemic dependence on bank credit, expand access to capital for mid-sized enterprises and channel domestic and global savings into productive investments

Deepening the corporate bond market is not merely a capital markets objective. It is central to India's economic transformation.

Virendra Prakash Bansal
Deputy General Manager
SMEAD, Head Office

3. HIGHLIGHTS OF THE RBI'S MONETARY POLICY ANNOUNCED IN APRIL 2026

A. Policy Rate / Reserve Ratio	Previous	Now	Change
Policy Repo Rate	5.25%	5.25%	No Change
Standing Deposit Facility (SDF)	5.00%	5.00%	
MSF Rate	5.50%	5.50%	
Bank Rate	5.50%	5.50%	
B. Reserve Ratios			
Cash Reserve Ratio (CRR)	3.00%	3.00%	No Change
Statutory Liquidity Ratio (SLR)	18.0%	18.0%	

- a. **Policy Rate:** Reserve Bank of India's Monetary Policy Committee (MPC) kept **the repo rate unchanged at 5.25%** in its first Bi-monthly monetary policy for the FY27.
- b. **Stance:** MPC also decided to retain its stance unchanged at **'neutral'**.
- c. **Rationale:** Headline inflation remained within the tolerance band. However, upside risks have increased due to rising energy prices amid the ongoing West Asia conflict and possible weather-related disturbances affecting food prices.
- d. Economic growth remained resilient in FY26. While the growth outlook continues to exhibit strong momentum, the intensity and duration of the conflict, along with potential damage to energy and related infrastructure, pose risks to both inflation and growth.

i. Economy and Inflation Outlook

Economy Outlook

- **Global economy:** In 2025, global economic activity remained resilient despite high tariffs, elevated policy uncertainty, and geopolitical tensions, as the overall impact of tariff measures turned out to be less severe than initially anticipated. However, in 2026 global growth faces increasing downside risks from increased energy prices and shortages of key industrial inputs. It has enhanced inflationary concerns & increased the geopolitical risk premium in oil markets.
- **Domestic Economy:** As per the second advance estimates (SAE) of GDP for FY26, with the new base year 2022-23, indicate sustained resilience in the Indian economy. It is estimated to grow by 7.6% in FY26, backed by strong domestic demand, with robust private final consumption expenditure and investment activity.
- In FY27, the West Asia conflict may adversely impact growth. Higher input costs due to rising energy prices, along with increased international freight and insurance costs and supply chain disruptions, could constrain the availability of critical inputs for downstream sectors, thereby affecting growth. Disruptions in energy markets, fertilizers and other commodities may negatively impact industry, agriculture, and services, reducing overall domestic output.

- However, the government remains proactive in ensuring the availability of key inputs across critical sectors to minimize the impact of supply disruptions. Continued emphasis on scaling up domestic manufacturing in strategic and emerging sectors augurs well for India’s medium-term growth trajectory.

Real GDP projections have been revised as under:

RBI’s GDP Projections	Q1 FY’27	Q2 FY’27	Q3 FY’27	Q4 FY’27	FY’27
06.02.2026	6.9%	7.0%	-	-	-
08.04.2026	6.8%↓	6.7%↓	7.0%	7.2%	6.9%

Risks to the baseline projections are tilted to the downside, with uncertainty remaining elevated due to the ongoing West Asia conflict.

Inflation Outlook

- During Jan–Feb’26, headline inflation remained below the target at 2.7% and 3.2%, respectively. Food inflation registered an uptick after witnessing deflation over the previous four months. Inflation in fuel items remained modest. Core inflation stood at 3.7%, with underlying price pressures remaining benign, as reflected in significantly lower core inflation (excl. precious metals) at 2.1%.
- Looking ahead, recent spikes in energy prices due to the conflict pose an upside risk. Although retail prices of petrol & diesel have remained unchanged so far, the pass-through of higher global energy prices has led to increases in certain other fuel items. Additionally, the potential emergence of El Niño conditions may pose further risks to the inflation outlook.
- Considering these factors, the projections for Inflation have been revised as under:

	Q1FY’27	Q2FY’27	Q3FY’27	Q4FY’27	FY’27
06.02.2026	4.0%	4.2%	-	-	-
08.04.2026	4.0%↔	4.4%↑	5.2%	4.7%	4.6%

With the release of the new CPI series (base 2024 = 100), the RBI has begun projecting core inflation. Core inflation is estimated at 4.4%. Excluding precious metals, core inflation remains lower, indicating that underlying inflationary pressures are expected to stay contained.

ii. Liquidity and Financial Market Conditions

- System liquidity remained in surplus, averaging ₹2.3 lakh crore on a daily basis since the last MPC meeting in February 2026.
- G-Sec yields remained largely range-bound with a softening bias in February; however, they hardened thereafter in line with global yields, driven by the ongoing conflict and rising energy prices. Transmission in the credit market has remained satisfactory.
- Going forward, the RBI will remain proactive and pre-emptive in liquidity management, ensuring adequate liquidity in the banking system to meet the productive requirements of the economy.

iii. Financial Stability

- The system-level financial parameters related to capital adequacy, liquidity, asset quality and profitability of SCBs continue to remain robust.
- Bank credit growth accelerated to 14.3% (y-o-y), compared to 11.7% a year ago, reflecting a broad-based and sustained expansion in credit.

iv. External Sector

- India's merchandise exports are expected to moderate due to persistent tariff-related uncertainties, the ongoing West Asia conflict, and elevated energy prices. Meanwhile, merchandise imports grew by 22.2%, largely driven by higher gold imports, leading to a widening trade deficit.
- Strong services exports and healthy inward remittances are expected to keep the current account deficit at a moderate and sustainable level.
- India's proactive engagement in bilateral and regional trade agreements with key partners is likely to support trade and investment flows.
- Gross foreign direct investment (FDI) recorded strong growth, with net FDI also showing improvement. India continues to remain an attractive destination for greenfield investments.
- Despite strong macroeconomic fundamentals, the Indian rupee depreciated more in 2025–26 compared to previous years. The RBI remains committed to managing excessive and disruptive volatility, ensuring that exchange rate movements remain aligned with underlying fundamentals.

v. Additional Measures

I. Ease of Doing Business

- A) **Rationalization of Board Matters** - To facilitate better utilization of bank board's time RBI proposed to revise and rationalize the matters requiring its attention.
- B) **Consolidation of Supervisory instructions** – Simplifies regulatory compliance through streamlined and consolidated master directions.
- C) **Simplified TReds MSME Onboarding** - To facilitate ease of doing business by MSMEs requirement of due diligence while onboarding them on TReDS platforms has been dispensed with.

II. Capital Adequacy

- D) **Quarterly Profits in CRAR** – RBI has proposed to dispense with condition of provisions not deviating more than 25% of the average of the four quarters for Non-Performing Assets (NPAs) for inclusion of quarterly profits in CRAR computation.
- E) **Investment Fluctuation Reserve (IFR)** – It is proposed to dispense with the requirement to maintain an Investment Fluctuation Reserve (IFR) as an additional buffer to hedge against depreciation in the value of investments.

III. Deepening of Money Market

It has been decided to permit certain additional categories of non-bank entities in this market segment while also enhancing the borrowing limit of standalone primary dealers (SPDs) in the term money market.

4. GLOBAL BANKING IN THE SHADOW OF THE IRAN–ISRAEL WAR

The global economy once again finds itself navigating the uncertain terrain of geopolitical conflict. The ongoing Iran–Israel war, with its widening regional and global implications, has cast a long shadow not only on energy markets and trade flows but also on the global banking system. While banks are not direct participants in geopolitical conflicts, they remain deeply intertwined with the economic channels through which such shocks propagate oil prices, inflation, capital flows, and financial market sentiment.

At the heart of the current crisis lies the Strait of Hormuz, a narrow maritime corridor through which nearly 20% of global oil supply transits. Disruptions in this critical artery have triggered a sharp increase in energy prices, reigniting inflationary pressures across advanced and emerging economies alike. Some of the recent estimates suggest that even a 10% rise in oil prices can shave off growth in major importing economies such as India and China while simultaneously pushing inflation. For banks, this combination of slowing growth and rising prices presents a complex and potentially destabilising asset quality.

The most immediate impact of the conflict has been felt through heightened volatility in global financial markets. Bond yields have risen as inflation expectations harden, while equity markets have witnessed sharp corrections amid declining investor confidence.

For global banks, this translates into three key challenges:

First, tightening financial conditions: As central banks confront renewed inflationary pressures driven by energy shocks, the space for monetary easing narrows considerably. In a scenario reminiscent of the 1970s, policymakers may be forced to prioritise inflation control over growth, keeping interest rates elevated for longer. This, in turn, raises funding costs for banks and dampens credit demand. It would be pertinent to mention here that Oil surges have fuelled inflation, complicating central bank policies worldwide. Asian economies including manufacturing hubs like South Korea and Japan grapple with elevated input costs and trade uncertainties.

Second, asset quality risks: Elevated energy prices act as a tax on both households and businesses. Sectors heavily dependent on fuel such as transport, aviation, manufacturing may face margin compression, increasing the probability of loan delinquencies. Prolonged conflict could therefore translate into a gradual deterioration in banks' asset quality.

Third, mark-to-market losses: Rising bond yields erode the value of banks' investment portfolios, especially those with significant exposure to government securities. At a time when global banking systems are still adjusting to the after-effects of rapid monetary tightening, such valuation pressures could strain balance sheets.

Geopolitical uncertainty typically triggers a flight to safety, and the current episode is no exception. Capital has increasingly gravitated towards safe-haven assets such as gold and US Treasuries, while emerging markets have experienced bouts of capital outflows.

There is a challenging situation for the banks in emerging economies via., tightening external financing conditions and increased exchange rate volatility. Currency depreciation further exacerbates imported inflation, creating a feedback loop that complicates monetary policy and, by extension, banking sector stability.

Additionally, rising maritime insurance costs and disruptions in global supply chains are increasing trade finance risks. Banks engaged in cross-border lending and trade financing must now contend with higher counterparty risk, longer settlement cycles, and elevated uncertainty in commodity-linked exposures.

Unsurprisingly, the most acute banking sector stress is concentrated in the Middle East. Economic contractions in conflict-affected regions, coupled with infrastructure damage and capital flight, are likely to weaken local banking systems. Historical precedents suggest that even short-lived conflicts can lead to measurable declines in output and financial stability in affected economies.

Indian Banking Sector: For India, the impact operates largely through external channels. As a major importer of crude oil, the country is vulnerable to sustained energy price shocks. Higher inflation could delay monetary easing, keeping interest rates elevated and moderating credit growth.

However, the Indian banking system enters this phase from a position of relative strength. Improved asset quality, robust capital buffers, and steady profitability provide resilience against external shocks. While certain sectors such as those sensitive to fuel costs, they may face stress, the overall system is well-equipped to absorb moderate disruptions.

The 2026 crisis underscores that for the global banking system and national economies; energy security is national security. By prioritising fiscal relief, diversifying diplomatically, and boosting domestic renewables, the government is building resilience for future shocks.

Smriti Behl
Officer (Economics)
SMEAD, Head Office

5. INDIA'S DEMOGRAPHIC DIVIDEND: NAVIGATING EMPLOYMENT CHALLENGES

India's demographic dividend is often described as its greatest strength, but its true value lies in how effectively it is translated into meaningful employment. With over 65 per cent of the population below the age of 35, the country stands at a stage where the availability of a young workforce can either accelerate growth or deepen existing labour market challenges.

India's labour market has witnessed a gradual but significant structural shift, marked by a steady movement of workers away from agriculture. While such a transition is typically associated with economic advancement, India's experience has diverged from the conventional path. Instead of a large-scale shift towards high-productivity manufacturing or modern services, a substantial proportion of workers have moved into informal employment.

This trend is especially evident among the youth (aged 20–29 years), who are exiting farm employment at a rapid pace. However, a contrasting pattern has emerged in the post-2017 period among young women, many of whom are re-entering agriculture often in unpaid or low-paid roles highlighting underlying constraints in access to quality employment opportunities.

Fig 1: Share of workforce in agriculture in per cent (20-29 years old)

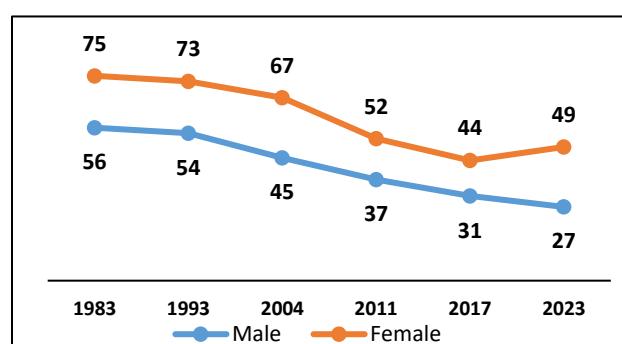
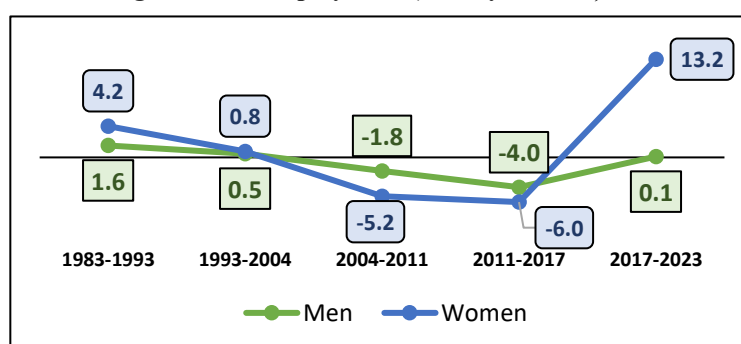
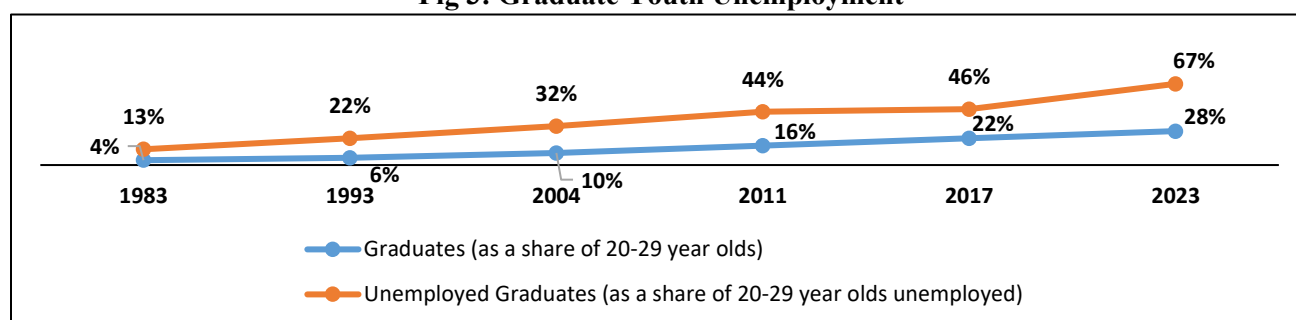


Fig 2: Annual average growth rate in agricultural employment (20-29 years old)



Despite a gradual increase in the share of salaried employment, concerns regarding job quality have emerged. Wage growth has remained subdued and employment conditions are increasingly characterised by informality and casualisation. The challenge is further intensified by persistently high unemployment among educated youth, which significantly exceeds the overall unemployment rate. This reflects a disconnect between educational attainment and labour market requirements, with limited availability of suitable entry-level roles.

