

# RBI moves to push credit delivery

Doubles collateral-free loans to MSMEs; Guv says move is 'indexation for inflation'

**SUBRATA PANDA**  
Mumbai, 6 February

In a bid to improve credit delivery in the economy, the Reserve Bank of India (RBI) on Friday proposed allowing banks to extend finance to real estate investment trusts (Reits) and also doubled the limit for collateral-free loans to micro, small, and medium enterprises (MSMEs) from ₹10 lakh to ₹20 lakh.

Reits and infrastructure investment trusts (InvITs) were conceptualised in India with a view to free up banks' funds in completed and operational real estate and infrastructure projects by refinancing such exposure with pooled funds of institutional and retail investors. While the RBI had earlier allowed bank lending to InvITs, lending to Reits was not permitted.

"Upon review and considering the presence of a strong regulatory and governance framework for listed Reits, it is proposed to permit commercial banks to extend finance to Reits, subject to appropriate prudential safeguards. The existing guidelines in respect of lending to InvITs are also being harmonised for parity with prudential safeguards proposed for lending to Reits," the central bank said, adding the move would support the real estate sector.

According to RBI Governor Sanjay Malhotra, MSMEs are key growth engines of the economy, especially for employment generation. The ₹10 lakh loan limit has been in place

since 2010, and the increase to ₹20 lakh is essentially an indexation for inflation, he said.

According to the latest available data, the total flow of resources from bank and non-bank sources to the commercial sector has stood higher at ₹29.6 trillion in 2025-26 so far, as compared to ₹23.3 trillion in the corresponding period of the previous financial year. The increase in flows from non-food bank credit (₹5.04 trillion) and corporate bond issuances by non-financial entities (₹1.4 trillion) has been the major driver of this growth.

Additionally, on a year-on-year basis, bank credit registered a growth rate of 13.1 per cent as on January 15, 2026, compared to 11.5 per cent a year ago. However, deposit growth was lower at 10.6 per cent, compared to 10.8 per cent in the year-ago period. This has resulted in the incremental credit to deposit (C/D) ratio of 98.4.

Malhotra clarified that at a time when credit growth is higher than deposit growth, it is quite expected that C/D ratios will go up.

"There are periods when C/D ratios rise and periods when they decline, depending on where we are in the business cycle of banks. But for us, it is not the C/D ratio that is important. What is important is liquidity. There is an LCR framework for it. There is an NSFR — the Net Stable Funding Ratio — which looks at medium-term liquidity. Both of these, for banks as well as non-bank financial companies, are at very comfortable levels," he said.



# RBI nod to direct bank lending to Reits may expedite asset growth

**SANKET KOUL**  
New Delhi, 6 February

The Reserve Bank of India's (RBI's) proposal to allow banks to lend directly to Real Estate Investment Trusts (Reits) is expected to make it easier for the trusts to speed up retail and expand office assets by raising funds at lower rates, say industry executives.

Banks were earlier restricted from lending directly to the Reits, with the trusts having to borrow through their special purpose vehicles (SPVs) or rely on issuing bonds and raising equity in the capital markets. "With greater financial flexibility and access to long-term capital, Reits will be better positioned to support portfolio expansion and contribute to the formalisation and institutionalisation of India's commercial real-estate sector," the Indian Reit Association (IRA) said.

The association stated that direct access to bank lending provides Reits with a stable, long-term source of funding, expanding the avenues of fund raising for these instruments. RBI Governor Sanjay Malhotra added that the move is expected to be positive for both the banks and the real-estate sector.

Reits are investment vehicles that own or operate income-generating real estate, enabling investors to earn a share of the income pro-

duced without directly purchasing properties. Industry executives noted that Reits raised debt by issuing securities subscribed to by mutual funds and NBFCs. But since these investors typically prefer instruments with a three-to-five-year tenure, securing a long-term funding remains a challenge.

With bank lending now available, experts said that Reits might now have a diversified funding base, making them less vulnerable to capital market volatility.

"... Reits are poised to deliver greater growth and ultimately, better returns to unit holders," said Embassy Reit chief executive officer (CEO) Amit Shetty.

Shishir Baijal, international partner, chairman and managing director, Knight Frank India, said access to bank credit would serve as an additional funding avenue that diversifies the liability stack and enhances refinancing flexibility. Executives added that Reits might now easily refinance existing higher-cost debt with more stable bank loans, improving their distributable cash flows.

However, Anuj Puri, chairman at realty consultancy firm Anarock, added that the move needed to be accompanied by strong regulatory safeguards on exposure limits, and robust credit underwriting and monitoring practices.