# RBI Monetary Policy (Oct 2025): Rates on Hold; Big Regulatory Push on Credit, Capital & Consumer Protection

The RBI's October 2025 Monetary Policy kept the policy repo rate unchanged at 5.50% with a neutral stance, even as the growth outlook was upgraded and inflation projections were trimmed back. Alongside the pause, the RBI unveiled a substantive package of regulatory measures, ranging from a shift to risk-based deposit-insurance premiums and eased bank–group business rules to credit-market facilitation, infra financing support via NBFCs, and a FY27 glide path for Basel/ECL. The package also advances ease-of-doing-business, strengthens consumer protection, and nudges rupee internationalisation.

**The RBI kept the policy repo rate at 5.50% with a neutral stance, raised FY26 real GDP to 6.8%, and trimmed FY26 CPI to 2.6%, citing resilient domestic demand and easing inflation.**

**Developmental & regulatory measures: what changed**

- **Risk-based deposit insurance premium (DICGC)**. India will move from a flat premium (now 12 paise per ₹100 of deposits) to a **risk-based** framework; the current flat rate will be a ceiling, so stronger banks pay less. Coverage remains **₹5 lakh per depositor per bank**.
- **Bank–group "overlap" restriction dropped**. RBI will not proceed with the earlier proposal to restrict business overlap between banks and their group entities in the final Forms of Business & Prudential Regulation for Investment guidelines; allocation of activities across group entities is left to bank boards.
- **Credit flow to the real economy – five moves.**
    - **Acquisition finance:** RBI to provide an enabling framework for banks to fund M&A by Indian corporates.
    - **Capital-market lending:** Ceiling on lending against listed debt to be removed; lending limit against shares raised ₹20 lakh → ₹1 crore per person; IPO financing raised ₹10 lakh → ₹25 lakh per person.
    - **2016 "specified borrower" curb withdrawn:** The framework that dis-incentivised lending to borrowers with **₹10,000 cr+** system limits will be scrapped.
    - **System-level concentration:** Large Exposure Framework continues at the bank level; macro-prudential tools will tackle system-wide concentration when needed.
    - **Infra funding by NBFCs:** Lower risk weights for NBFC lending to operational, high-quality infra projects to reduce costs.
- **Basel III & provisioning (bank capital).** Revised Basel III capital norms and the **Expected Credit Loss (ECL)** framework will be effective 1 April 2027 (with a glide path thereafter); a draft Standardised Approach for Credit Risk is expected and is expected to ease risk weights for MSME and housing segments.
- **Urban Co-operative Banks (UCBs).** After a two-decade pause in licensing, RBI will issue a discussion paper on new UCB licences.
- **Ease of doing business:**
    - Current/CC/OD account rules to be relaxed to give banks more flexibility, especially for borrowers already under financial-sector regulation.
- **Exports & FEMA:** Longer windows for exporters (e.g., **repatriation period extension; merchanting trade period 4→6 months**) and simplification of forex reconciliations; broader **ECB/FEMA** rationalisation proposed.
- **Consumer protection.**

  - BSBDA (Basic Savings Bank Deposit Account) services to include digital banking (mobile/internet) without minimum balance charges.
  - Internal Ombudsman to be strengthened: RBI Ombudsman to include rural co-operative banks.

- **Internationalisation of the Rupee.**

  - Permit INR lending by AD banks to non-residents in Bhutan, Nepal, Sri Lanka for trade.
  - Establish transparent reference rates for key partner currencies.
  - Allow wider use of SRVA balances (e.g., investments in corporate bonds/CP).

## ELP view/ implications

- **Funding costs will differentiate.** A **risk-based DICGC premium** should lower costs for well-capitalised banks and nudge weaker peers to improve governance and risk controls. Product disclosures around insurance status will matter for deposit mobilisation.
- **Group strategy flexibility restored.** Dropping the overlap restriction reduces restructuring pressure on bank-owned NBFCs and specialised subsidiaries; boards should still evidence **arm's-length risk**, compliance firewalls, and consolidated risk oversight.
- **Credit deepening and capital-market linkages.** Higher limits on share/IPO financing and removal of the listed-debt ceiling aid market liquidity but will require tight collateral, margining and conduct controls.
- **Infra push via NBFCs.** Lower risk weights can improve pricing for operational projects; documentation of cash-flow stability and O&M performance will be central to eligibility.
- **Capital planning runway.** The Basel/ECL timeline to FY27 gives banks space to refine data, models and provisioning, particularly for stage migration and macro overlays.
- **Co-operative banking reset.** A fresh look at **UCB licensing** could widen inclusion if capital standards and governance guardrails are robust.
- **Trade facilitation & INR use.** INR lending for regional trade, **reference rates**, and SRVA flexibility should make rupee-settled trade smoother, watch operational guidelines.

Thus, over all impactful policy changes are proposed which would improve credit flow. Rates remain unchanged so borrowing costs shouldn't jump near-term. Credit flow should improve further with easier lending for M&A loans, lending against shares/IPOs, and NBFC funding of completed infrastructure. New capital rules kick in from April 2027, giving banks time to plan. Overall, the package supports growth without loosening prudence.

*We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at insights@elp-in.com or write to our authors:*

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