Fig 3: Graduate Youth Unemployment



A considerable proportion of educated youth are engaged in informal work, self-employment, or gig-based activities, often without adequate job security or social protection. For instance, among graduates, only a small fraction (around 4 per cent) is employed in white-collar occupations. This stark mismatch between aspirations and outcomes has contributed to growing dissatisfaction and frustration among the youth.

Fig 4: Share of young graduate women (%) (20-29 years old)

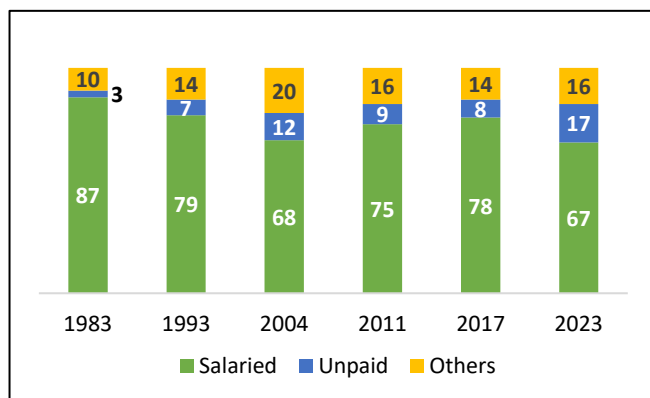
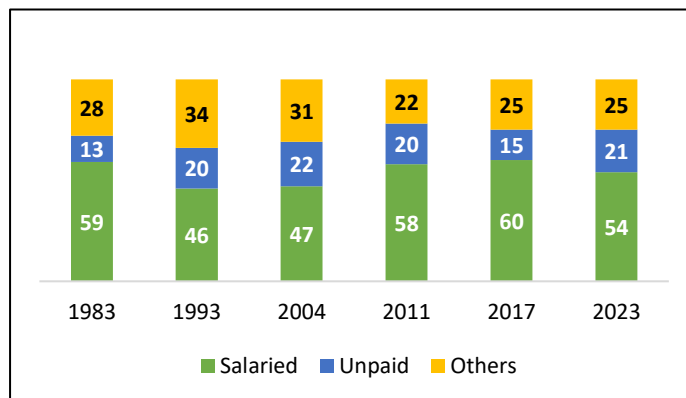


Fig 5: Share of young graduate men (%) (20-29 years old)



Gender disparities add another layer of complexity. Labour market outcomes for educated women remain constrained, with a decline in salaried employment and a rising share of unpaid work. A similar, though less pronounced, trend is visible among graduate men, many of whom are engaged in unpaid family work or informal activities. Over time, some of these individuals may transition into self-employment or take over family enterprises.

Conclusion:

The extent to which India can harness its demographic dividend will shape its long-term growth and employment outcomes. While the structural shift away from agriculture reflects progress, the persistence of informal employment, rising educated unemployment and declining job quality pose significant challenges.

Addressing these challenges requires strengthening the linkage between education, skills, and industry demand, alongside promoting sectors capable of generating large-scale, quality employment. Recent policy initiatives such as the Agnipath Scheme, Pradhan Mantri Skilling and Employability Transformation through Upgraded it is (PM-SETU), Skill India Mission, Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and the Pradhan Mantri Viksit Bharat Rozgar Yojana represent important steps towards enhancing employability, modernising vocational training and incentivising job creation. Complementary measures like the Employment Linked Incentive (ELI) Scheme and the National Apprenticeship Promotion Scheme (NAPS) further support the transition of youth into the workforce.

Going forward, sustained emphasis on skill alignment, expansion of formal employment opportunities and targeted support for young women will be crucial. Empowering youth through productive employment is not only an economic imperative but also central to realising the vision of Viksit Bharat 2047, where the potential of “Yuva Shakti” is effectively harnessed for nation-building.

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6. IMPACT OF ARTIFICIAL INTELLIGENCE IN BANKING: A COMPETITIVE ADVANTAGE

1st

Artificial Intelligence (AI) is a technology that enables machines to simulate human intelligence and problem-solving capabilities. With the advancement of technology and the growing demand of improved operational efficiency requirements, AI now demands more attention necessitating incorporation in the day-to-day business activities instead of using it as an add-on feature. As AI and Machine Learning (ML) continues to evolve at an unprecedented progress, sector specific development is the need of the hour, thereby creating an urge to explore the contribution of AI in financial services with banking as one of the subset and the most important contributor in such domain.

❖ AI in Financial Services and Banks

The importance of AI in financial services was recognized by the World Economic Forum in 2025 projecting investments across banking, capital markets, insurance and payments business expecting to reach \$97 billion (INR 9 lakh crores approx.) by 2027. The study also indicates that 32-39% of the work performed across banking business, insurance and capital markets has high potential to be fully automated and 34-37% holds high augmentation potential consequently driving a significant increase in new AI investment.

There are two major paradigms, Generative AI and Agentic AI serving different purposes in intelligence and automation techniques. AI has the ability to deal with large dataset including unstructured and missing values with generative AI possessing the ability to create new content in the form of text, images, audio and video, or any code from an input that fosters creativity and customization. However, for autonomous decision-making and resolution of complicated issues, Agentic AI is the paradigm to follow without constant human inputs and is more action oriented. Chatbots, Voice Assistant are widely used in the industry which comes under the scope of generative AI with pre-defined rules assisting the entities adopting AI to interact with customers enabling to reduce the cost pertaining to stereotype jobs. Agentic AI involves completing complex tasks sometimes involving AI agents like robots capable of making decisions with minimal human intervention.

❖ Policy efforts in India

India, an emerging and the fastest growing economy in the world cannot remain aloof from the AI wave and should explore all avenues to leverage and adopt the AI technology with regulatory measures in place. NITI Aayog released the National Strategy for Artificial Intelligence and issued a set of Principles for Responsible AI. The gravity of the situation is also reflected in the Union Budget 2024 by

Government of India launching IndiaAI Mission with an allocation of Rs 10,372 crores to garner AI innovation by capability development, encouraging research and democratizing access to infrastructure. In the financial sector, SEBI in 2025 released a consultation paper on guidelines for responsible usage of AI/ML in Indian Securities Markets.

Considering the growing need of application and envisaging its impact in Indian Banking sector with some players (notably SBI- SIA, HDFC Bank- EVA, ICICI Bank- iPAL) already implementing AI in their applications, Reserve Bank of India (RBI) formed Framework for Responsible and Ethical Enablement of Artificial Intelligence (FREE-AI) Committee to encourage responsible and ethical adoption of AI in the financial sector. The Committee in its report dated 13.08.2025 has formulated 7 Sutras as guidance representing the core principles viz. Trust, People First, Innovation, Fairness and Equity, Accountability, Understandable by Design & Safety with an approach of 6 strategic pillars encouraging innovation (Infrastructure, Policy, Capacity) and risk mitigation (Governance, Protection, Assurance).

While larger public and private sector banks have taken an initiative towards AI adoption, it was largely in the form of simpler rule-based models or early-stage exploration of advanced models. In most instances, the use of AI was limited to simple applications such as predictive analysis, lead generation and chatbots for customer queries. There is a clear divide between larger and smaller institutions in terms of exploring AI adoption. This is primarily due to capacity constraints, limited business case and infrastructural costs. The primary organisational goals for adopting AI are improved customer interface, assistance in decision making and improvement of process efficiency. In future, revenue growth objective will be a major incentive in adopting AI technologies with AI becoming a defining factor in deciding competitive advantage in the Indian banking industry. The RBI framework for AI pointed out that AI applications are not plug-and-play, and require high-quality data, domain-specific customization, and skilled human capital to deliver the desired outcomes. Hence, a lot is to be done indicating a vast opportunity and challenges in the banking sector in India.

❖ **Challenges faced & Mitigations**

Adoption of AI models also carries with itself cybersecurity risks and potentially expand the attack surface, exposing institutions to threats such as adversarial attacks, data poisoning, and model manipulation. Regulated Entities are yet to take up a broad scale training programs for employees and increasing their awareness of evolving AI risks. As per RBI FREE-AI committee report, it is observed that mainly large public and private banks have some level of Board devised framework for overseeing the operations of AI signifying the fact that banks are yet to adopt AI technologies on full scale citing apprehensions of data privacy, bias detection and ethical standards to be maintained.

Despite of suitable Board-approved policies and regulatory frameworks in place, banks dealing with the public money should have a robust mechanism to detect and take steps to minimize any negative impact to build an environment of trust, safe and confidence on institutions.

With the evolution of technology and progress in AI enabled systems, the banks have to adopt AI to increase the operational efficiency, reduce costs with the prospect of revenue growth opportunities in the coming years. For effective implementation and usage, responsible and ethical adoption of AI is the key which will enforce trust and resilience in the financial system. The results should not be biased and should be fair & transparent in nature keeping the safety and data privacy aspects at the forefront.

In order to mitigate the challenges being envisaged, the following steps may be adopted:

- ✓ Strengthen cybersecurity ecosystems (hardware, software and processes) to potential security risks.
- ✓ Safe and responsible adoption of AI with institutions establishing Board-approved AI policy covering key areas such as governance structure, accountability, operational safeguards, risk appetite, auditability, consumer protection measures, AI disclosures amongst others.
- ✓ Human oversight for medium and high-risk use cases and applications of AI.
- ✓ AI incident reporting framework for regulated entities and encourage timely detection and intimation of AI-related incidents including fraud detection.
- ✓ Implement a risk-based and comprehensive AI audit framework to ensure responsible and ethical AI adoption.

❖ Conclusion

The importance of Artificial Intelligence in financial services is well recognized globally and its potential impact on banking sector is one of the highest across the industries. The same is expected to be reflected in an emerging economy like India. FREE-AI committee formed by RBI has recommended for responsible and ethical adoption based on 7 Sutras that ranges from Trust to Safety and Resilience. It has recommended the regulated entities including banks to adopt a Board-approved AI policy focusing on innovation and risk mitigating measures. Responsible and ethical adoption of AI is the key which will enhance customer safety and service, detection of fraudulent activities and assess credit-worthiness of the borrowers. AI, though at the nascent stage in Indian banking sector is envisaged to have a major impact in revenue growth of the sector in the coming days instead of merely acting as an add-on feature.

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7. FROM COUNTERS TO CONNECTIONS IN BANKING **(THEME: IMPROVING CUSTOMER SERVICE EXPERIENCE IN** **PUBLIC SECTOR BANKS)**

2nd

A celebrated American poet Maya Angelou very famously said, “People will forget what you said, people will forget what you did, but people will never forget how you made them feel”. This pretty much sums up the entire basis for customer experience in any service industry.

Easier said than done, right? Because how do we know that how is the customer going to feel or is feeling right now? The answer is simple than we think. Just put yourself in his or her shoes for a moment. How would you feel? After all we are all humans and the standard deviation of the emotions in a particular species cannot be too wide.

So it all comes down to one word: Empathy. Feeling what other person would feel in the same situation and as a service provider, doing what we ourselves would expect as a customer if we were on the receiving end.

And yet, this is precisely where the challenge begins. Especially in Public Sector Banks.

Public sector Banks occupy a unique and powerful position in financial ecosystem. They are not just institutions, they are the symbols of trust, stability and accessibility. For many customers, especially, the elderly, the small traders, the first timers, the farmers, walking into bank is not a routine activity. It is this very trust in the institution that motivates them to walk in, despite their hesitation. However, despite this deep-rooted trust, the customer service experience in many public sector banks often falls short of expectations.

So why does this gap exist?

One of the primary reasons is the sheer volume of customers. Public sector banks handle massive footfall daily. In such a fast-paced environment, efficiency often takes precedence over customer service. The focus shifts from: “How is the customer feeling?” to “How quickly can this transaction be completed?”

Another important reason may be the wide range of responsibilities handled by employees. Staff in public sector banks are expected to juggle multiple roles. In the midst of the competing demands, customer interaction sometimes just becomes another task on a long checklist. And then the list is ticked off in the usual mechanical way.

But see, here is the fundamental truth. Customers do not measure their experience by the internal challenges of the Bank. They measure it by how they are treated. We have the power to ensure that burden of the challenges never passes on to the customer.

A customer who has waited in queue for 30 minutes is already emotionally primed. A simple smile or a thankyou while delivering his services can transform their experience. This is where empathy becomes not just important, but indispensable.

Empathy in banking does not require grand gestures. It is reflected in the smallest of the actions. It is in the way a staff member explains a form to an elderly customer without being impatient. It is in listening, truly listening, to a customer's concern without interrupting him with your assumptions. However, empathy, while being the foundation, must be supported by systems, processes and a culture that consistently prioritizes customer service.

Let us dive into some key areas where meaningful improvements may be made:

First and foremost, staying updated with the guidelines is non-negotiable and regular training plays a crucial role in building and reinforcing this. Without a clear understanding of the processes, products and guidelines, service cannot be delivered. Delivery is the very core of the banking. A smile however important, cannot substitute delivery after all.

And then, behavioural training is equally critical or sometimes even more so. The domain of behavioural communication often remains less familiar, as it goes beyond what is obvious, i.e. the body language, the tone and the subtle cues. As a result, they may intentionally come across as rude or insensitive despite having the right intent at heart.

Then comes the simplification of the processes. Simplified forms, clear instructions and reduced redundancy can save time for both, customer and staff. Streamlining workflows within the branch can create a smoother and more pleasant experience.

Thoughtful leveraging of technology is yet another parameter than can greatly impact the experience of the customers. However, the challenge lies in adoption. A large segment of customers may not be comfortable with technology. Here again, empathy plays a vital role. Instead of expecting customers to adapt instantly, banks must endeavour to bridge the gap. Customers should be aided in learning digital apps. Simple demonstrations, patient guidance and encouragement can empower customers and reduce dependency on branch visits.

The significance of ambience can not be underestimated at all while talking about customer service. Long queues, lack of seating arrangement and confusion about processes can create a stressful experience. Simple measures such as Queue Management System, clear signage boards, dedicated counters for specific services and comfortable waiting areas can make all the difference. A well-managed branch sends a subtle but powerful message: "We value your time".

Another critical aspect is leadership. The tone of customer service in any branch is set by its leadership. When branch managers and senior officers prioritize customer experience, it reflects in the behaviour of the entire team. When employees feel respected and motivated, they naturally extend the same respect to the customers.

It is also pertinent to address a common misconception here. That Customer service requires extra time. In reality, it often saves time.

