

Ministry of Finance



INDIA'S MONETARY AND FINANCIAL SECTORS ROBUST DESPITE THE UNCERTAIN GLOBAL GEOPOLITICAL SCENARIO: ECONOMIC SURVEY 2025-26

BALANCING MACROECONOMIC OBJECTIVES WITH SOCIAL GOALS, INDIA'S MONETARY POLICY MAINTAINS PRICE STABILITY AND FINANCIAL STRENGTH WHILE PROMOTING INCLUSIVE GROWTH

RBI'S AGILE MANAGEMENT ENSURES ADEQUATE LIQUIDITY IN BANKING SYSTEM, MEETING THE ECONOMY'S PRODUCTIVE REQUIREMENTS

Posted On: 29 JAN 2026 2:12PM by PIB Delhi

In an era characterized by heightened global uncertainty, geopolitical flux, and rapid technological transformation, India's monetary and financial sectors have exhibited robust performance in FY26 (April-December 2025), underpinned by strategic policy actions and structural resilience across financial intermediation channels. This was highlighted by the Economic Survey 2025-26, tabled by Union Minister for Finance and Corporate Affairs Smt. Nirmala Sitharaman, in Parliament today.

Regulatory innovation, transparency, and accountability are crucial for addressing the challenges of an uncertain era, highlights the Economic Survey. Further, it states that tapping into innovative and inclusive channels of domestic finance is necessary, as these can serve as a buffer against shocks to volatile global finance.

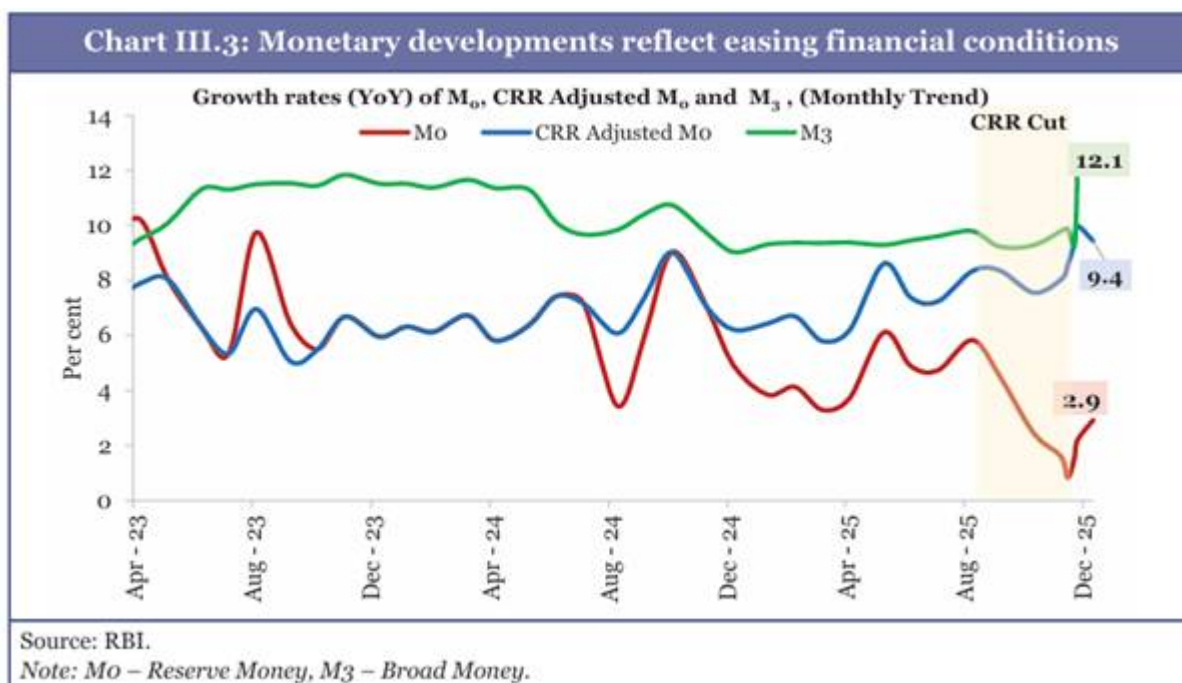
In this context, the document informs, India's financial regulatory architecture demonstrates a clear recognition of this imperative, as evidenced by RBI's landmark framework for the formulation of regulations issued in May 2025. This framework institutionalizes a transparent, consultative, and impact-driven Monetary Management and Financial Intermediation approach to regulation-making.

The Economic Survey notes that India's approach to monetary management balances macroeconomic objectives with social goals. Further, the quality of financial sector regulation has emerged as a critical determinant of economic resilience and sustained growth. The document

states that by maintaining price stability, supporting financial stability, and promoting inclusive growth, monetary policy acts as a key enabler of sustainable development and economic prosperity in the country.

The document informs that in response to moderating inflation, the Reserve Bank of India's Monetary Policy Committee reduced the repo rate, while injecting durable liquidity through cash reserve ratio (CRR) cuts and open market operations (OMO). These reductions were aimed at boosting credit flow, investment, and overall economic activity. Further, these measures have been effectively transmitted to lending rates, with the weighted average lending rates of scheduled commercial banks declining, reflecting the true expansionary stance of monetary policy.

Throughout FY26, the Survey notes, RBI remained agile in its liquidity management, ensuring that adequate liquidity was maintained in the banking system. This proactive approach facilitated effective transmission to the money and credit markets, meeting the economy's productive requirements. Monetary policy transmission to lending and deposit rates of scheduled commercial banks (SCBs) has been robust amid surplus liquidity conditions.



The document highlights that the positive trend in the broad money growth – over 12% from around 9% a year ago - indicates that the banks have effectively leveraged the liquidity released by the CRR cut. Also, RBI's OMO purchases injected durable liquidity into the system, as represented by a surplus of about ₹1.89 lakh crore on average during FY26 (up to 8 January 2026), as measured by the net position under the liquidity adjustment facility (LAF).

The Survey further takes note of a dedicated Regulatory Review Cell under RBI's landmark framework for the formulation of financial sector regulations. The Cell has been tasked with systematically examining each regulation at least once every five to seven years. Such measures signal a paradigm shift from reactive regulation to proactive, anticipatory governance that can respond dynamically to evolving market conditions and global best practices.

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(Release ID: 2219997) Visitor Counter : 382

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