

HOW RBI DIRECT, NEW OMBUDSMAN SCHEMES WORK FOR RETAIL INVESTORS?

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

Prime Minister Narendra Modi on Friday launched two customer-centric initiatives of the [Reserve Bank of India \(RBI\)](#) - Retail direct scheme and integrated ombudsman scheme, with a view to provide opportunities to retail investors to participate in the government securities market.

"The G-sec market is dominated by Institutional investors like Banks, Insurance companies, Mutual Funds, etc. with lot sizes of 5 crores & higher. Hence this segment was largely inaccessible to retail participants. G-secs witnesses highest volumes within the fixed income market since they offer a risk-free rate, hence no credit risk," said Nitin Shanbhag of Motilal Oswal Private Wealth Management.

The Prime Minister, while launching two innovative, customer-centric initiatives, said these schemes would expand the scope for investment and improve customer grievance redressal mechanism.

The RBI Retail Direct Scheme will enable retail investors to participate into G-secs across various tenors with flexible investment horizons and with the ability to get regular cash flows through risk-free coupons, Shanbhag added.

The scheme is aimed at enhancing access to the government securities market for retail investors. It offers retail investors a new avenue for directly investing in the securities issued by the centre and state governments.

"Small investors will have an opportunity to directly invest in Government securities that are as safe or safer than a Fixed deposit and more directly linked to the Government rates. In the current low-interest-rate scenario, any mature investor would stay away from Government securities due to their low yields. Still, for the masses who do not have access to sophisticated financial services, this will give a direct opportunity to earn interest in a safe way directly on their bank accounts," said Sonam Srivastava, Co-founder, Wright Research.

These schemes could encourage financial inclusion and bring more money into the capital market from the unorganized sector. But, on the contrary, these schemes could also take retail money from the banking system and directly into the central bank's kitty, highlighted Srivastava.

Furthermore, the One-Ombudsman scheme centralizes grievance redressal and focuses on preventing financial crime and catching cyber fraud through artificial intelligence promises to encourage investor trust.

"With the entry of small Retail investors for Government securities, the market will get broad based and volumes will increase, with more opportunities and ease of investments," said Jyoti Prakash Gadia, Managing Director, Resurgent India.

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