A clear explanation prevents repeated queries. A calm and empathetic approach diffuses potential conflicts. A proactive attitude reduces complaints. In the long run, investing in customer experience improves efficiency rather than hindering it.

Public sector banks have a significant advantage that private institutions often struggle to replicate. It is the emotional connect with customers. Generations of families have banked with the same institution. This legacy of trust is invaluable. However, this legacy is at risk in the current era as today's generation needs more than just long-standing relationships. It demands efficiency, speed and convenience. By enhancing customer experience, this bond can further be strengthened, and the loyalty can be sustained.

In today's competitive landscape, where customers have multiple options, experience becomes a key differentiator. Interest rates, products may be similar across banks, but how a customer feels during his interaction can really set one bank apart from the other.

And this circles back to where we started from. The power of feelings. A customer may not remember the exact details of a transaction that he made. He may not recall the technicalities of the processes involved. But he will always remember whether he felt respected, heard and valued.

Improving customer service in banking sector is not about a radical transformation. It is about consistent, conscious efforts in the right direction. It is about awareness. It is about being conscious of how every word, every gesture and every response shapes the customer's experience.

Ultimately, banking is not just about managing money. It is also about managing people, managing relationships. And relationships are built on experiences not on transactions.

If every employee, at every level, asks a simple question to himself, before interacting with the customer, "If I were in his place, what would I expect?", half the battle is already won.

In the end customer service is not a department, it is a mindset.

And empathy is its foundation.

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8. CLASSROOM : WAYS AND MEANS ADVANCES

Ways and Means Advances (WMA) are short-term credit facilities provided by the RBI to the central and state governments to bridge temporary mismatches between receipts and expenditures. These mismatches typically arise due to timing differences in revenue collection and spending obligations. WMA acts as a crucial liquidity support mechanism, helping the government meet its immediate financial needs without resorting to abrupt market borrowings.

Types of WMA

There are two types of Ways and Means Advances: **Special WMA** (Special Drawing Facility/SDF), which is backed by government securities, and **Normal WMA**, which is clean credit.

Trigger for market borrowings

As per the agreement, WMAs shall be fully paid off within three months from the date of making the WMAs. Further, when 75 per cent of the WMA is utilised, the RBI would trigger fresh floatation of Government Securities. This provision ensures that reliance on central bank financing remains temporary and that longer-term funding needs are met through market mechanisms.

Flexibility in policy

The RBI has retained the flexibility to revise the WMA limit at any point during the financial year. Such revisions may be undertaken based on evolving economic conditions, government cash flow requirements, and overall liquidity in the financial system. This adaptive approach allows policymakers to respond effectively to unforeseen fiscal pressures or macroeconomic changes.

Interest rate structure

The interest rates applicable to WMA and overdrafts are linked to the RBI's policy rate framework:

WMA Interest Rate: Aligned with the Repo Rate

Overdraft Interest Rate: Repo Rate plus 2% (Any amount drawn in excess of WMA is an overdraft)

This structure incentivizes prudent borrowing by making overdrafts more expensive than WMA. It encourages the government to operate within the prescribed limits and avoid excessive reliance on central bank funding.

WMA limit for first half of FY 2026-27

Reserve Bank of India, in consultation with the Government of India, has decided that the limit for WMA for the first half of the financial year 2026-27 (April to September 2026) will be Rs 2.5 lakh crore.

The decision to set the WMA limit at Rs 2.5 lakh crore reflects a balanced approach by the RBI and the Government of India to manage short-term liquidity while maintaining fiscal prudence. By linking borrowing thresholds to market mechanisms and keeping interest rates aligned with monetary policy, the framework ensures both flexibility and discipline in government finances.

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9. GIST OF RBI CIRCULARS

Date of the circular	Apr 01, 2026
Ref No.	RBI/2026-27/04 A.P. (DIR Series) Circular No. 03
Subject	Risk Management and Inter-Bank Dealings (Revised)

The revised guidelines issued on April 01, 2026, introduce significant restrictions on Indian Rupee derivative transactions to ensure they are used strictly for genuine hedging rather than speculation. Under these new rules, Authorised Dealers are prohibited from offering non-deliverable derivative contracts involving the INR to any users, though they may continue to provide deliverable foreign exchange contracts provided the user does not hold any offsetting non-deliverable positions. To enforce this, banks are empowered to request any documentation necessary to verify the user's compliance. Furthermore, the circular implements a strict ban on the rebooking of any INR derivative contracts that have been cancelled, meaning once a contract is terminated, it cannot be replaced or renewed. Finally, to maintain transparency and prevent potential conflicts of interest, Authorised Dealers are now forbidden from entering into any INR-linked derivative contracts with related parties as defined by international and Indian accounting standards. These measures, issued under the Foreign Exchange Management Act of 1999, take effect immediately and place a heavy emphasis on the underlying commercial necessity of every foreign exchange trade.

Date of the circular	March 31, 2026
Ref No.	RBI/2025-26/263 DOR.STR.REC.No.455/21.04.048/2025-26
Subject	Reserve Bank of India (Trade Relief Measures) Directions, 2026

The Reserve Bank of India (Trade Relief Measures) Directions, 2026, have been issued to support the national credit system and alleviate the debt servicing burdens faced by businesses due to geopolitical tensions in West Asia. These directions, effective immediately, apply to all regulated entities eligible for export financing, including commercial and co-operative banks, NBFC-Factors, and All-India Financial Institutions. Under these measures, lenders are authorized to extend the credit period for both pre-shipment and post-shipment export credit to a total of 450 days for all disbursements made through June 30, 2026. Additionally, for exporters who have already availed of packing credit facilities but are unable to dispatch their goods, the guidelines allow for the liquidation of these loans using alternative means such as domestic sale proceeds or the substitution of the original contract with proceeds from a different export order.

Date of the circular	Mar 30, 2026
Ref No.	RBI/2025-26/254 DOR.CRE.REC.446/07-01-001/2025-26
Subject	Reserve Bank of India (Commercial Banks – Credit Facilities) Amendment Directions, 2026 (Revised)

The Amendment Directions (Revised) to the Reserve Bank of India (Commercial Banks – Credit Facilities) Directions, 2025, introduce a comprehensive framework for acquisition finance, bridge finance, and lending against eligible securities, effective July 1, 2026. Under the new guidelines, acquisition finance is permitted for Indian non-financial companies seeking strategic control over domestic or foreign targets, provided the acquirer meets specific financial criteria such as a minimum net worth of ₹500 crore and a track record of profitability. These transactions are subject to a financing cap of 75 per cent of the independently assessed acquisition value, with a mandatory requirement for the acquirer to contribute the remaining 25 per cent from own internal accruals or fresh equity rather than borrowed funds. Furthermore, the revised directions establish a dedicated chapter for credit facilities extended to Capital Market Intermediaries (CMIs), requiring such lending to be fully secured and primarily aimed at supporting day-to-day operations and settlement mismatches rather than proprietary trading. To ensure systemic stability, the RBI mandates that banks implement board-approved policies for these high-risk areas, maintain ongoing LTV monitoring with a seven-day rectification window for breaches, and ensure that all debt claims of an acquirer are subordinated to the lending bank's claims during an acquisition.

Date of the circular	Mar 30, 2026
Ref No.	RBI/2025-26/253 A.P. (DIR Series) Circular No. 25
Subject	Reporting under Foreign Exchange Management Act, 1999 – Returns pertaining to External Commercial Borrowing (ECB)

Effective April 01, 2026, the Reserve Bank of India has updated the reporting guidelines for External Commercial Borrowing (ECB) to streamline the submission process and clarify the calculation of Late Submission Fees (LSF). Under the new directions, Form ECB 1 and its revised version are classified as returns that do not capture financial flows, which directly impacts how penalties for delayed filings are determined. For Form ECB 2, each delayed submission under a specific Loan Registration Number is now treated as a separate instance, meaning the fixed component of the LSF will be applied to every individual late return rather than as a single aggregate penalty. Operationally, Authorised Dealer (AD) Category I banks are now strictly required to submit completed and certified returns to the Reserve Bank within seven calendar days of receiving them from the borrower. These measures, issued under the Foreign Exchange Management Act of 1999, aim to enforce higher reporting discipline and ensure timely data collection regarding foreign borrowings.

10. ESG UPDATES



1. India Launches Carbon Market Portal at Prakriti 2026 Conference

- The Government of India inaugurated the Prakriti 2026 conference in New Delhi to discuss carbon markets and their role in climate action and green growth.
- The Indian Carbon Market Portal was launched as a central platform to implement and manage the carbon trading system in the country.
- The initiative aims to mobilize climate finance, promote global partnerships, and support India's Nationally Determined Contributions (NDCs) under climate commitments.

2. India recycles 20.7 Million tonnes of Plastic waste under Extended Producer Responsibility (EPR) Rules

- Around 20.7 million tonnes of plastic packaging waste have been recycled in India since the Extended Producer Responsibility (EPR) guidelines came into force in 2022.
- More than 60,000 Producers, Importers, and Brand Owners (PIBOs) and over 3,000 Plastic Waste Processors (PWPs) are registered on the EPR portal.

3. India plans Massive Transmission Network for 900 GW Clean Energy by FY36

- The government is planning a large transmission network to integrate over 900 GW of non-fossil fuel energy capacity by 2035–36.
- The plan may require an investment of around ₹7.9 lakh crore, along with expansion of transmission lines and substations across the country. It aims to support rising electricity demand and ensure smooth integration of renewable energy into the national grid.

4. India Secures 3rd Spot Globally in Renewable Energy Capacity: International Renewable Energy Agency (IRENA) Report

- India has achieved the world's third-highest renewable energy capacity, showcasing its rapid clean energy expansion.
- Strong growth in solar, wind, and hydro projects has propelled India to this global leadership position.
- The milestone reinforces India's role as a key driver of sustainability & energy security on the International stage.

5. India Advances Green Fertilizer Push: Green Ammonia Agreement Signed

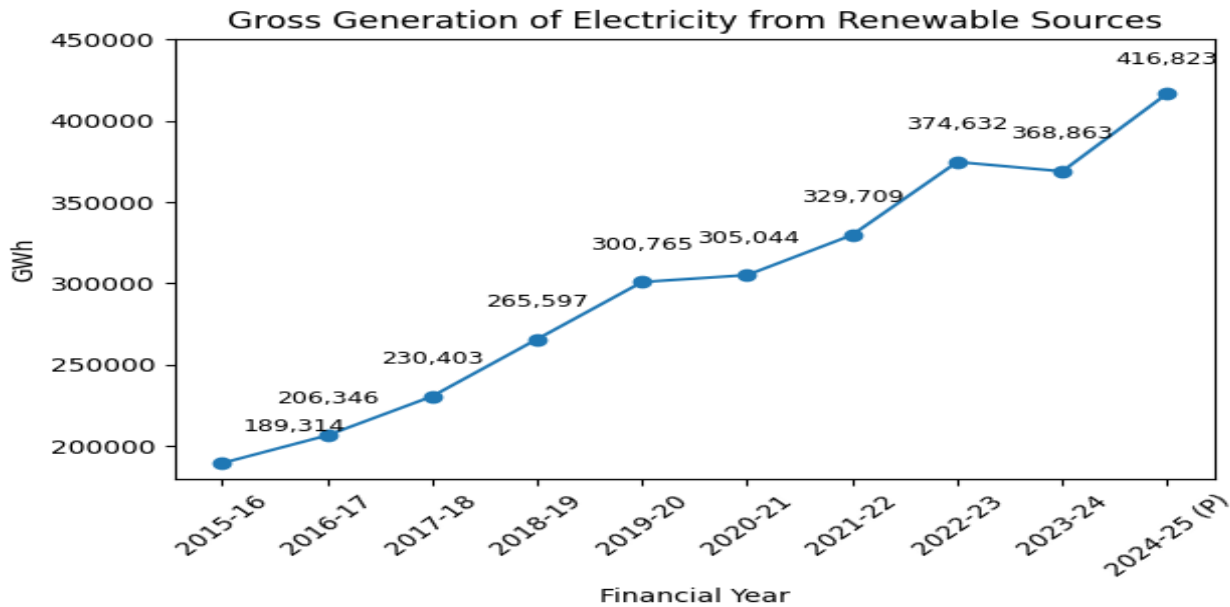
- India has signed a key agreement between fertilizer companies & green ammonia producers to promote green ammonia-based fertilizers, reducing dependence on imported fossil-fuel-based inputs and supporting sustainable agriculture.
- The initiative will help cut carbon emissions in fertilizer production, aligning with India's clean energy and net-zero commitments.
- It is expected to strengthen energy security, reduce import costs, & encourage the growth of a domestic green hydrogen & ammonia ecosystem.

6. Transforming Agriculture with Solar Power: New PM-KUSUM Scheme Version

- The government is planning a new version of PM-KUSUM (KUSUM 2.0) with a dedicated 10 GW agri-solar (Agri-PV) component, allowing solar panels to be installed alongside crops on the same land.
- This model will help farmers generate electricity while continuing farming, creating dual income sources and promoting decentralised renewable energy in rural areas.

ESG Brain Teaser- A loan whose interest step-ups/downs depend on hitting ESG KPIs (Key Performance Indicators)—name the instrument?

Smart Green Tip - Start a “Green Bank” — each time you reuse an item, drop ₹10 and see the habit grow.



Source: Ministry of Statistics & Programme Implementation, 30 March 2026

The gross generation of electricity from renewable sources (including both utility and non-utility) has shown a steady and significant increase over the years, rising from 1,89,314 GWh in FY 2015–16 to 4,16,823 GWh in FY 2024–25 (Provisional). Although a slight dip is observed in FY 2023–24, the growth momentum resumes strongly in FY 2024–25. Overall, the data reflects a robust upward trajectory, registering a CAGR of approximately 9.17% over the period and highlighting India’s consistent progress in renewable energy generation.

Ask Yourself – “Do I actively choose sustainable or eco-friendly products?”

Ans. to ESG Brain Teaser: Sustainability-Linked Loan (SLL).

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.

11. CLIMATE NEWS

1. Cabinet approves India's Nationally Determined Contribution (2031-2035) to be communicated to the United Nations Framework Convention on Climate Change

The Union Cabinet, led by Prime Minister Narendra Modi, has approved India's Nationally Determined Contribution (NDC) for 2031–2035, reinforcing its commitment under the UNFCCC and the Paris Agreement. This updated NDC highlights India's goal of a sustainable, low-carbon future, prioritizing climate justice and laying the foundation for a prosperous, climate-resilient society for generations to come. India's consistent track record of meeting climate targets ahead of schedule underscores its credibility and ambition in addressing climate change.

Building on earlier achievements, including meeting 2030 targets ahead of time, India now aims to reduce emissions intensity by 47% by 2035, increase non-fossil fuel power capacity to 60%, and enhance carbon sinks by 3.5–4.0 billion tonnes of CO₂ equivalent. These enhanced targets reflect India's determination to continue leading in climate action while balancing economic growth with environmental sustainability. The updated NDC strengthens the country's efforts to achieve a low-carbon economy and resilient development.

