

Lenders seek policy boost as funding costs increase

KSHIPRA PETKAR
Mumbai, January 19

AS THE UNION Budget approaches, bankers and non-banking financial company (NBFC) leaders are calling for structural policy support to address mounting pressure on deposits, rising funding costs and the long-standing credit gap faced by micro, small and medium enterprises (MSMEs), even as credit demand in the economy remains strong. Finance Minister Nirmala Sitharaman will present the Union Budget for 2026-27 on February 1.

For banks, the immediate challenge lies on the liability side. Deposit growth has lagged credit expansion, pushing up deposit rates and squeezing margins. "The banking industry has been facing a lower deposit growth to credit growth leading to a stress in deposit rates and NIM (net interest margin) of the banks," Alok Singh, head of treasury at CSB Bank, said.

Singh added that the Budget must acknowledge the structural shift of household savings to other financial avenues and respond with targeted incentives.

"An assessment of these changes, where the core deposits of banks are getting routed to other sectors, needs to be undertaken, and suitable tax incentives, along with new product lines to incentivise deposit holders, are required," he mentioned.

Salee S Nair, MD & CEO of Tamilnad Mercantile Bank, stressed the need to encourage long-term household savings and improve the transmission of these funds into productive credit. "The Budget can play a meaningful role by encouraging long-term household savings and ensuring a more efficient transmission of these funds into productive credit, particularly for MSMEs and agri-linked sectors," he said.

Among the key recommendations from CSB Bank are tax deductions on incremental

GREAT EXPECTATIONS

Deposit growth lags credit, raising rates and squeezing margins

Seek tax incentives & new deposit products

Ask for tax deduction on incremental term deposits

Structural measures for NBFCs' lending to MSMEs



term deposits or deposit rollovers, exemption of tax deducted at source (TDS) on bank interest income up to Rs 50,000 for retail customers, and waiver of TDS on non-individual borrowers. The bank has also sought a long-term repo facility for banks and a reduction in the SARFAESI threshold to Rs 5 lakh for all lenders to strengthen recovery mechanisms. At present, lenders such as banks, housing finance companies and asset reconstruction companies can invoke the SARFAESI Act, 2002 for loans of ₹ 1 lakh and above, while NBFCs are subject to a much higher threshold of ₹ 50 lakh.

Nair said stronger risk-sharing mechanisms and support for formalisation would allow banks to expand lending responsibly "without compromising underwriting standards".

Lenders are also seeking policy backing for technology adoption in banking. "The Budget should provide clear policy support for the adoption of digital and AI-led solutions in banking, with a focus on risk management, fraud prevention, compliance and customer service," Nair said, adding that

incentives for investment in digital infrastructure and data security would help banks deploy technology at scale with confidence.

While banks remain focused on deposits and margins, NBFCs lending to MSMEs are looking for structural measures to bridge a persistent credit gap.

MSMEs contribute over 30% to GDP and still face a significant and enduring credit shortfall, lenders said.

"The expectation is that the Budget will go beyond short-term stimulus and focus on lowering the cost of capital, improving access to liquidity, and enabling efficient risk-sharing mechanisms, particularly for institutions that finance MSMEs at the last mile," said Shachindra Nath, founder and managing director of UGRO Capital.

He believes India's digital public infrastructure and lending frameworks can help shift MSME lending "away from collateral dependence towards cash-flow, behaviour and sector-aligned underwriting", enabling scale while protecting asset quality.

Among the industry's key

demands is the creation of a dedicated NBFC-MSME or NBFC-priority sector lending (PSL) category, along with access to cheaper and more predictable refinancing funding, potentially through SIDBI. Nath said such a refinancing window would be a critical stabiliser during periods of stress.

"MSME-focused NBFCs are structurally dependent on market borrowings and therefore face funding pressures during liquidity tightening, even when their underlying portfolios remain healthy," he said. "A well-designed refinancing facility would provide predictable, lower-cost and longer-tenor funding, allowing NBFCs to continue lending through economic cycles," Nath added, noting that MSME stress is often driven by cash-flow mismatches rather than weak business viability. Such support would help protect jobs, supply chains and local economic activity, he said.

NBFC-microfinance institutions (MFIs) are also closely tracking Budget proposals, viewing a potential mega credit guarantee as a critical support measure amid tight liquidity conditions.

The Microfinance Industry Network has proposed a ₹ 20,000-crore credit guarantee scheme for MFIs.

Tata Capital Q3 profit climbs 39% to ₹ 1,285 cr

PRESS TRUST OF INDIA
New Delhi, January 19

TATA CAPITAL, THE NBFC arm of Tata Group, on Monday reported 39% year-on-year jump in profit after tax (PAT) at ₹ 1,285 crore for three months ended December 2025. The company had posted a PAT of ₹ 922 crore in the corresponding period last fiscal.

Net total income rose 33% to ₹ 3,594 crore during the quarter under review, from ₹ 2,711 crore a year ago, Tata Capital said in a regulatory filing. Also, net interest income improved by 26% to ₹ 2,936 crore in Q3FY26 from around ₹ 2,323 crore a year earlier.

