



Development Priorities and the Role of Central Banks in Global South

As the Global South is exploring to evolve a robust monetary policy framework, learning from the experiences shared by the Central Banks is utmost relevant. In this regard, learning from the insights from the Reserve Bank of India can be a possible way forward. Hon'ble Prime Minister Narendra Modi, at the RBI@90 event, emphasized Bharat's clear priorities in economic progress. He highlighted how the financial prudence during COVID-19 helped the poor and middle class drive economic growth, even as global economies struggled. The suggestion of the RBI to lead globally by balancing inflation control and growth, serving as a model for other developing nations from the PM was also of great relevance. In this sharing regulatory frameworks and growth experiences with fellow countries would also be timely.

Monetary Policy and Domestic Growth Priorities

At the Voice of the Global South Summit, Prime Minister Modi

announced setting up of Dakshin – Global South Center of Excellence for sharing India's best practices from our development journey with the Global South. RBI has accumulated enough insights on monetary policy and domestic growth priorities. Even policy during Covid 19 crisis and war times in many parts of the world, the dedicated efforts for priority sector lending and financial inclusion have set new benchmarks of success. The articulation of these accomplishments, with technical detailing and scope for local adaption, would provide a monetary policy component for much awaited Southern-led development paradigm. This would fill in a major void created after the demise of the Washington consensus and failure of any other ideas to come up with substantive details. It is also pertinent to mention as the emerging trends in the global politics show, that across sectors, governments and regulating entities are realising the relevance of connecting with the Global South.

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- ¹ Patra, M. D. 2024. *Harnessing digital technologies in central banks: Opportunities and challenges* [Keynote address]. Reserve Bank of India.
- ² RBI. 2024.
- ³ Dilip, & Nandi. 2023.
- ⁴ Reserve Bank of India. 2024.; *Report on currency and finance 2022-23*.
- ⁵ Reserve Bank of India. 2024. *RBI releases data on sectoral deployment of bank credit – December 2023*.
- ⁶ Patra, M. D. 2024, January 17. *Harnessing digital technologies in central banks: Opportunities and challenges* [Keynote address]. Reserve Bank of India.

Deft handling of Covid-19 crisis and continued delicate balancing during the ongoing global conflicts supply chain disruptions have provided RBI sufficient tool kits to be shared with the Global South. Food and oil prices were the main challenges which required working closely with the fiscal policy. In this context, ensuring economic growth and managing inflation are the two key policy targets that RBI has balanced in a remarkable fashion. Almost all other major Central Banks, across the world, and more so in the developing world ended up in umpteen challenges. Indian experience clearly shows that with effective coordination, communication and detailed discussions, the desired results are possible to be achieved. Experience from RBI also emphasises the potential of the inflation-targeting approach without losing focus on growth specific priorities. When to withdraw accommodation is always an issue before the Central Banks. Lessons from the RBI experience are relevant for the Global South for making monetary policy more coherent and transparent and also for increasing monetary policy discipline, without getting lost in the IMF dictates for inflation management. Another relevant experience of RBI, which several of the Global South friends may find useful is the setting up of Department of Economic and Policy Research (DEPR) and Department of Statistics and Information Management (DSIM). Both departments are involved in conducting research and analysis for

the RBI.¹ Global South has to appreciate the power of data based analytical research and its support for decision making.² In fact, RBI experience now gone beyond data management alone. They have also impressively contributed in the realm of data governance³.

Most important area of accomplishment for RBI is in the realm of regulation and supervision, as remitted under the 1949 Banking Regulation Act. Prior to this Act, the RBI had no regulatory mandate. Hundreds of banks collapsed in that period. The number comes close to 570. Since then, things have evolved.⁴ At this point RBI is engaged with banks and NBFCs with total assets of around `300 trillion and⁵ credit of around `200 trillion With rise of technology and with new monitoring choices, RBI could introduce a good balance of on and offsite supervision, that has augmented predictive abilities for through-the-cycle risk assessment approach.⁶ At one end, usage of AI and machine learning is being leveraged with rising cyber risks, and on the other hand, a far more comprehensive approach on asset and activity-oriented supervision than entity specific monitoring is also being ensured.

Digitalization of the Financial Sector

Digitalization of the financial sector is a great Indian story being celebrated all across the globe. With JAM trinity, jumpstarted a major revolution that

has transformed not only the Indian banking space but the whole of the financial sector. With more than 500 million PMJAY accounts⁷ and 16 million merchants with QR codes⁸ and 4 billion monthly transactions,⁹ a new business space has emerged in India. At a larger level, the¹⁰ digital payment infrastructure facilitates over 160 billion transactions in a year for a value of over `2400 trillion (FY 2023-24). The digital public infrastructure (DPI) has ensured interoperability, inclusivity and public goods approach. This is so different from the stated positions of both the US and the EU where balance between public and private sector is missing, resulting in extremely high transaction costs.

Payment Systems Infrastructure and the technology behind it all is another area where not only the Global South but the rest of the world as well can learn from the RBI. The RBI runs Central Payment Systems in the country round the clock – through the year and the RTGS and NEFT systems combined process more than 43 million transactions every day.¹¹ The domestically grown financial messaging system SFMS which is probably the only system in the world running on ISO20022 standards processes almost 80 million financial messages everyday which is in stark contrast to the around 46 million messages processed globally by SWIFT. The SFMS is probably a product that not

only the Global South but the whole world needs to look at seriously as an alternative to SWIFT in the Global interest of Financial Resilience and Stability. The RBI is also in the process of establishing ‘portable’ payment Systems. Further on the technology front, the RBI is working on what it calls the NextGenCentralBanking platform and applications which are being made for the world. In addition, the home grown Financial Sector Cloud facility being developed by RBI is likely to create benchmarks in the world of technology.

Creating Alternative Mechanisms for Local Currency Settlements

With the threats coming on de-dollarisation, Global South has to prepare itself for another major policy push from Washington. Here the distinction has to be clearly drawn out by the Global South, between replacing dollar and creating alternative mechanisms for local currency settlements, so as to reduce transaction costs.¹² While some of the BRICS members may be articulating de-dollarisation, the idea of most of the Global South, and as it appears to be that of RBI also, is to evolve a balanced portfolio for reserves and for local currency transactions. As Global South prepares for lesser transactions in USD, it would be required by members to have their own national unified approach on interest rates

⁷ Press Information Bureau. 2025, February 1. *Driving financial empowerment*. Press Information Bureau.

⁸ International New York Times. 2023, March 1. *How QR codes revolutionised Indian commerce*. Deccan Herald.

⁹ National Payments Corporation of India. (n.d.). *Monthly metrics*. Retrieved April 2, 2025, from <https://www.npci.org.in/statistics/monthly-metrics>

¹⁰ Press Information Bureau. 2024, September 20. *DFS drives expansion of digital payments in India and abroad*. Ministry of Finance, Government of India.

¹¹ SWIFT. (n.d.). *FIN traffic figures*. SWIFT.

¹² Varier, A. 2024, December 6. *De-dollarisation not our objective, says RBI Governor Shaktikanta Das*. Business Standard.

and currencies for relevant depth and liquidity of markets. The payments and clearing arrangements, as evolved in 1970s, have played their role. In a new digital era, we need to explore new options, where we avoid currency contestations. As geopolitics deepens its impact on the financial sector, India and RBI would have to work more closely with the Global South for collective betterment and resilience.

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