India's multi-pronged climate strategy emphasizes accelerating clean energy, promoting green technologies, and integrating climate adaptation at the grassroots level. Initiatives like the Green Hydrogen Mission, PM Surya Ghar Yojana, and Lifestyle for Environment (LiFE) encourage innovation, renewable energy adoption, and citizen participation. By building climate-resilient infrastructure and enhancing disaster preparedness, India's NDC for 2031–35 marks a key milestone in its journey toward a sustainable, climate-resilient future, reaffirming its global leadership in climate action. (pib.gov.in)

2. EU Carbon Market Could Accelerate Carbon Removal, Study Finds

The European Union's carbon market could soon play a central role in scaling up carbon dioxide removal (CDR), strengthening climate action without reducing emission-cutting ambition, according to a study led by the Potsdam Institute for Climate Impact Research (PIK). Published in *Joule*, the research finds that the EU Emissions Trading System (ETS) could incentivize large-scale deployment of technologies such as direct air capture and bioenergy with carbon capture and storage (BECCS), potentially removing up to 60 million tonnes of CO₂ annually by 2050. This market-based approach provides long-term financial certainty for investors while reducing reliance on public subsidies.

The study emphasizes that including carbon removals in the ETS does not undermine emissions reductions. The EU ETS operates under a fixed emissions cap, so any shortfall in removals would raise carbon prices, prompting additional cuts elsewhere. Researchers caution that loosening the cap could weaken incentives, and that large-scale BECCS deployment must be managed carefully to avoid land use and biodiversity risks. Phased implementation with monitoring and sustainability safeguards is recommended to maintain environmental integrity.

The European Commission is expected to decide by 2026 whether removals will be included in the ETS. If adopted, the mechanism could evolve into a system that not only limits emissions but actively removes carbon from the atmosphere, supporting the EU's net-zero targets and enabling net-negative emissions. Experts see this as a practical, cost-effective way to balance emission reductions with the

urgent need to scale carbon removal technologies, ensuring both climate ambition and sustainability. (downtoearth.org.in)

3. Haryana Govt set to introduce Green Hydrogen Policy soon to promote clean energy in state

The Haryana Government is set to unveil a Green Hydrogen Policy soon, aiming to strengthen the state's commitment to clean and sustainable energy. This initiative reflects the government's proactive approach to supporting renewable energy technologies and reducing carbon emissions, aligning with India's broader environmental and energy goals. Chief Secretary Anurag Rastogi announced the forthcoming policy after reviewing the progress of significant green energy projects in the state.

During a high-level meeting, the official highlighted India's first mega Green Hydrogen project, being developed at Panipat under a public-private partnership by Indian Oil Corporation Limited (IOCL). With a planned production capacity of 10,000 tonnes per annum (TPA), the facility will supply green hydrogen directly to the IOCL Panipat Refinery. The project is expected to be commissioned by December 2026, marking a major milestone in Haryana's clean energy journey.

Officials believe the Panipat Green Hydrogen plant will play a pivotal role in advancing India's clean energy objectives and contributing to the Prime Minister's Panchamrit commitments. Beyond reducing carbon emissions, the initiative is anticipated to spur economic growth by promoting technological innovation and creating employment opportunities in the renewable energy sector. Haryana's upcoming Green Hydrogen Policy is seen as a critical step toward building a sustainable, low-carbon future for the state and the country (newsonair.gov.in)

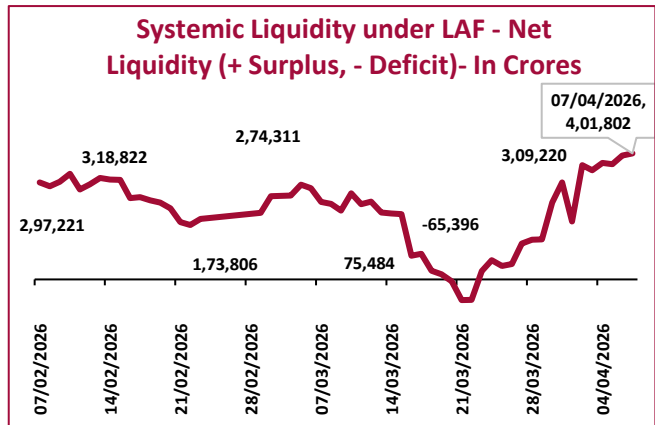
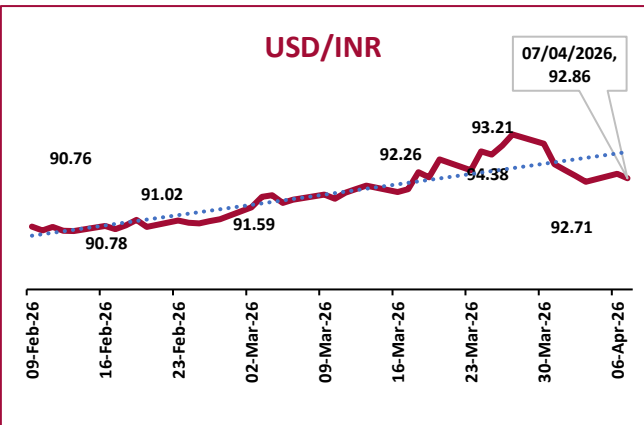
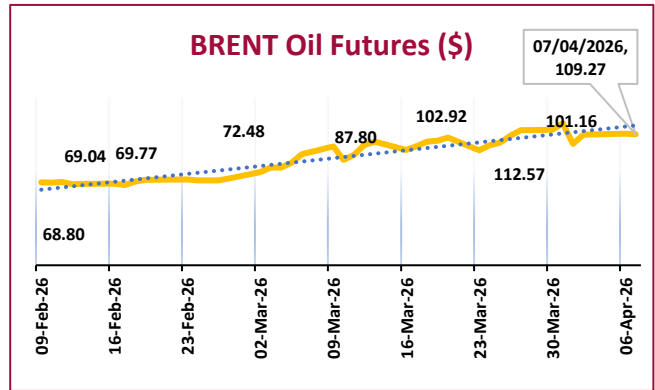
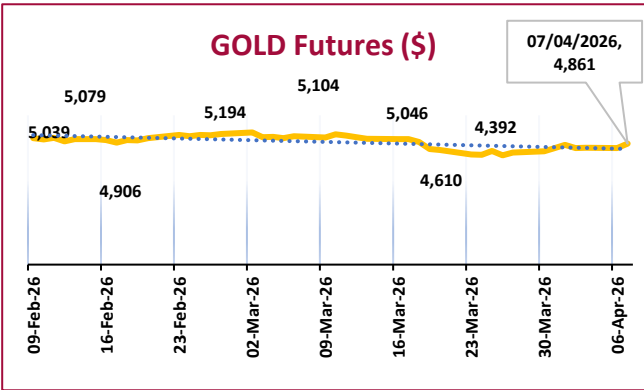
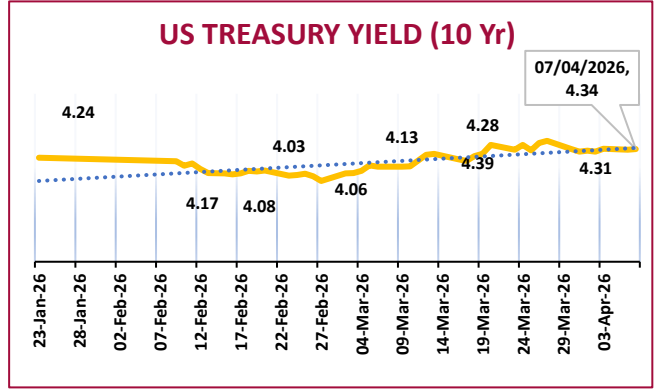
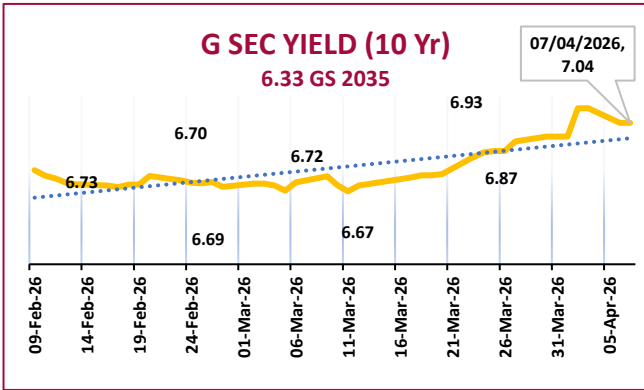
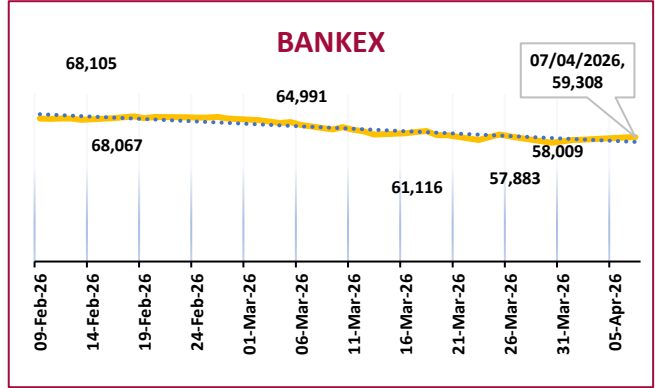
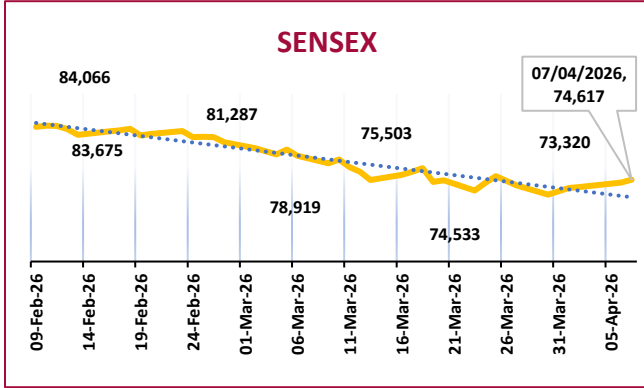
4. Development of Green Ports and Maritime Infrastructure in India

India's major ports are increasingly adopting sustainable practices under the "Harit Sagar" Green Port Guidelines, aiming to reduce carbon intensity and promote clean energy in maritime operations. Initiatives include the Green Tug Transition Programme (GTTP), which replaces diesel-powered tugs with electric and hybrid models, alongside electrification of port equipment, vehicles, and railway tracks. Zero-emission trucks and Onshore Power Supply systems have also been deployed, helping ports lower their environmental footprint. Four major ports—Deendayal, Jawaharlal Nehru, Visakhapatnam, and V.O. Chidambaranar—have already ordered electric tugs under the GTTP.

The Ministry of New and Renewable Energy (MNRE) has recognized Deendayal, Paradip, and V.O. Chidambaranar Ports as Green Hydrogen Hubs to promote India's green hydrogen ecosystem under the National Green Hydrogen Mission. These ports provide shore-to-ship power for smaller crafts and support sustainable ship recycling through the Ferrous Scrap Development Fund (FSDF), which has disbursed Rs. 53.39 crore to 109 ship recycling yards up to 2026. Such initiatives strengthen India's commitment to clean energy and environmentally responsible maritime operations.

Key projects at these Green Hydrogen Hubs include a 1 MW electrolyser-based green hydrogen plant at Deendayal Port, pilot green hydrogen and green methanol facilities at V.O. Chidambaranar Port, and a Green Hydrogen/Ammonia handling jetty at Paradip Port via Public-Private Partnership, with an investment of Rs. 797.17 crore and cargo handling capacity of 4 million tonnes per year. These developments underscore India's growing focus on sustainable maritime infrastructure and its broader green energy transition.

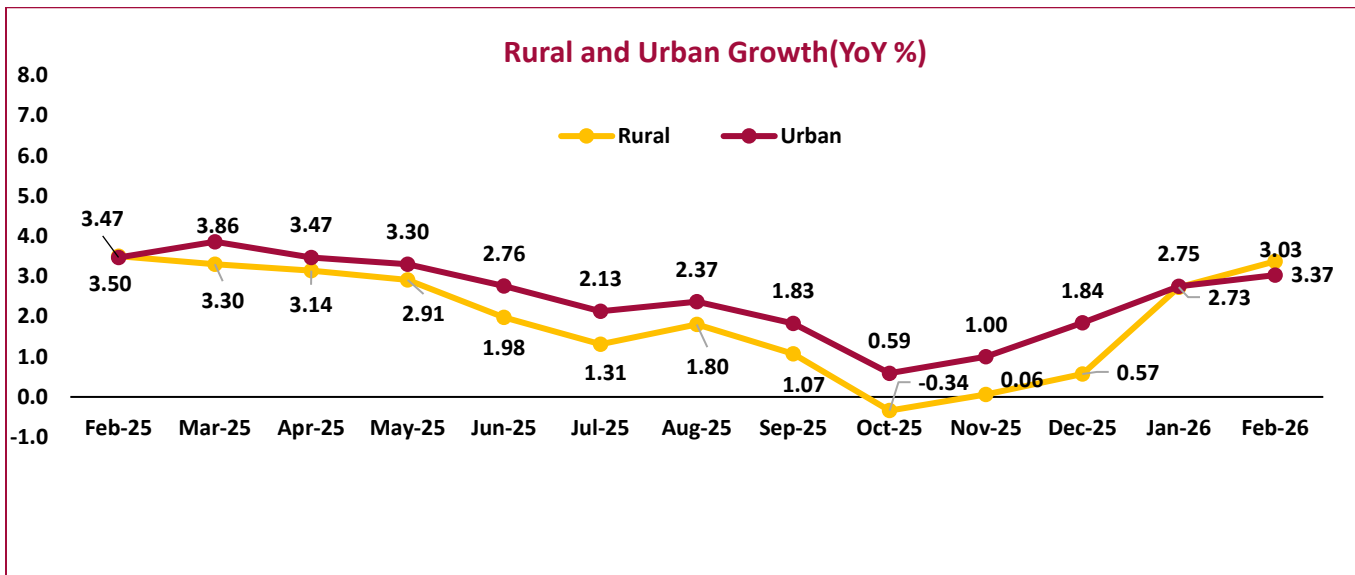
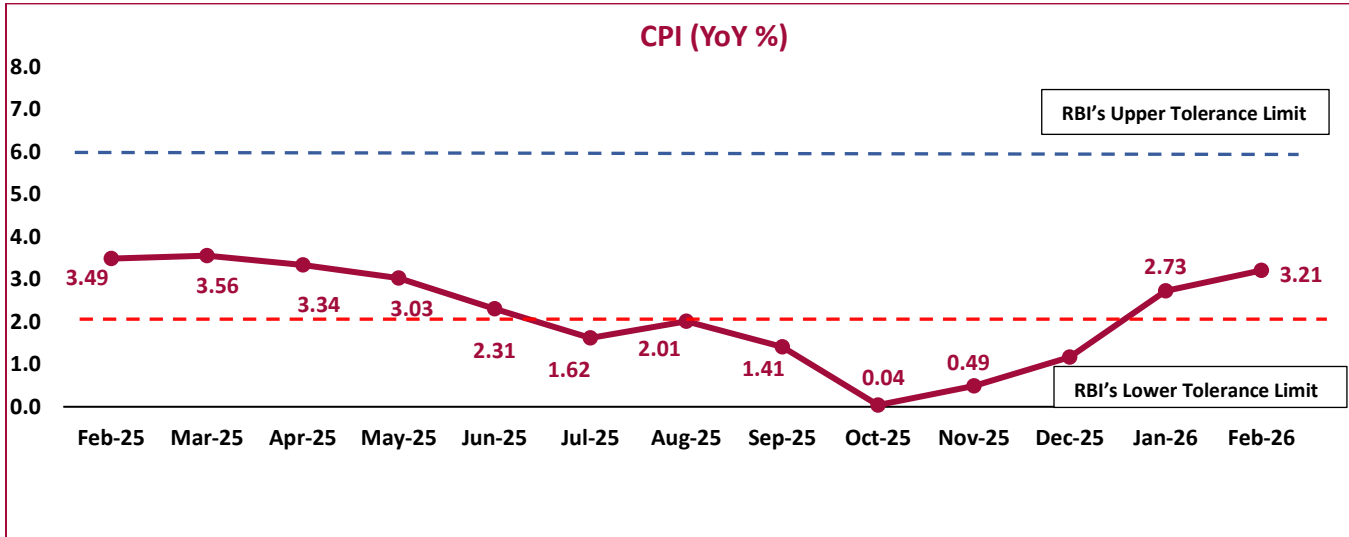
12. DAILY ECONOMIC INDICATORS