"We witnessed sustained business momentum with broad-based growth across products. Excluding motor finance, AUM grew 26% YoY to ₹ 2,34,114 crore, and comparable PAT increased by 39% year-on-year to ₹ 1,285 crore for Q3FY26," Rajiv Sabharwal, MD and CEO, Tata Capital, said.

"Gold and silver surged to fresh record highs on Monday, driven by geopolitical tensions, and escalating tariff-related uncertainty after US President Donald Trump threatened to impose additional tariffs on sev-

Silver hits record ₹3 lakh; gold scales new peak

SHINING BRIGHT

Gold prices (\$ per ounce)

4,671.11

Jan 19, 2026

Silver prices (\$ per ounce)

28.9

Jan 1, 2025

Source: Bloomberg



eral European countries over the weekend," Saumil Gandhi, senior analyst-commodities at HDFC Securities, said. Since the beginning of 2026, gold prices have rallied by ₹ 10,400, or 7.55%, from ₹ 13,700 per 10 grams recorded on December 31, 2025.

"Gold and silver surged to fresh record highs on Monday, driven by geopolitical tensions, and escalating tariff-related uncertainty after US President Donald Trump threatened to impose additional tariffs on sev-

"Spot gold hit a fresh record high of \$4,690 per ounce in the global markets on safe haven demand as Trump announced a 10% tariff on eight EU nations in retaliation for their opposition to his Greenland initiative," Praveen Singh, head of commodities, Mirae Asset ShareKhan, said.

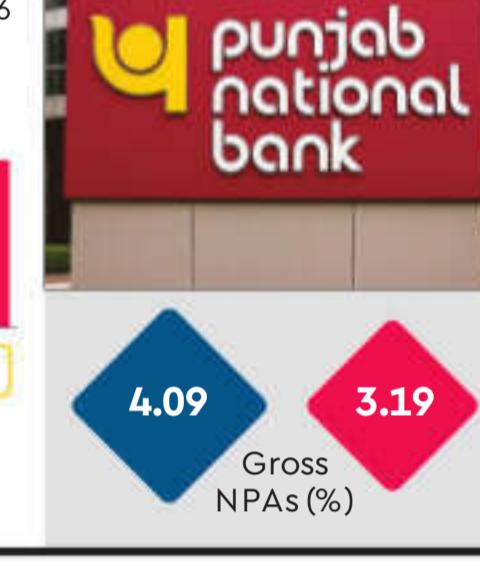
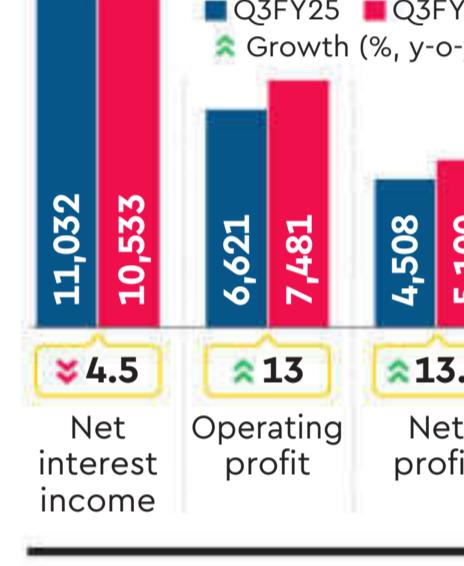
Meanwhile, Trump on Saturday threatened to implement a 10% tariff on goods from European nations, starting from February 1.

PNB net profit rises 13% to ₹5,100 cr

FE BUREAU
Mumbai, January 19

REPORT CARD

Punjab National Bank standalone financials



total advances, with the bank aiming to raise it to 60%. The corporate loan book rose 9% Yo-Yo to ₹ 5.04 lakh crore.

Net interest income declined 4.5% YoY to ₹ 10,533 crore. Domestic net interest margin (NIM) fell by 7 basis points (bps) sequentially to 2.65%, while global NIM declined by 8 bps to 2.52%.

The bank attributed the margin pressure to an unchanged cost of deposits and lower yields on advances following the 25-bps policy rate cut in December.

The gross NPA ratio stood at 3.19% as on December 31, compared with 3.45% a quarter ago, while the net NPA ratio improved to 0.32% from 0.36%. The slippage ratio continued to remain below the bank's guidance of 1%.

FROM THE FRONT PAGE

Priority sector lending norms...

THE OVERALL CAP on on-lending to NBFCs/HFCs/NCDC remains at 5% of the previous year's PSL.

"The latest revisions to the PSL framework is a shift towards simplification, transparency, and stronger governance. By reducing the PSL requirement for SFBs the regulator has eased operational pressures on these institutions without diluting their developmental mandate," said Sanjay Agarwal, senior director, CareEdge Ratings.

