

India's rise, reinvention and resilience

The next value-creation agenda for India's
financial institutions

October 2026



The better the question. The better the answer. The better the world works.



Shape the future
with confidence

Foreword | Growth with governance, innovation with trust and reinvention with resilience

■ Rise ■ Reinvention ■ Resilience



Mr. Saurabh Sanyal
Secretary General, ASSOCHAM

Future competitiveness may be shaped not merely by the size of an institution's balance sheet, but also by its ability to leverage technology, create opportunities for collaboration, understand customers and manage risks effectively.

India's banking and financial services sector is at a defining juncture. Over the past decade, the country has made remarkable progress in strengthening financial inclusion, expanding digital public infrastructure, improving balance-sheet resilience and creating a technology-enabled financial ecosystem of unprecedented scale. The next phase calls for financial institutions to build on these foundations and play an even greater role in supporting India's growth ambitions.

As India advances towards its long-term economic aspirations, financial institutions are poised to play a defining role in mobilizing capital, enabling entrepreneurship, fostering innovation and strengthening economic resilience. Their ability to balance growth with governance, innovation with trust, and reinvention with resilience is critical to India's economic journey.

1

India's rise calls for institutions to mobilize capital at scale for infrastructure, manufacturing, energy transition, MSMEs and other emerging sectors.

2

Reinvention may be driven by artificial intelligence, data, digital platforms and ecosystem collaborations that are transforming underwriting, operations and customer engagement.

3

Resilience remains fundamental to sustainable growth, requiring stronger governance, cyber preparedness, operational continuity, responsible AI and robust risk-management frameworks.

I would like to thank **EY, our Knowledge and Evaluation Partner**, for bringing these priorities together in this report.

Foreword | Can scale become better outcomes for customers, enterprises and the economy?

■ Rise ■ Reinvention ■ Resilience



Pratik Shah

*Partner and National Leader,
Financial Services, EY India*

The opportunity before the sector is therefore not simply to become larger or more digital. It is to convert capital, technology and trust into measurable value for customers and enterprises.

India has built one of the world's most dynamic financial services ecosystems. Digital public infrastructure has expanded participation, balance sheets have strengthened and technology has changed how customers and businesses access financial services. These gains provide a strong foundation, but they also raise a more difficult question: can institutions translate this scale into better outcomes for customers, enterprises and the economy? The answer lies in three key imperatives:

Financing India's next growth cycle

India's growth ambitions call for greater flows of capital into infrastructure, manufacturing, energy transition and emerging sectors, alongside deeper formal finance for MSMEs. Institutions need to move beyond balance-sheet capacity toward specialized underwriting, structuring, syndication and wider risk distribution.

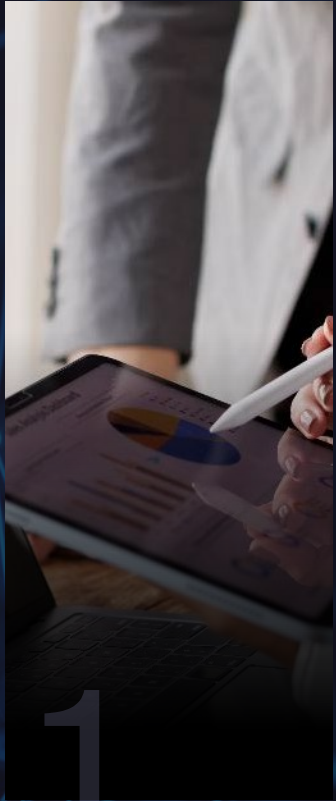
From digitization to value creation

The sector is moving from an era defined by inclusion and digitization to one focused on value creation. Trusted data, digital infrastructure and AI can reshape how institutions understand risk, serve customers and allocate capital, while enabling broader participation across financial ecosystems.

Deepening financial participation

The next opportunity is to turn these foundations into broader economic value: cash-flow and ecosystem-led finance for MSMEs, trusted life-stage relationships with customers, and technology and AI that improve decision-making, strengthen resilience and create better outcomes at scale.