13. MONTHLY & FORTNIGHTLY ECONOMIC INDICATORS

CONSUMER PRICE INDEX (CPI) – New Base Year 2024

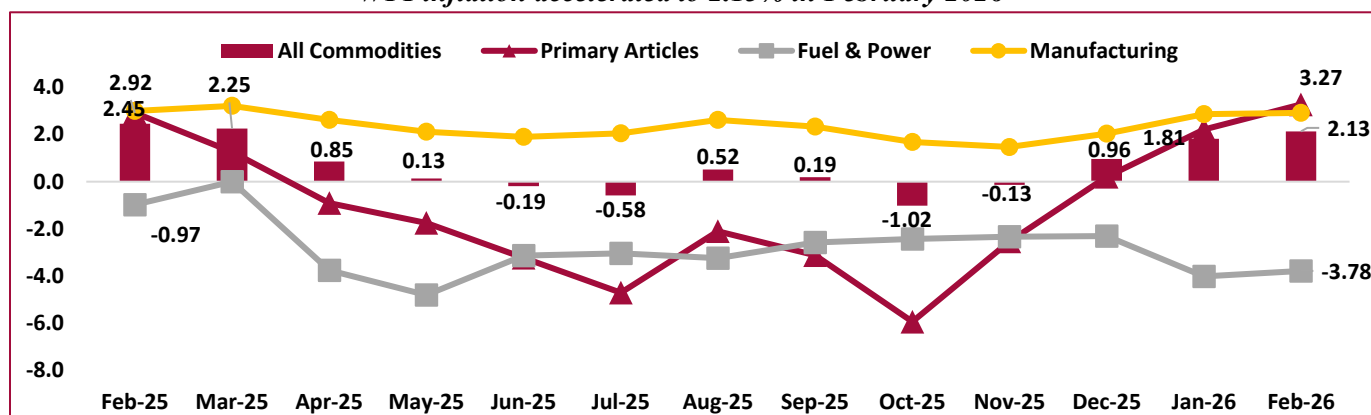
CPI increased to 3.21% in February 2026



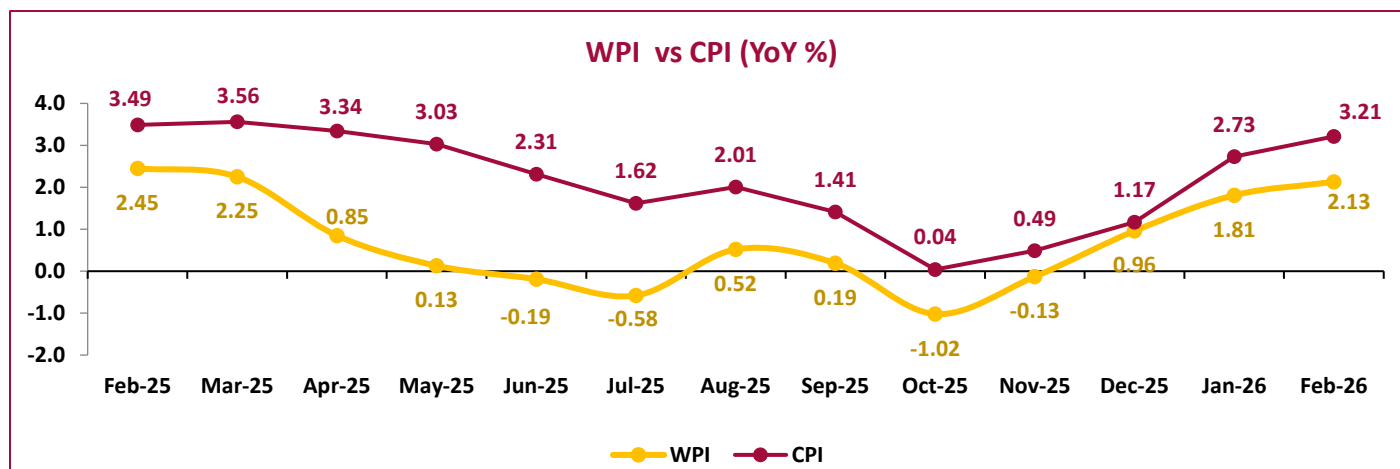
India's consumer inflation rose to 3.21% in Feb'26 accelerating from 2.73% in Jan'26. Rural Inflation has increased to 3.37% in Feb'26 as compared to 2.73% in the previous month, while Urban inflation has increased to 3.03% as compared to 2.75% for the same period. Housing inflation rate for the month of Feb'26 is 2.12% and the corresponding inflation rates for rural and urban are 2.43% and 2.0% respectively. Top 5 items which recorded highest inflation in the month of Feb'26 are Silver, Gold jewelry/Diamond/Platinum, Coconut, Tomato and Cauliflower. Top five States with highest inflation in February 2026 are Telangana, Rajasthan, Kerala, Andhra Pradesh and West Bengal.

WHOLESALE PRICE INDEX (WPI)- YOY %

WPI inflation accelerated to 2.13% in February 2026



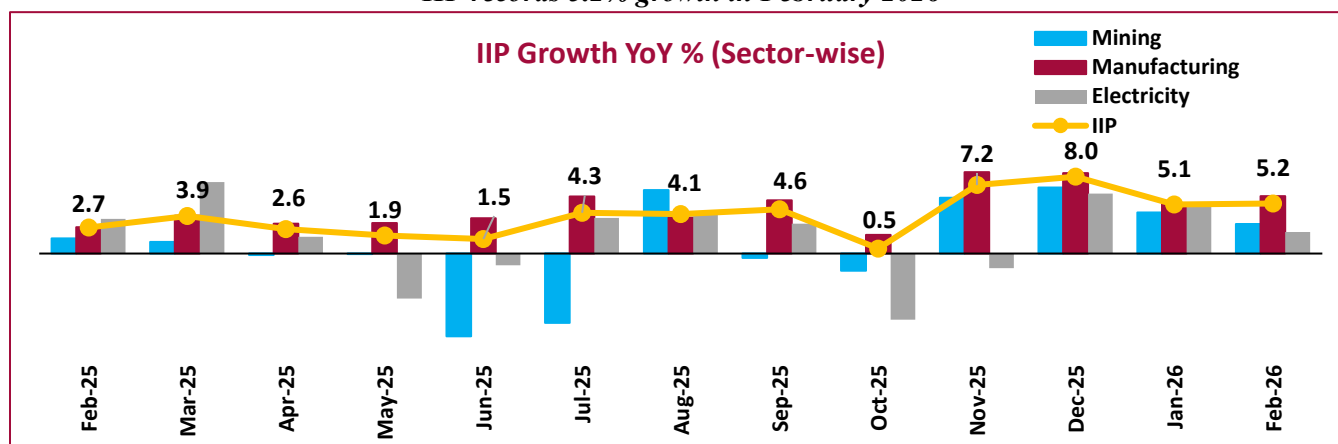
WPI Inflation YoY (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Group		All Commodities	
Weights	22.62%		13.15%		64.23%		24.38%		100%	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
December	6.02	0.21	-2.57	-2.31	2.14	2.03	8.95	-0.05	2.57	0.96
WPI Inflation YoY (%)	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026
January	4.58	2.21	-1.87	-4.01	2.65	2.86	7.52	1.41	2.51	1.81
February	2.92	3.27	-0.97	-3.78	3.00	2.92	6.17	1.85	2.45	2.13



Whole Price Index rose to an eleven-month high of 2.13% in Feb'26 as against 1.81% in Jan'26. Index showed an expansion of 0.25% Month over Month in Feb'26. The acceleration in WPI was primarily due to an increase in prices of other manufacturing, manufacture of basic metals, non-food articles, food articles and textiles etc. Inflation accelerated in Primary Articles and Manufactured Products, while Fuel & Power continued to witness a deceleration compared with Jan'26. Manufactured Products, which carry the highest weight in the WPI basket, recorded a marginal increase in inflation to 2.92% in Feb'26 from 2.86% in Jan'26. Within the 22 manufacturing product groups, 11 groups recorded a month-on-month increase in prices, while 10 groups witnessed a decline.

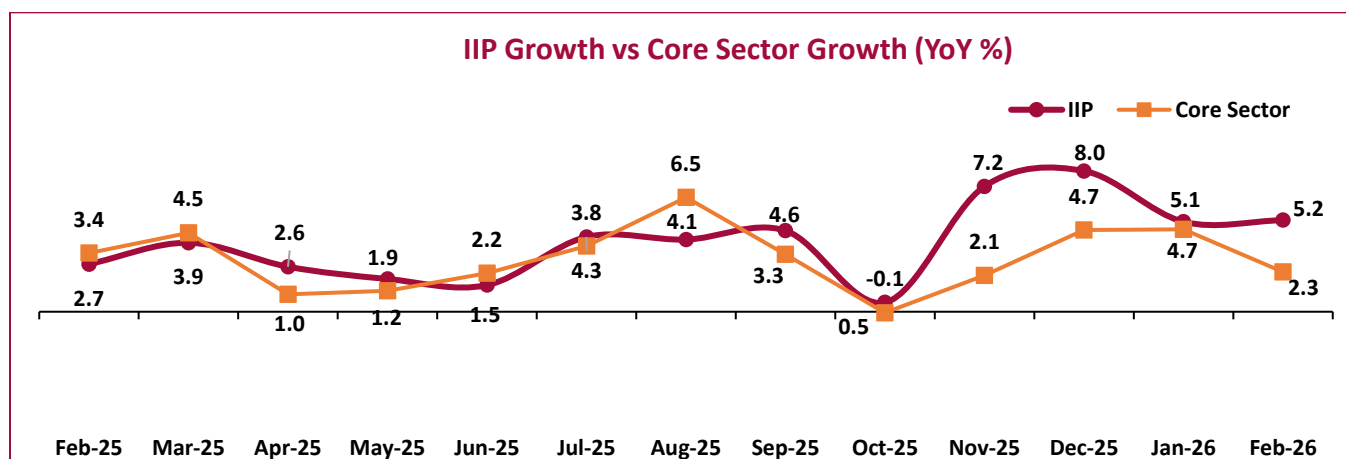
INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

IIP records 5.2% growth in February 2026



IIP Growth YoY % (Usage-wise)

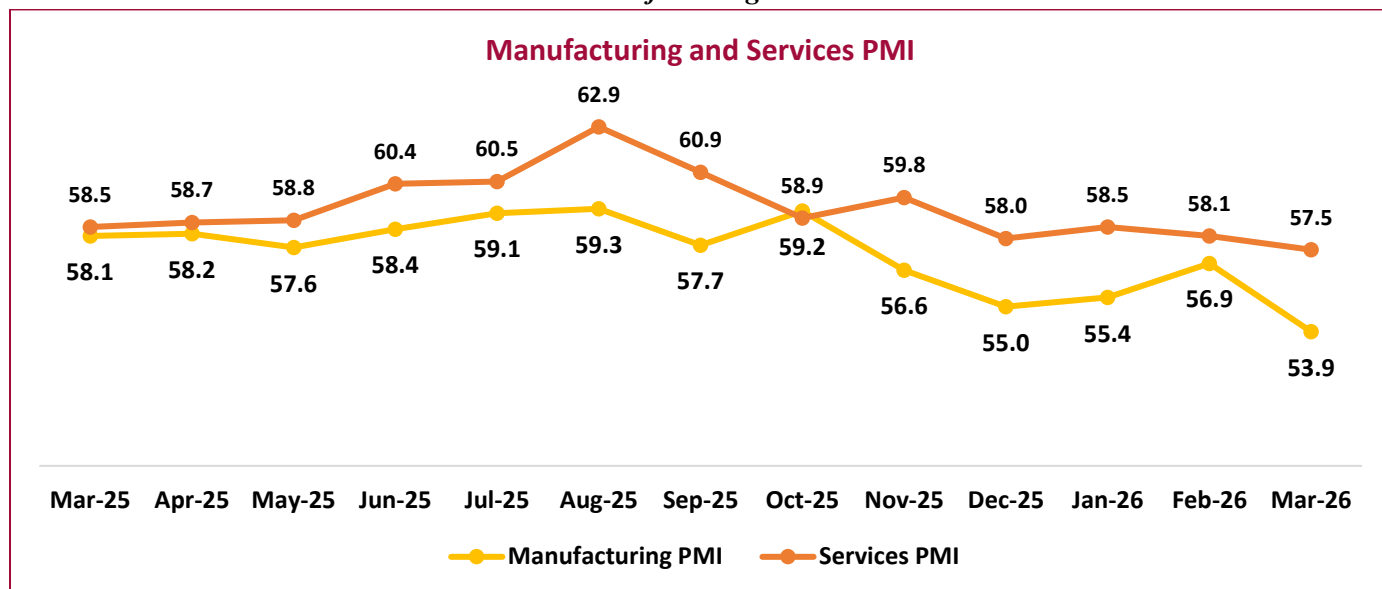
	Weight (%)	Feb'25	Feb'26	Apr-Feb (FY24-25)	Apr-Feb (FY25-26)
Primary Goods	34.05	2.8	1.8	3.9	1.2
Capital Goods	8.22	8.2	12.5	5.8	7.5
Intermediate Goods	17.22	1.0	7.7	4.3	5.8
Infra/Construction Goods	12.34	6.8	11.2	6.4	10.2
Consumer Durables	12.84	3.7	7.3	8.2	5.9
Consumer Non- Durables	15.33	-2.1	-0.6	-1.3	-0.1



Industrial activity, as indicated by Index of Industrial Production recorded steady expansion at 5.2% in Feb'26 compared to 5.1% growth in Jan'26. It stood at 2.7% in Feb'25. On a sequential basis, IIP declined by 6.4% in Feb'26, with the index declining to 159.0 in Feb'26 compared to 169.9 in Jan'26. IIP growth was driven by higher growth in manufacturing sector which recorded an increase of 6% on y-o-y basis. Growth in mining and electricity segments was slower at 3.1% YoY and 2.3% YoY in Feb'26 compared to the previous month. Under use-based classification, Capital goods sector recorded strong growth at 12.5% YoY in Feb'26, the highest in 9 months. Intermediate goods also recorded faster in Feb'26 expansion compared to Jan'26 (7.7% v/s 6.3%).

