Finance Matters

News, Views & Perspectives on Financial Policies & Institutions

Why Should We Care About Development Finance? ...because it's our money!

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Who Benefits from RBI's Reforms?

The Reserve Bank of India's latest economic review paints a mixed picture. On the surface, India's growth appears strong, among the highest globally, with inflation easing and agriculture performing well. But beneath this headline optimism lies a more fragile reality. Urban demand remains weak, unemployment is creeping upward, and credit growth is slowing. The RBI has urged banks to pass on recent rate cuts to stimulate the economy, but structural issues, like rising inequality, stagnant wages, and uneven recovery, persist. Global risks, including escalating geopolitical tensions and increasing financial protectionism, further cloud the outlook.

Amid this uncertainty, the RBI has moved to dilute a key pillar of inclusive banking, Priority Sector Lending (PSL). Small finance banks, which were earlier required to direct 75% of their credit to essential sectors like agriculture, education, and small businesses, will now only need to allocate 60%. This quiet recalibration chips away at the social mandate of PSL, shifting its purpose from empowerment to efficiency, from equity to profit. What was once a mechanism to extend financial justice is now being hollowed out, one percentage point at a time.

Equally concerning is the RBI's final project finance framework, which takes effect in October 2025. Despite consistent pressure from civil society to integrate climate safeguards, social audits, and public consultation into lending rules, the RBI has chosen to ignore these calls. Instead, it has relaxed key provisions, such as slashing the construction-phase provisioning from 5% to 1%. This opens the floodgates for high-risk infrastructure lending with little public oversight. In an era of climate crisis, this signals a worrying regulatory drift, one that enables opaque, unsustainable mega-projects at the expense of public interest and environmental integrity.

Together, these policy decisions reflect a broader ideological shift: from accountable development to unchecked financialisation.

Team CFA

We refuse to give up trying to demystify finance. We will continue to hold the government and financial institutions accountable for their economic policies and investments. Support us.

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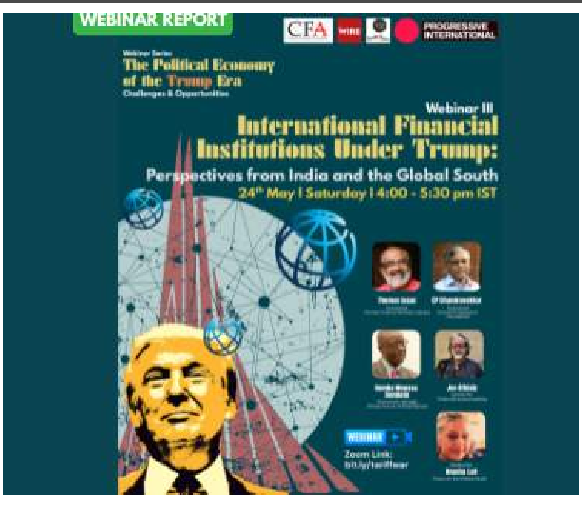

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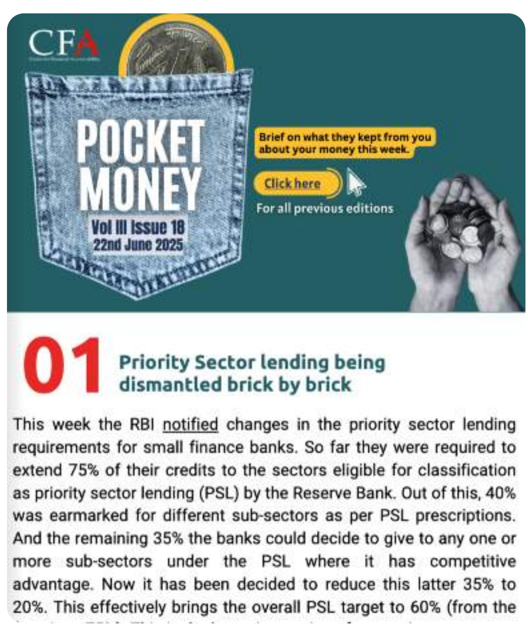

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