Table of contents



1
Context and
imperatives



2
Financing India's
next wave



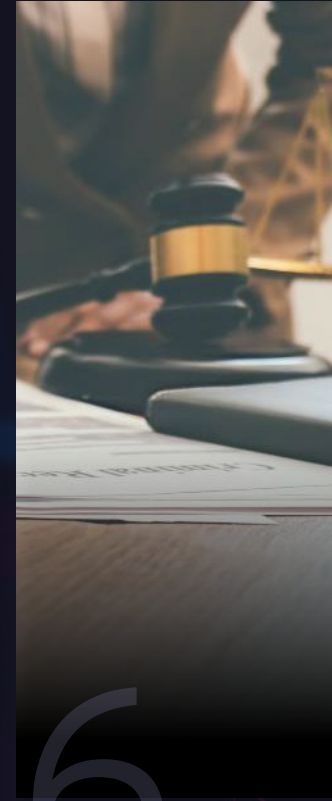
3
Empowering
MSMEs for
productive growth



4
The new-age
consumer bank



5
AI-led banking



6
Resilience and
governance



7
Building future-
ready financial
institutions

Seven sections, one narrative: India's rise, reinvention and resilience run through every chapter to build stronger, fitter institutions.

Context and imperatives

India's financial services sector at an inflection point

India has built scale, access and digital rails. The next decade is expected to reward institutions that turn them into value.

1.8%

Gross NPA ratio,
a multi-decadal
low

~1 in 9

Active UPI users
invest in mutual
funds (derived)

6x-8x

Per-employee
productivity lift
needed to build
2047 scale

- **Rise** - Where growth is likely to come from: Productive sectors, MSMEs and households
- **Reinvention** - How productivity and value capture improve
- **Resilience** - How asset quality, continuity and trust are protected

Source: RBI FSR Jun 2026; EY Wealth Inclusion in India (2026)



1

India has built the foundations. Growth, productivity and asset quality needs to now advance together

RiseReinventionResilience		
India's rise	Reinvention	Resilience
	Outcome	
Growth Where it is likely to come from	Productivity How institutions convert scale into value	Asset quality how value is protected
8.1x 12x-14x Indian economy and banking assets may grow by 2047 INR64 lakh crore vs. ~INR34 lakh crore Bankable MSME demand vs. formal supply 34% of household assets now financial, up from 28% in FY15 Growth that is productive and risk-adjusted: Capital may reach investment, MSMEs and household wealth at new scale.	6x-8x per-employee productivity lift needed to build this scale 16% of identified GenAI use cases reached production 1 in 4 customers rate their banking experience as excellent Productivity through capability, not headcount: Orchestrate capital, earn primacy and industrialize intelligence.	1.8% gross NPA ratio, a multi-decadal low #1 AI-enabled cyberattacks ranked the top near-term systemic risk 14% of regulated entities monitor AI models in real time Asset quality through the cycle: Early warning, intelligent monitoring and responsible collections protect strong balance sheets.

The result is stronger, fitter institutions: Rise drives growth, reinvention lifts productivity, resilience protects asset quality, and all three may advance together.

Five leadership choices to convert scale into value

■ Rise
 ■ Reinvention
 ■ Resilience

Direct capital to the next economy	Turn MSME formalization into financial participation	Win customer primacy, not just acquisition	Industrialize AI for enterprise value	Build resilience by design
Banking assets may grow 12x-14x by 2047; 217.62 GW non-fossil capacity vs. 500 GW target - Capital orchestration - Sector underwriting - Risk distribution	7.83 crore Udyam registrations, yet only 41% of registered MSMEs have accessed formal credit - Cash-flow underwriting - Ecosystem finance - Relationship value	<i>Conversion gap</i> 88% find account opening convenient; only one in four rate their overall experience excellent - Customer experience - Predictive engagement - Financial-life relationships	47% of surveyed banks have rolled out GenAI; only 16% of use cases reached production - Production AI - Human-AI operating model - Responsible scaling	GNPA at 1.8%, yet AI-enabled cyberattacks rank as the top near-term risk - Critical services - AI and model governance - Operational resilience
Pages 8-13	Pages 14-19	Pages 20-27	Pages 28-34	Pages 35-39

Each choice maps the same arc: Rise sizes the prize, reinvention captures it, resilience makes it endure.