PURCHASING MANAGERS' INDEX (PMI)

Services PMI decreased to 57.5 and Manufacturing PMI decreased to 53.9 in March 2026

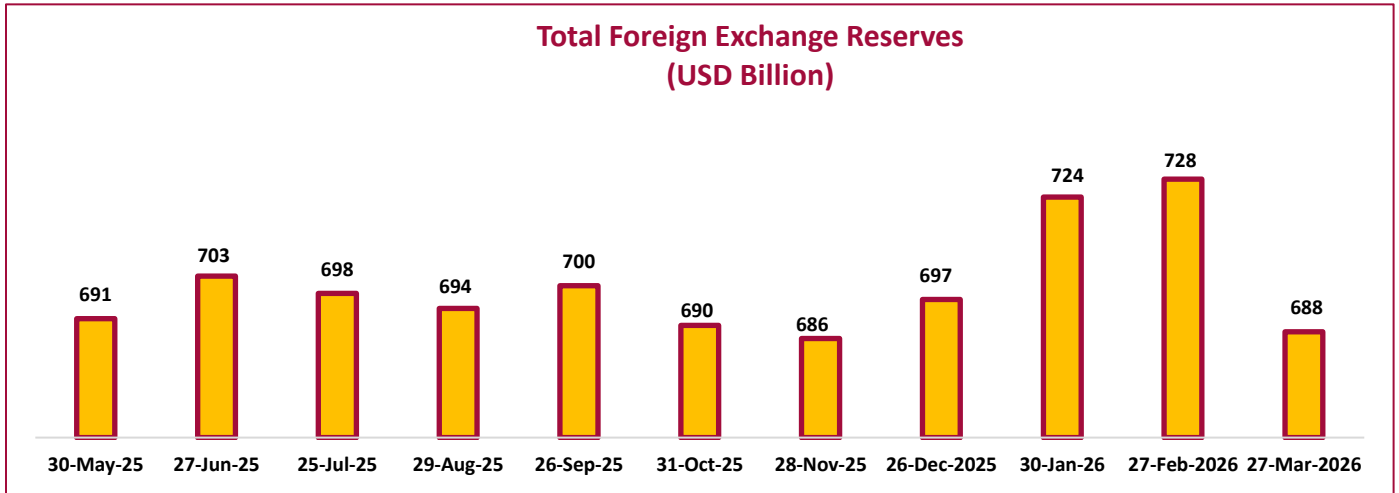


HSBC India Manufacturing PMI dropped to 53.9 in Mar'26 from 56.9 in Feb'26, the lowest level since Jun'22 and indicating a moderation in the pace of expansion in factory activity. Despite remaining in expansionary zone (>50), the latest reading signals a loss of growth momentum amid rising cost pressures, market uncertainty, & the adverse impact of war in West Asia. India's services sector momentum softened further in Mar'26, with the HSBC Services PMI declining to 57.5 from 58.1 in Feb'26, marking the weakest expansion since Jan'25, while remaining well above the long-run average.

PERFORMANCE OF OTHER LEADING INDICATORS

	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Bank deposit (YoY%)	10.3	9.8	9.9	10.1	10.2	9.3	9.4	10.8	10.2	12.7	10.6	11.3	10.8
Bank credit (YoY%)	11.0	10.1	9.0	9.5	10.0	10.1	10.8	12.0	11.5	14.5	13.4	14.0	13.9
Coal production (YoY%)	1.6	4.1	2.8	-6.8	-12.4	11.6	-1.0	-8.5	2.1	3.6	3.2	2.3	-
Electricity generation (YoY%)	4.8	-1.8	-8.2	-6.1	-0.8	1.0	0.8	-10.6	-5.0	4.4	2.2	-1.5	-1.2
Consumption of petroleum products (YoY%)	-4.0	0.3	1.1	0.5	-4.4	4.8	7.0	-1.5	0.6	4.5	0.3	4.5	3.2
Cargo handled at major ports (YoY%)	13.3	7.0	4.3	5.6	4.0	2.5	11.5	11.9	14.5	12.7	7.6	5.1	-
Cement production (million tonnes)	45.7	38.0	38.6	39.5	35.7	34.2	34.4	36.3	37.3	44.6	45.3	43.5	-
Steel consumption (million tonnes)	13.8	12.6	12.8	12.9	13.4	13.5	13.3	13.1	13.1	14.2	14.8	13.4	-
Two-wheelers sales (Nos. in Lakhs)	20.2	18.3	20.4	19.5	20.0	22.7	25.9	26.4	24.2	20.1	23.8	23.6	-
Tractors sales (Nos. in Thousand)	90.7	90.3	99.4	121.6	72.8	73.2	154.4	173.6	102.0	79.7	97.7	88.5	-

FOREIGN EXCHANGE RESERVES

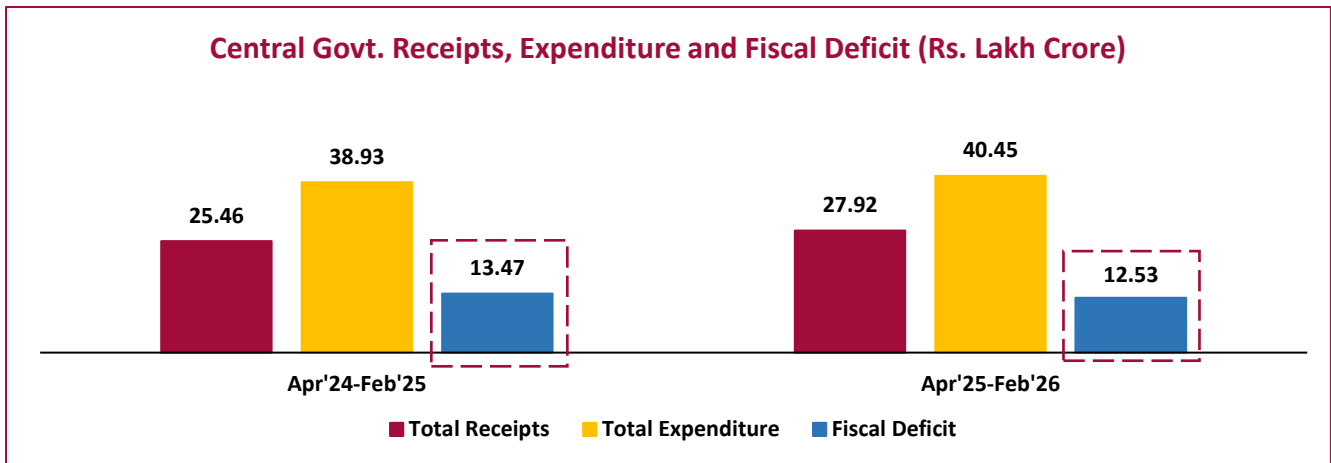


India's foreign exchange reserves stood at \$688 billion in the week ending March 27, 2026.

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

	Feb -25	Mar -25	Apr -25	May -25	Jun -25	Jul -25	Aug -25	Sep -25	Oct -25	Nov -25	Dec -25	Jan -26	Feb -26
E-way bill Generation	11.2	12.5	11.9	12.3	11.9	13.2	12.9	13.2	12.7	13.0	13.8	13.7	13.3

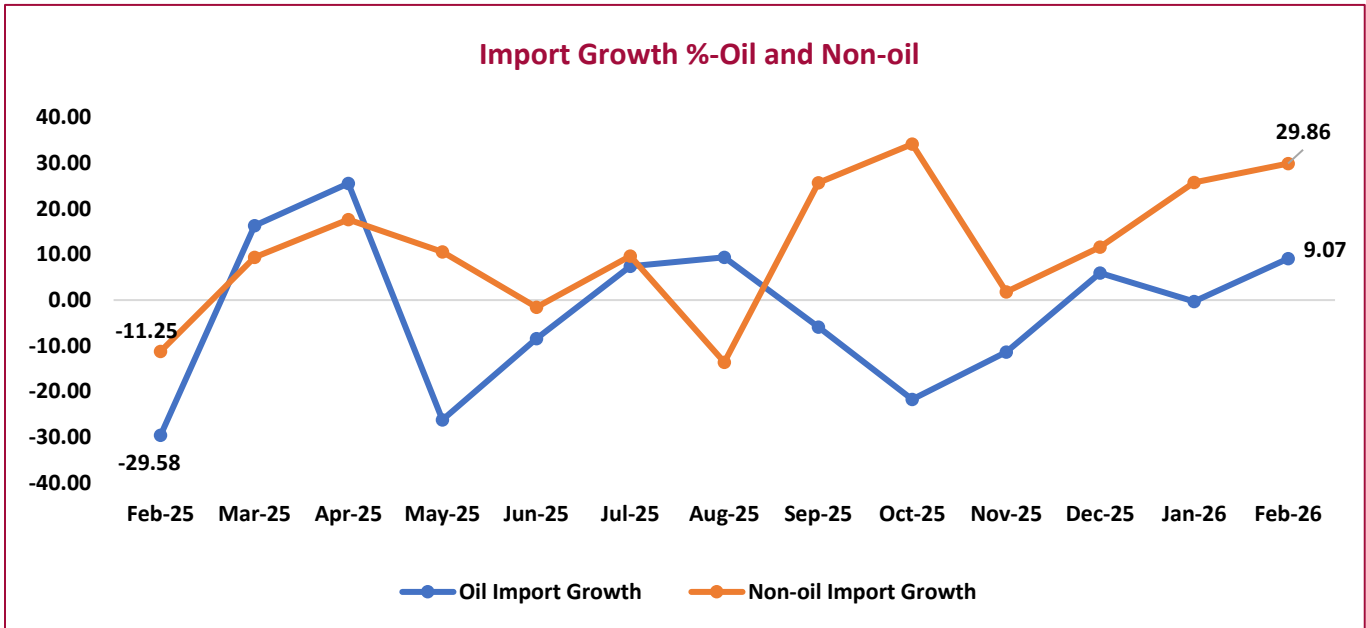
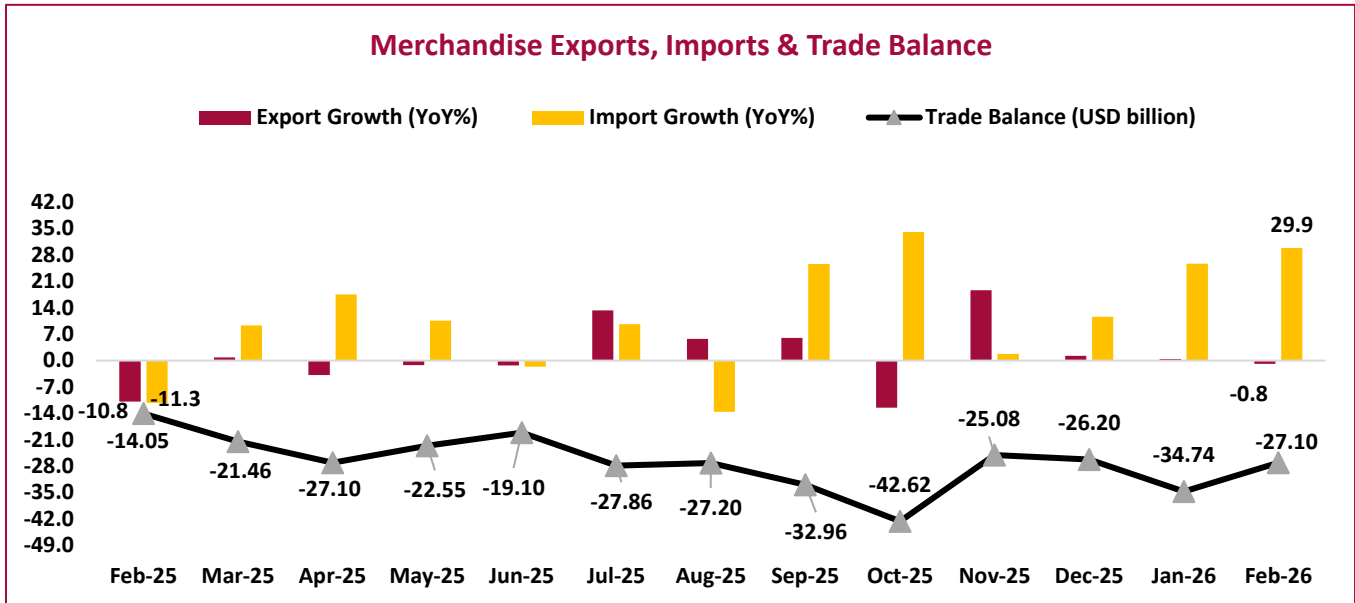
FISCAL DEFICIT



The government's fiscal deficit till Feb'26 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 Feb'25. 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.