The inclusion of NCDC as an eligible participant broadens the market for PSL certificates and finally brings the cooperative sector into the mainstream of priority sector intermediation, he said. The new requirement for external auditor certification is an important measure, that ensures that priority sector benefits are not claimed twice for the same asset—a governance gap that has long needed tightening, he added.

The amendments also update the methodology for calculating credit equivalent off-balance-sheet exposures (CEOBS), directing banks to follow the Large Exposures Framework and the 2025 prudential norms applicable to small finance banks (SFBs), urban co-operative banks (UCBs), regional rural banks (RRBs), and local area banks (LABs). Small finance banks receive further clarity on the treatment of grandfathered loans transferred from NBFCs/MFIs during conversion, ensuring that PSL benefits are not double-counted between the lending bank and the SFB.

The PSL targets across bank categories have been refined, including a correction in SFB targets—earlier stated as 75%—has been revised to 60% of ANBC/CEOBS. For RRBs, lending to medium enterprises, social infrastructure and

India, UAE target \$200 bn in trade

DURING THE VISIT a sale-and-purchase agreement between Hindustan Petroleum Corporation (HPCL) and Abu Dhabi National Oil Company (ADNOC) was signed. The agreement provides for purchase of 0.5 million tonne per annum (MMPTA) by HPCL from ADNOC Gas for a period of 10 years starting 2028.

To double the trade from \$100 billion in 2024-25 to \$200 billion by 2032, both leaders directed their teams to work towards connecting micro, small and medium enterprises (MSMEs) on both sides.

In this context, they called for the expeditious implementation of key initiatives such as the Bharat Mart, the Virtual Trade Corridor and the Bharat-Africa Setu to promote MSME products across West Asia, Africa and the Eurasia region.

Both sides reaffirmed their strong commitment to enhancing UAE-India cooperation in food security. In the space sector, a letter of intent between the Indian National Space Promotion and Authorisation Centre (IN-SPACE) and the Space Agency of the UAE for a joint initiative to enable space industry development and commercial collaboration.

India and the UAE have already signed a Comprehensive Economic Partnership Agreement (CEPA) in 2022 and followed it up by the Bilateral Investment Treaty (BIT) in 2024.

Since the signing of CEPA, bilateral merchandise trade has nearly doubled from \$43.3 billion in 2020-21 to \$83.7 billion in 2023-24.

In 2024-25, the trade increased 19.6% to \$100.6 billion with India's exports at \$36.7 billion and imports at \$63.4 billion.

renewable energy will count only up to 15% of ANBC.

Export credit definitions have been aligned with the updated Credit Facilities Directions, 2025, while export credit to agriculture and MSMEs continues to qualify under respective categories. The document also updates eligibility norms for export credit, microfinance loans, and government-sponsored schemes.

A significant change is codifying the PSLC framework where it has clarified the four PSLC types—agriculture, SF/MF, micro enterprises and general—and mapped each to specific targets and sub-targets. Banks may issue PSLs up to 50% of the previous year's PSL achievement without underlying assets, provided they meet targets at year-end. All PSLs will continue to expire on March 31.

Further, the RBI has updated co-lending provisions, reporting timelines, interest-rate norms, and service-charge caps for small-ticket PSL loans. Several districts have been removed from the list of special-category areas, reflecting updated regional classifications.

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HAP

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STATEMENT OF UNAUDITED STANDALONE AND CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER & NINE MONTHS ENDED DECEMBER 31, 2025

(₹ in Crores except EPS)

S.No.	Particulars	STANDALONE			Nine Month Ended		Year Ended
		31st December, 2025 Unaudited	30th September, 2025 Unaudited	31st December, 2024 Unaudited	31st December, 2025 Unaudited	31st December, 2024 Unaudited	31st March, 2025 Audited
1.	Total Income	2,317.10	2,385.38	2,012.00	7,240.70	6,467.95	8,686.71
2.	Net Profit / (Loss) for the period (before Tax, Exceptional and / or Extraordinary Items)	87.73	161.59	55.67	450.63	318.75	386.15
3.	Net Profit / (Loss) for the period before Tax (after Exceptional and / or Extraordinary Items)	87.73	161.59	55.67	450.63	318.75	386.15
4.	Net Profit / (Loss) for the period after Tax (after Exceptional and / or Extraordinary Items)	67.14	120.18	40.94	335.40	235.80	285.44
5.	Total Comprehensive Income for the period	71.60	120.29	40.89	340.08	235.70	285.61
6.	Paid-up Equity share capital (Face value of ₹1/- per share)	22.28	22.28	22.28	22.28	22.28	22.28
7.	Other Equity (excluding Revaluation Reserve as shown in the audited Balance Sheet of previous year)						1,701.93
8.	Earnings per share (of ₹1/- each) (Not annualised):						
	a. Basic (in ₹)	3.01	5.40	1.84	15.06	10.58	12.81
	b. Diluted (in ₹)	3.01	5.40	1.84	15.06	10.58	12.81

CONSOLIDATED

(₹ in Crores