Source: EY Analysis/ Reports; ETBFSI (Jul 2026); RBI FSR (Jun 2026)

The agenda has moved from building access to creating value: Seven shifts redraw the institution

Rise

Reinvention

Resilience

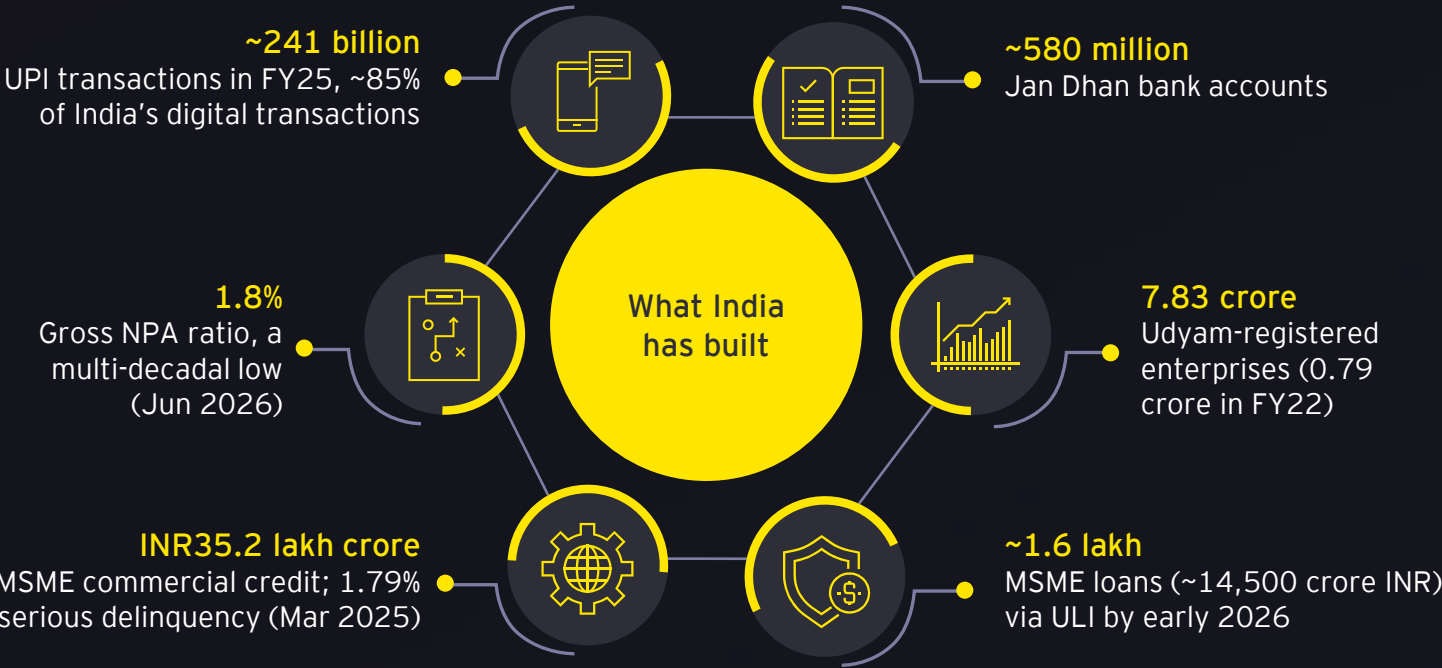
From	To	What changes
Access	Value creation	Success measured by usage, depth and outcomes, not accounts opened
Originate and hold	Originate, structure, distribute, service	The balance sheet becomes a platform, not a warehouse
Acquisition	Customer primacy	Share of financial life matters more than customer count
Product ownership	Financial-life relationships	Engagement anchored in needs and life stages
Digitization	Intelligence	Digital journeys become decision engines
Institution-led delivery	Ecosystem orchestration	Value created with partners, anchors and platforms
Risk controls	Resilience by design	Critical services protected end-to-end

Each shift raises the return on capability and lowers the return on scale alone.