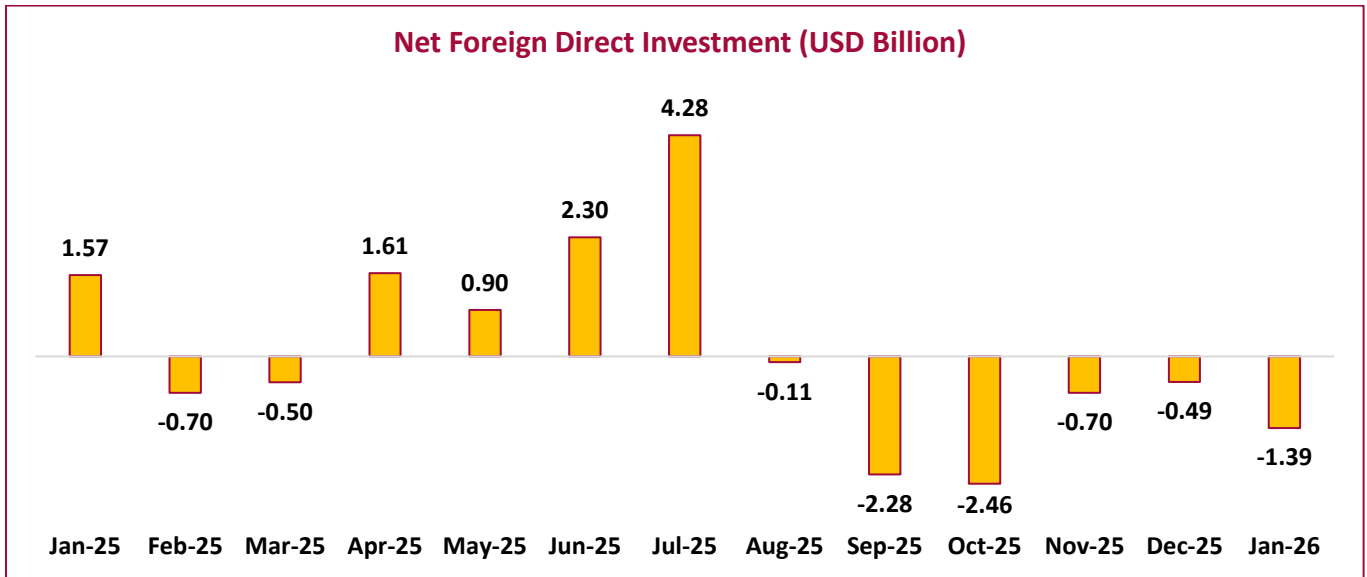
FOREIGN TRADE

Trade Deficit narrows to 27.1 USD billion in February 2026

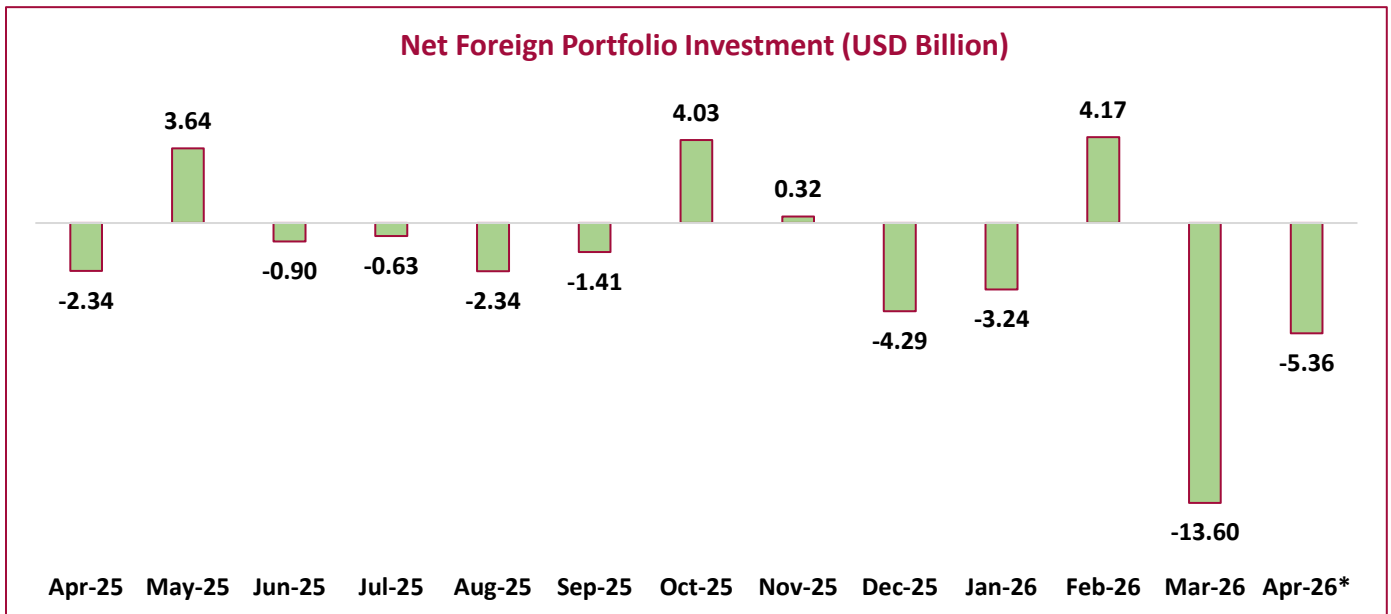


The difference between imports and exports of goods stood at \$27.1 billion in Feb'26. It widened from \$14.1 billion in Feb'25. It was recorded at \$34.7 billion in Jan'26. Merchandise exports edged down to \$36.61 billion in Feb'26 from \$36.91 billion in Feb'25, registering a YoY decline of 0.82%. Exports of non-petroleum products increased to \$33.18 billion in Feb'26, registering a YoY growth of 6.38%. In contrast exports of petroleum products declined sharply by 40.09% YoY, amounting to \$3.43 billion. Meanwhile, merchandise imports surged by 24.12% YoY to \$63.71 billion in Feb'26. However, imports declined from \$71.22 billion in Jan'26.

FOREIGN INVESTMENTS



India's net foreign direct investment (FDI) remained in negative territory since Aug'25, with outflows exceeding inflows by about USD 1.4 billion in Jan'26. This persistent trend reflects a surge in repatriation by foreign investors and higher outward investments by Indian companies, despite strong gross FDI inflows into the country.



*upto 7th April 2026

As of 7 April 2026, Foreign Portfolio Investors (FPIs) remain in a significant selling phase in the Indian markets, driven by geopolitical tensions in West Asia and rising crude oil prices. However, the broader trend for April remains negative, with total net outflows reaching \$5.36 billion.

DEPOSIT AND CREDIT OF SCBs

Parameter (Rs. Lakh Crore)	21.03.2025	28.02.2026	15.03.2026	YoY Growth (%)	Fortnightly Growth (%)
Deposits	225.81	251.90	250.11	10.77	-0.71
Advances	182.44	207.54	207.70	13.85	0.09
Business	408.25	459.44	457.81	12.14	-0.35

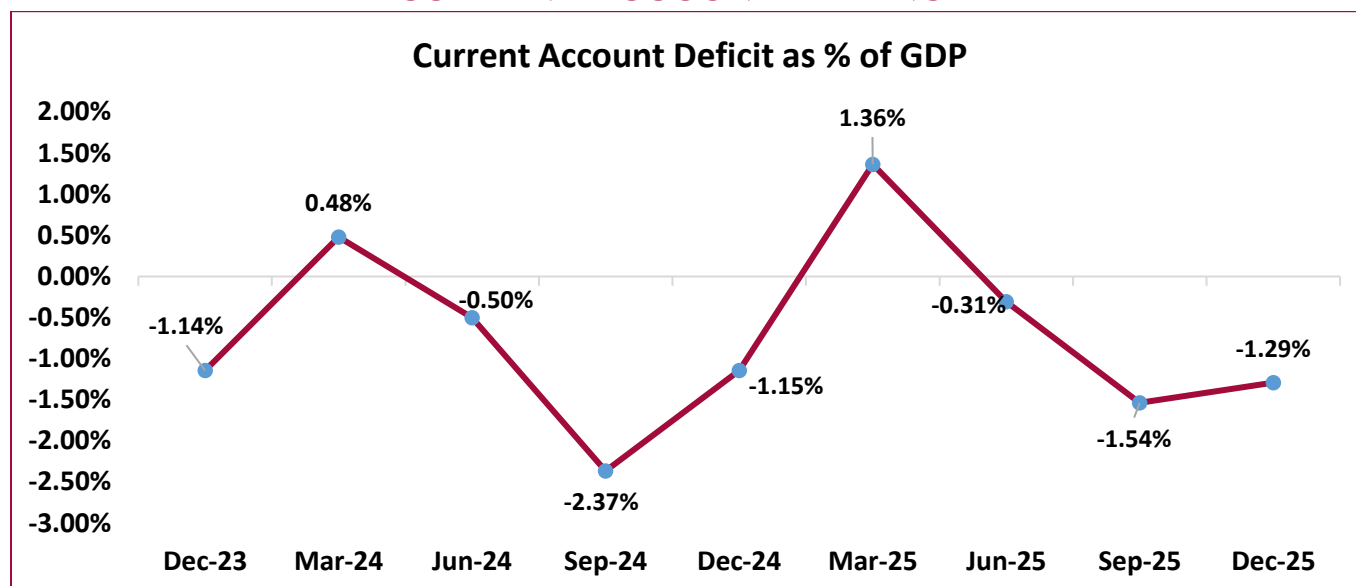
SECTORAL DEPLOYMENT OF CREDIT- INDUSTRY WISE

Parameter* (Rs. Lakh Crore)	Feb-25	Mar-25	Jan-26	Feb-26
Total Non-food	180.8	182.1	203.9	206.7
Agriculture and allied activities	22.6	22.9	25.1	25.4
Industry	39.2	39.9	43.9	44.5
<i>Of which</i>				
Micro & small	7.9	8.0	10.3	10.3
Medium	3.6	3.6	4.3	4.3
Large	27.7	28.2	29.3	29.9
Personal loans	59.0	59.7	67.2	68.0
<i>Of which</i>				
Housing (Including priority sector housing)	29.8	30.1	32.8	33.1
Credit card outstanding	2.9	2.8	3.0	2.9
Education	1.4	1.4	1.5	1.6
Vehicle loans	6.2	6.2	7.2	7.3
Services	50.0	50.9	57.2	58.1
<i>Of which</i>				
Computer software	0.3	0.3	0.4	0.5
Tourism, hotels & restaurants	0.8	0.8	1.0	1.0
Shipping	0.1	0.1	0.1	0.1
Aviation	0.5	0.5	0.5	0.5
Retail trade	5.3	5.4	5.9	5.8
Commercial real estate	5.2	5.2	6.0	6.1

Non-food bank credit grew by 14.3% y-o-y in Feb'26 as compared to 11.1% in Feb'25. Credit to agriculture and allied activities registered a y-o-y growth of 12.3% as compared to 11.4% in Feb'25. Credit to industry recorded a y-o-y growth of 13.5% as compared with 7.5% in Feb'25. Credit to services sector registered a growth rate of 16.3% y-o-y as compared to 11.7% in Feb'25, supported by higher growth in segments such as banks' credit to 'non-banking financial companies' (NBFCs) and 'commercial real estate'. Credit to personal loans segment recorded a y-o-y growth of 15.2% as compared to 11.7% a year ago. 'Housing' segment continued with steady growth, while segments such as 'vehicle loans' and 'loans against gold jewellery' sustained sharp expansion.

14. 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.

15. GLOBAL INTEREST RATES

Central Banks	Countries	Latest Interest Rate (%)	Last Change	Next Meeting Date
Bank of Japan	Japan	0.75%	Dec 19, 2025 (25bps)	Apr 28, 2026
European Central Bank	Europe	2.15%	Jun 5, 2025 (-25bp)	Apr 17, 2026
Federal Reserve	U.S.A	3.75%	Dec 10, 2025 (-25bp)	Apr 29, 2026
Bank of England	U.K	3.75 %	Dec 18, 2025 (-25bp)	Apr 30, 2026
Peoples Bank of China	China	3.00%	May 20, 2025 (-10bp)	-
Reserve Bank of India	India	5.25%	Dec 05, 2025 (-25bp)	Jun 05, 2026

16. MACRO ECONOMIC INDICATORS OUTLOOK

- **GDP Growth:** projected to **grow at 6.5%-7.1% in FY27**, according to recent forecasts. RBI has projected GDP growth at 6.9%, while S&P has raised the forecast to 7.1% signalling confidence in the country's economic momentum. ICRA expects India's GDP growth to moderate to 6.5% due to rising energy prices.
- **Inflation:** Expected to remain in the **range of 4.5%-5.1% in FY'27**. Inflation is well-anchored structurally, but short-term upside risks have re-emerged due to geopolitics. RBI projects India's inflation at 4.6% while OECD projects inflation at 5.1% for FY'27 flagging energy crisis risks. Weakened rupee is further expected to fuel inflation.
- **Crude Oil:** amid the Middle East conflict, crude oil has surged by as much as 65% in March'26 to \$120 a barrel as supply concerns intensified following the blockade at the Strait of Hormuz. Analysts expect prices to settle at an average of **\$80-\$87 per barrel** for the full fiscal year, assuming tensions eventually de-escalate. If the Strait of Hormuz remains blocked, some agencies warn of a surge toward **\$135-\$150 per barrel**, which would trigger a global recessionary outlook.
- **G-Sec Yield (10-Year Benchmark):** Projected to trade in the **6.80% – 7.20%** range. As of early April 2026, the yield has already breached the **7.10%** mark, its highest since 2024 due to surging oil prices (topping \$110/barrel) and the resulting inflation fears.
- **Rupee (INR):** The currency is under pressure, having recently breached the 95 per USD mark. The outlook remains bearish due to the widening trade deficit, though the RBI has implemented strict measures (such as capping banks' net open positions) to curb excess volatility that has supported the rupee. It is expected to trade in the range of **Rs. 91 – 97 per USD in FY'27**.
- **Current Account Deficit (CAD):** Expected to widen to **2.0 - 2.5% of GDP**. This is a significant increase from the ~1% seen in previous years, primarily due to the rising cost of crude oil imports and capital outflows triggered by global uncertainty.
- **Fiscal Deficit:** The Union Budget 2026 set a target of **4.3% of GDP for FY'27** (down from 4.4% in FY26). This follows a steady consolidation and GoI is expected to maintain fiscal deficit lower than the long-term target of 4.5% while maintaining high capital expenditure (target of ₹12.2 lakh crore).
- **Credit & Deposit Growth:** Estimated to remain healthy at **13% – 14% in FY'27**. Growth is expected to be driven by retail demand (especially auto and housing loans) and infrastructure financing, though deposit growth is expected to lag slightly at **11% – 12%**.

17. INDUSTRY OUTLOOK

OIL AND GAS SECTOR

As India cements its position as a primary engine of global economic growth, the oil and gas sector remains the indispensable backbone of its industrial and developmental aspirations. Currently the world's third-largest consumer of crude oil, India's energy demand continues to surge, driven by an expanding middle class and a manufacturing sector aiming for "Viksit Bharat" by 2047.

As of the first eleven months of FY26, India's installed crude oil refining capacity had reached a formidable 248.6 million metric tonnes per annum (MMTPA). Before entering 2026, the industry was navigating a landscape shaped by the aftermath of the pandemic and the restoration of supply chains. Yet, the current year is marked by heightened geopolitical uncertainty and a decisive push towards diversifying energy sources—a "double-edged sword" that presents both risks and opportunities for sector stakeholders.

The Brent crude market has been majorly affected by geopolitical tensions from the Middle East. Forecasts at the start of 2026 projected prices around \$60 per barrel, predicated on anticipated supply surpluses. However, the disruption in the Strait of Hormuz in March 2026 has compelled analysts to revise their expectations sharply upwards. Current market valuations hover between \$100 and \$110 per barrel, and in scenarios of prolonged supply constraints, prices could spike to as high as \$130 per barrel.

Natural gas markets have rebounded from their 2025 lows. While the overarching trend points towards eventual price stabilisation, the near-term outlook remains volatile. This is largely attributable to intermittent LNG production in Qatar and increased heating demand across European markets, factors that continue to exert upward pressure on prices.

