

RBI Relaxes Rules to Boost Market Liquidity and Retail Investor Access

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RBI Market Liquidity Measures Latest News

- The **RBI has unveiled key measures to ease access to capital**, including removing the ceiling on loans against listed debt securities, raising the loan limit against shares from **₹20 lakh to ₹1 crore**, and increasing **IPO financing for retail investors from ₹10 lakh to ₹25 lakh**.
- The steps aim to **revitalize India's financial markets**, enhance retail and institutional participation, and improve liquidity amid a busy IPO season.
- While boosting lending opportunities for banks, the RBI assured that **systemic risks will be managed through macroprudential safeguards**, balancing growth with financial stability.

RBI's Moves Timed to Counter Market Pressures

- The RBI's latest relaxations come as Indian equity markets face global and domestic headwinds.

- Trade tensions with the US, H1-B visa curbs, and geopolitical flashpoints in West Asia and Europe have hurt investor sentiment.
- Adding to the strain, **foreign portfolio investors have withdrawn \$21 billion from equities in the past year**, weakening the rupee and leaving domestic investors to sustain volumes.
- By easing rules on lending against shares, debt securities, and IPO financing, the RBI aims to **address liquidity shortfalls, bolster domestic participation, and restore confidence in capital markets**, while also helping banks reclaim business from structured credit players.

RBI's IPO Financing Boost to Broaden Retail Access

- The RBI's decision to raise the **IPO financing limit for retail investors** from ₹10 lakh to ₹25 lakh comes as several big-ticket offerings, including Tata Capital and LG, near launch.
- Strong listing gains and corporate earnings have already fuelled robust investor appetite.
- **By easing capital constraints**, the move will broaden retail participation, inject more liquidity into the primary market, and deepen India's capital markets.
- Analysts note the timing is critical, ensuring savings flow into equities when demand is peaking, thereby sustaining growth momentum and supporting industry funding.

RBI Eases Rules on Lending Against Shares and Securities

- The RBI has proposed major relaxations in lending norms, including **removing the ceiling on loans against listed debt securities** and raising the loan limit against shares to **₹1 crore per borrower**, up from ₹20 lakh.
- Banks can also now lend more against **REITs and InvITs**, widening collateral options and boosting liquidity.
- The move is expected to **increase trading volumes, broaden investor participation, and strengthen credit growth**.
- Investors, especially high-net-worth individuals, gain quicker and cheaper access to funds without selling securities, while banks benefit from a more diverse collateral base.
- However, analysts caution that prudent risk management will be essential to avoid over-leverage in volatile markets.

RBI Lifts Curbs on Lending to Large Borrowers

- The RBI has proposed **withdrawing its 2016 framework** that discouraged banks from lending to corporates with exposures of **₹10,000 crore or more**.
- Initially introduced to push big firms toward capital markets, the framework is now seen as redundant, since the **Large Exposure Framework already caps single-bank lending to large groups**, managing concentration risks.
- The shift will give **corporates easier access to bank credit** for major projects, mergers, and expansions, while allowing banks more flexibility in financing without undermining financial stability.

RBI Eases NBFC Funding for Infrastructure Projects

- The RBI has proposed **reducing risk weights on NBFC loans to operational, high-quality infrastructure projects**, lowering capital requirements and enabling more competitive lending rates.
- This move is expected to **ease financing costs for developers** in critical sectors such as roads, power, transport, and renewables, boosting India's infrastructure growth.
- By improving liquidity and encouraging NBFCs to expand exposure to stable, cash-generating projects, the step supports long-term economic development.
- However, analysts caution that the relaxation could raise leverage risks in concentrated NBFC infrastructure portfolios, making **prudent capital management essential**.

RBI Relaxes Rules on ECBs and IFSC Accounts

- The RBI has announced major relaxations in **External Commercial Borrowing (ECB) norms**, including expanding eligible borrowers and lenders, easing maturity and cost restrictions, and simplifying reporting.
- These changes are expected to lower overseas borrowing costs and improve compliance ease, making foreign debt more attractive for Indian firms while maintaining safeguards against risk.
- In parallel, the RBI has extended the repatriation period for foreign currency accounts in IFSCs (like GIFT City) from one to three months, giving exporters more flexibility in managing forex inflows.
- This brings onshore rules in line with offshore arrangements, strengthens liquidity in IFSC banking units, and supports India's ambition of building a globally competitive financial hub.

Source: **IE** | **MC**

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