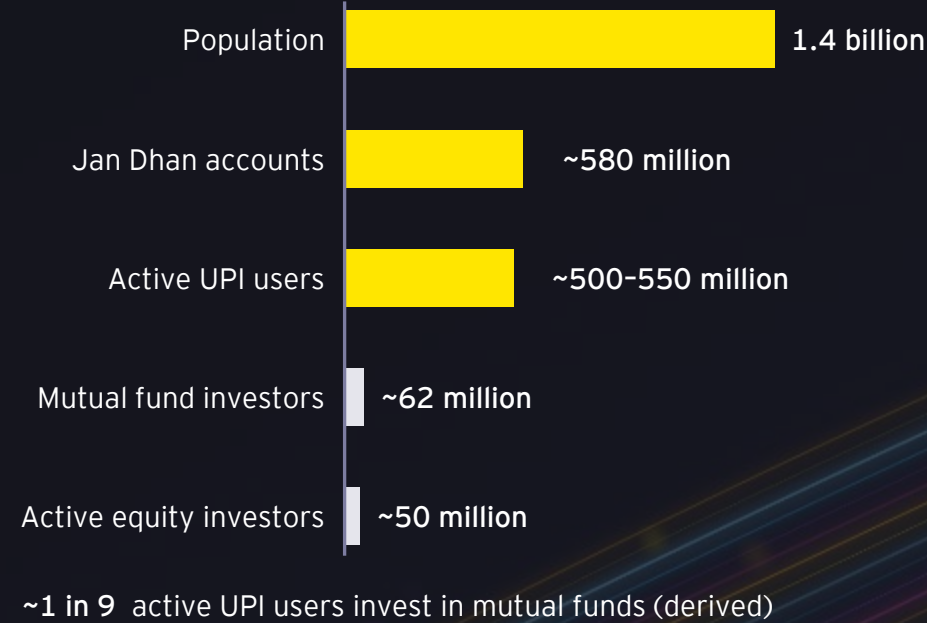
Source: EY Analysis/ Reports

Access has scaled faster than value: India has built the rails, but conversion into wealth and credit lags

Rise



What it has converted into wealth participation



This is not an infrastructure gap. It is a **confidence, advice and conversion gap** and it recurs in credit, customer relationships and AI.

Source: EY Analysis/ Reports; Udyam portal; RBI FSR (Jun 2026); EY Wealth Inclusion in India (Sep 2026)

Financing India's next wave

Capital may not be India's binding constraint. The capability to underwrite, structure and distribute it is likely to be.

**US\$32
trillion**

Viksit Bharat
economy ambition
by 2047

12x-14x

growth needed in
banking assets by
2047

**INR111
lakh crore**

NIP estimated
investment
requirement

- **Rise** - Mobilizing capital for infrastructure, manufacturing and emerging growth sectors.
- **Reinvention** - Orchestrating capital through sector expertise, structuring and risk distribution.
- **Resilience** - Protecting long-term investments through lifecycle underwriting and monitoring.



The 2047 math: Growth sectors defining Viksit Bharat may outpace what balance sheets alone could fund

Rise



Where the capital may go	Scale signal	Tenor	Complexity	What it demands
Infrastructure and logistics	INR111 lakh crore estimated investment requirement (NIP)	Long	High	Project finance; lifecycle monitoring
Manufacturing	~INR2 lakh crore realized PLI investment, 14 sectors	Medium	Medium-High	Sector underwriting; supply-chain finance
Energy transition	500 GW non-fossil target by 2030 vs. 217.62 GW in Jan 2025	Long	High	Structured, blended and green finance
Digital and AI infrastructure	~1.25 GW data-center capacity (FY25), expected to roughly double by FY28 on ~INR90,000 crore capex	Medium-Long	High	Technology and utilization due diligence
Strategic and emerging (EVs, semiconductors, defence)	INR1.64 lakh crore in 12 approved chip projects · INR1.78 lakh crore defense output in FY26 (INR3 lakh crore target, 2029) · INR18,100 crore PLI for 50 GWh battery cells	Medium-Long	Very high	Specialist desks; ecosystem intelligence

Banks have an opportunity to grow, but only if **productivity rises 6x-8x per employee**. Capability, not capital, is the binding constraint.

Source: EY Analysis/ Reports; NIP Report; DPIIT; MNRE; PIB (MoD, MHI)

From lender to capital orchestrator: The winning balance sheet is a platform, not a warehouse

Reinvention

	Originate	Structure	Distribute	Service
Role	Find and judge the opportunity	Make it bankable	Share risk, recycle capital	Own the flows around the asset
Capability	Sector intelligence	Structuring, credit enhancement	Syndication, investor access	Payments, trade, treasury, FX
Revenue	Interest income	Structuring fees	Syndication fees; capital released	Transaction and FX fees
Risk	Selection risk	Structure and covenant risk	Placement and reputational risk	Operational and counterparty risk
Partners	Sponsors, anchors	DFIs, guarantors	Institutions, capital markets	Corporates, supply chains

Why now:

Individuals hold 18.7% of Indian equity, a two-decade high, and domestic institutions invested ~US\$67.6 billion net in FY25. The buyers for distributed risk already exist.