In response to these evolving dynamics, the Government of India has embarked on a comprehensive agenda of reforms and infrastructure development to bolster the sector. The policy measures include the Oilfield (Regulation and Development) Amendment Act, 2025, the updated Petroleum and Natural Gas Rules, 2025, and the Hydrocarbon Exploration Licensing Policy (HELP) alongside the Open Acreage Licensing Policy (OALP). The Natural Gas (Supply Regulation) Order, 2026, and plans to expand refining capacity to over 300 MMTPA by 2028 through the augmentation of 11 public sector refineries, underscore the commitment to reducing import dependence, enhancing domestic production, and transitioning towards a gas-based economy.

India stands poised to deliver the largest incremental increase in oil demand globally by 2050, as highlighted in the OPEC World Oil Outlook. Projections indicate an additional 8.2 million barrels per day (mbpd) in consumption over this period. The principal engine of this growth will be the road transportation sector, which alone is expected to contribute an estimated 4.6 mbpd to the nation's oil demand by mid-century. Within this segment, diesel and gasoil are set to dominate, with their combined demand forecast to rise sharply to nearly 5 mbpd by 2050. Moreover, as India's economy diversifies and industrial activity accelerates, demand for petrochemicals and other refined petroleum products will assume an increasingly prominent role, reflecting the evolving structure of the nation's energy consumption and industrial output. India's oil and gas sector is entering a period of rapid expansion, positioned to be the primary engine of growth.

Anoop Varghese
Manager (Economics)
SMEAD, Head Office

18. MARKET INSIGHTS

March was dominated by a sharp escalation in geopolitical tensions, a 50%+ surge in Brent crude (now above \$109/bbl), record FII outflows of ~\$12.5 billion, and INR at multi-year lows.

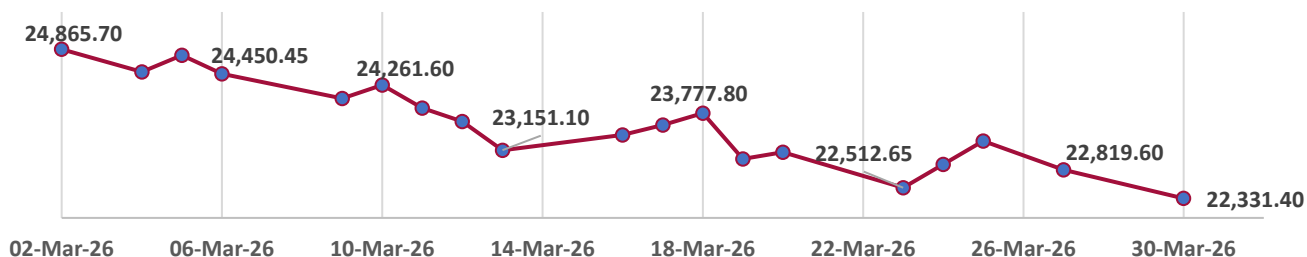
1 Equity Market — Nifty 50

March closing
22,331
As of Mar 30, 2026

India VIX
24 – 26
Elevated (fear gauge)

FII Outflows
-\$12.5 Bn (Mar)
Record single-month

NIFTY 50: Closing price



March Review

- ▶ **Broad-based selloff:** Nifty shed ~2,534 pts in March; IT & Financials bore the brunt of heavy selling.
- ▶ **FII exodus:** ₹1.17 lakh crore (≈\$12 Bn) in outflows — highest single-month on record.
- ▶ **VIX elevated:** India VIX stayed 24–26 throughout March, reflecting persistent market anxiety.

April Outlook

With the MPC maintaining status quo on rates and retaining a neutral stance, immediate policy-driven downside appears limited. If crude prices stabilise and FII outflows moderate, the market could see a gradual recovery. However, continued strength in oil prices and global yields may keep pressure intact.

KEY TRIGGERS

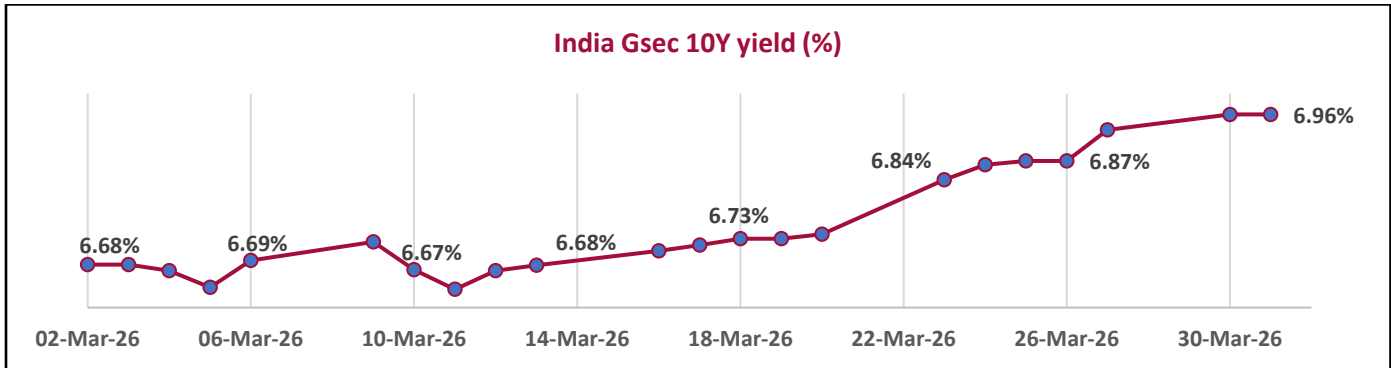
- Crude oil below \$100
- FII flow reversal
- RBI MPC tone

2 Debt Market — 10-Year G-Sec

March Close
~6.96%
+28 bps rise in a month

Repo Rate
5.25%
Held (expected hold Apr)

H1 FY27 Borrow.
₹8.2 Lakh Cr
51% frontloaded



March Review

- ▶ **Persistent upward drift:** Yield climbed from ~6.68% to 6.96% — a 28 bps rise — driven by fiscal and energy shocks.
- ▶ **Fiscal concern:** Excise duty cuts on OMCs raised deficit fears; bond market reacted with a 17 bps single-week spike.
- ▶ **Partial relief:** H1 FY27 borrowing (51% frontloading, below estimates) prevented an even steeper yield move.

April Outlook

With the RBI maintaining status quo on rates and retaining a neutral stance, immediate policy-driven volatility in yields may remain limited. If crude-driven inflation concerns ease and global yields soften, domestic yields could stabilise. Conversely, continued firmness in oil prices and global bond yields may keep upward pressure intact. RBI's data-dependent approach keeps inflation trajectory as the key monitorable for yield direction

KEY TRIGGERS

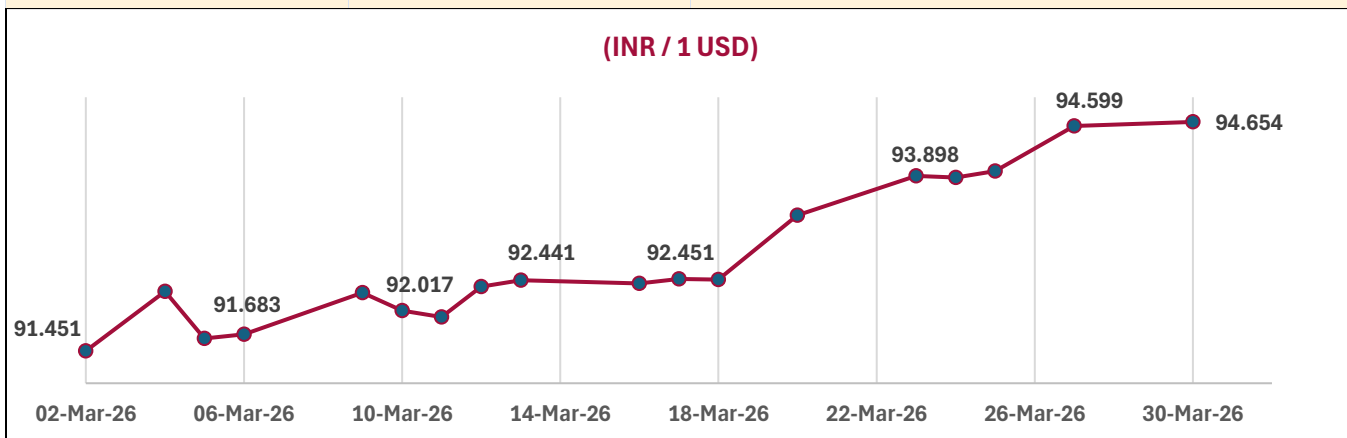
- RBI OMO activity
- Crude & inflation trajectory
- Fed rate-cut timeline

3 Currency Market — USD/INR

March High
~₹94.65
Multi-year peak

Mar Depreciation
~3.5%
Snapped 6-week loss

Dollar Index
~99.94
Near 100 mark



March Review

- ▶ **Capital flight:** March saw \$12.5 Bn FPI outflows — the steepest monthly equity outflow on record; Brent up 44% since Feb.
- ▶ **RBI action:** Capped NOP-INR at \$100M for authorised dealers; banned NDF derivatives for banks to curb speculation. RBI measures tightened hedging conditions and widened onshore-offshore pricing gaps.

April Outlook

If capital outflows slow and the dollar weakens, the local currency could stabilise. However, sustained dollar strength and elevated crude prices may continue to exert depreciation pressure. RBI intervention is expected to keep movements orderly.

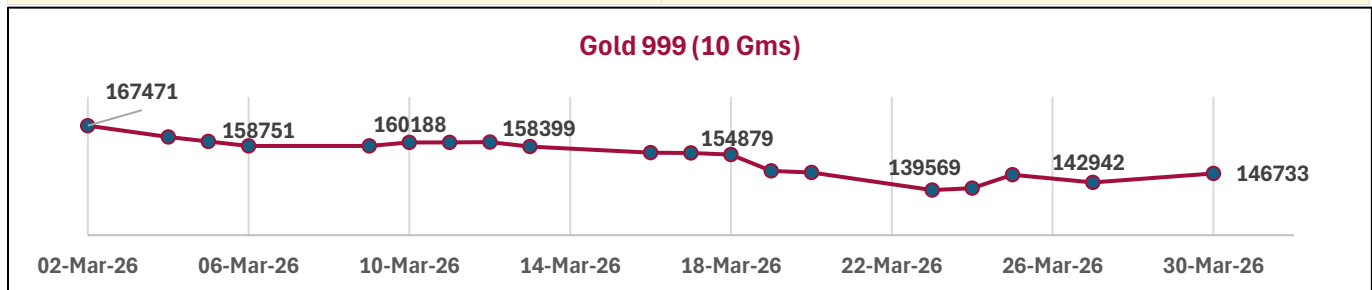
KEY TRIGGERS

- Oil price direction
- Geopolitical conflict status
- FPI equity flows

4 Commodity Market — Gold

IBJA Gold 999
~₹1,46,733
Per 10 gm (Mar close)

Mar Intra-Low
₹1,39,569
-16.7% from Mar high



March Review

- ▶ **Sharp correction:** Gold fell ~16.7% in March — from ₹1,67,471 to ₹1,39,569 intra-month (IBJA Gold 999) — its steepest monthly fall in years.
- ▶ **Yield & dollar dominance:** Rising real yields and a firmer USD outweighed traditional safe-haven demand during the geopolitical conflict.

April Outlook

If global yields ease and the dollar softens, gold could see a recovery. On the other hand, continued strength in yields and the dollar may weigh on prices. Geopolitical developments will remain a key swing factor for safe-haven demand.

KEY TRIGGERS

- RBI MPC rate decision
- USD/Dollar Index direction

Shubham Kumar Singh
Officer (Economics)
SMEAD, Head Office

Disclaimer: Only for information and not an investment advice.

19. BOOK REVIEW

HIGH ROAD LEADERSHIP : BRINGING PEOPLE TOGETHER IN A WORLD THAT DIVIDES BY JOHN C MAXWELL

John C Maxwell is an American author, speaker, who has written books primarily focused on leadership.

The Core Philosophy: The Three Roads

Maxwell frames the book around a simple yet profound geographical metaphor of human interaction. The **Low Road** is the path of the manipulator who uses people for personal gain; the **Middle Road** is the path of the transactional leader who only gives what they receive; but the **High Road** is the path of the selfless leader who values people regardless of their differences. Maxwell argues that while the High Road is the most difficult to climb because it requires immense self-regulation, it is the only path that leads to lasting unity.

High Road Leadership is a vital read for anyone feeling exhausted by the constant friction of modern life. It isn't just a book for CEOs; it is a guidebook for parents, community leaders, and citizens. In a world that seems to reward those who shout the loudest, Maxwell reminds us that the most influential leaders are those who build bridges rather than walls. It is a convicting, encouraging, and deeply necessary call to lead with grace.

Final thoughts: - Mr. Maxwell has written truly impactful book on Leadership by putting emphasis on leading from behind to build a sustainable, competent and resilient team that creates everlasting impact. This approach of Leadership is highly motivating in challenging times by moving away from self-centred egoistic leadership to creating a pool of Leaders. It is a powerful reminder that the path to true leadership is not about exerting authority but about creating a positive and lasting impact on those we lead.

Himanshu Pandey
Chief Manager
SMEAD, Head Office

20. READERS' FEEDBACK

PNB ECOLENS is a premier institutional publication that successfully captures the dynamic evolution of the Indian as well as global economy. It captures the monthly economic indicators along with the views which help understand the scenarios.

Parveen Goyal, Chief General Manager, Zonal Office- Delhi



PNB ECOLENS has served as a valuable tool to provide knowledge and insights to the readers and covers a wide range of topics for both i.e. global and domestic scenarios. I hope it will continue to serve its purpose and add more substance.

Manish Agrawal, Chief General Manager, IT Division, Head Office

A handy, monthly companion for any financial sector professional who needs to stay updated on market trends and policy analysis in one concise read.

Mrityunjay, Chief General Manager, CRMD, Head Office



Insightful, data-driven and relevant: a timely compass for navigating national and global economic trends. The bulletin distills complex economic developments into clear takeaways. A must-read for every PNBian for staying ahead of the curve. The analysis of key indicators is excellent. Adding a short 'What this means for us-Impact on banking and PNB' section could make it even more relevant for our staff.

Amitabh Rai, General Manager, MSME & MCC Division, Head Office

PNB ECOLENS provides an excellent, in-depth, insightful and well-curated publication that effectively simplifies complex economic and banking trends. A commendable effort by the team in creating such an engaging and informative resource.

Subhash Chandra Mishra, General Manager, Finance Division, Head Office

21. 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*

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QUOTE OF THE MONTH

“Reading is essential for those who seek to rise above the ordinary.”

— Jim Rohn

”




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ਦੁਆਰਕਾ, ਨਵੀਂ ਦਿੱਲੀ-110075