



# Direct Access to G-Sec Market for Retail Investors: RBI

## Why in News

Recently, the [Reserve Bank of India](#) has **proposed to allow retail investors to open gilt accounts** with the central bank to invest in **Government securities (G-secs) directly** and without the help of intermediaries.

- **Retail Investor** is a non-professional investor who buys and sells securities or funds that contain a basket of securities such as mutual funds and [Exchange Traded Funds \(ETFs\)](#).

## Government Security

- A G-Sec is a **tradable instrument issued by the Central Government** or the State Governments.
- It **acknowledges the Government's debt obligation**. Such securities are **short term** (usually called **treasury bills**, with original maturities of less than one year- presently issued in three tenors, namely, 91 day, 182 day and 364 day) or **long term** (usually called **Government bonds or dated securities** with original maturity of one year or more).
- In India, the **Central Government issues both treasury bills and bonds or dated securities** while the State Governments issue only bonds or dated securities, which are called the **State Development Loans (SDLs)**.
- G-Secs **carry practically no risk of default** and, hence, are called risk-free gilt-edged instruments.
  - **Gilt-edged securities** are high-grade investment bonds offered by governments and large corporations as a means of borrowing funds.

## Key Points

- **Background:**
  - The g-sec market is **dominated by institutional investors** such as banks, mutual funds, and insurance companies. These entities trade in **lot sizes of Rs. 5 crore or more**.
  - So, there is **no liquidity in the secondary market for small investors** who would want to trade in smaller lot sizes.
- **About the Proposal:**
  - **Retail investors will get online access to the government securities market** - both primary and secondary - directly through the Reserve Bank.
    - The **primary market** is where securities are created, while the **secondary market** is where those securities are traded by investors.
  - Retail investors **will be allowed to open gilt investment accounts** directly with RBI. The account will be called **RBI retail direct**.

- **Gilt Account** can be compared with a bank account, except that the account is debited or credited with treasury bills or government securities instead of money.
  - The direct participation of retail investors in the bidding process will be enabled through the **core banking solution of Reserve Bank of India- [E-kuber](#)**.
- **Significance:**
  - **Broaden Investor Base:**
    - Allowing direct retail investment in G-secs will broaden the investor base and provide retail investors with **enhanced access to participate in the government securities market**.
  - **Pioneer in Asia:**
    - This structural reform will place India in the **select league of nations such as the USA and Brazil** which have such facilities.
    - **India will possibly be the first in Asia** to allow direct retail investment in G-secs to open up an additional investment avenue.
  - **Facilitate Government Borrowings:**
    - This measure together with relaxation in mandatory **Hold To Maturity** (securities that are purchased to be owned until maturity) provisions will **facilitate smooth completion of the government borrowing** programme in 2021-22.
  - **Financialise Domestic Savings:**
    - Allowing direct retail participation in the G-Sec market will promote **financialisation of a vast pool of domestic savings** and could be a game-changer in India's investment market.
- **Other Measures Taken to Increase Retail Investment in Government Securities:**
  - **Introduction of non-competitive bidding** in primary auctions.
    - **Non-competitive bidding** means the **bidder would be able to participate in the auctions** of dated government securities without having to quote the yield or price in the bid.
  - **Stock exchanges to act as aggregators** and facilitators of retail bids.
  - **Allowing a specific retail segment** in the secondary market.

**[Source:TH](#)**

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