Measure what matters: **Capital mobilized per rupee of balance sheet retained**, and fee income earned around every exposure.

Source: EY Analysis / Reports

Sunrise sectors break generic scorecards: Each turns on a different decisive risk

Reinvention

Demand visibility decides four of five sectors; obsolescence alone can sink AI infrastructure. One corporate scorecard cannot see both.

Underwriting lens	EVs	Semiconductors	Defense manufacturing	AI infrastructure	Renewables and clean tech
Technology maturity		Technology maturity			Technology evolution
Demand/order visibility	Adoption trajectory	Customer concentration	Order visibility	Compute demand	
Execution capability		Yield ramp-up	Execution capability		
Ecosystem readiness	Charging infrastructure	Ecosystem readiness		Power availability	
Policy dependence			Procurement cycles		Policy support
Obsolescence risk				Technology obsolescence	
Supply-chain resilience	Supply-chain integration		Localization requirements		Supply-chain resilience
Cash-flow visibility	Battery economics			Utilization rates	Long-term cost competitiveness

Build **sector desks that pair credit officers with engineers** and wire sector-specific triggers into early warning.

No single balance sheet can carry India's ambition: The edge lies in assembling the capital stack

Reinvention

Bank role		How it mobilizes capital
Co-invest, arrange	Private capital and alternative channels	Private credit, infra debt funds diversify funding
Structure, crowd in	Blended and concessional finance	Makes viable what commercial capital alone is not expected to touch
Structure, originate	Credit enhancement	Guarantees, subordinated capital, risk-sharing
Originate, verify proceeds	Green and sustainability-linked finance	Channels funds to eligible projects
Lend, syndicate	Senior debt: Banks, DFIs, institutions	Core long-tenor funding
Distribute, refinance	Capital markets and structured finance	Matches risk to investor appetite; recycles capital
Risk absorbed and cost of capital rise upwards		

The domestic capital base is deepening

~US\$5.2 trillion
household investable financial assets, FY25

18.7%
of Indian equity held by individuals (Mar 2026)

US\$13.9 billion | US\$67.6 billion
Net retail | domestic institutional investment, FY25

The investors to share long-duration risk already exist; make structuring and distribution core franchises, not add-ons to lending.

Source: EY Analysis / Reports

Project risk is a path, not a point: Underwrite the lifecycle, not just the sanction

Resilience

RBI's Project Finance Directions, 2025, establish a lifecycle approach spanning sanction, disbursement, monitoring, stress resolution and changes to the date of commencement of commercial operations (DCCO).

	Financial closure	Construction	Commissioning	Operations	Refinancing
Dominant risk	Land, approvals	Cost overrun, supply chain	DCCO delay, technology	Demand, utilization, policy	Liquidity, tenor mismatch
Data required	Approval status, sponsor equity	Progress, equity infusion	Testing, offtake	Utilization, cash flows	Market conditions
Signal	Approval slippage	Milestone variance	DCCO revision	Utilization shortfall	Refinancing readiness
Intervention	Conditions precedent	Controlled disbursement	Independent review	Covenant revision	Sponsor support, restructuring
Control	Stage-gate sanction	Milestone-linked disbursement	Stress testing	Climate and transition stress tests	Liquidity buffers, diversified funding

Stress-test combined downside, not single shocks (delay + cost escalation + low utilization + tight refinancing), and tie every early-warning signal to a pre-agreed action.

Source: RBI Project Finance Directions, 2025; RBI Discussion Paper on Climate Risk and Sustainable Finance; Basel Committee on Banking Supervision; EY Analysis / Reports

Empowering MSMEs for productive growth

Formalization has made MSMEs visible. The next imperative is to make them bankable and keep them resilient.

**7.83+
crore**

Udyam-registered
enterprises

41%

of registered
MSMEs have
accessed formal
credit

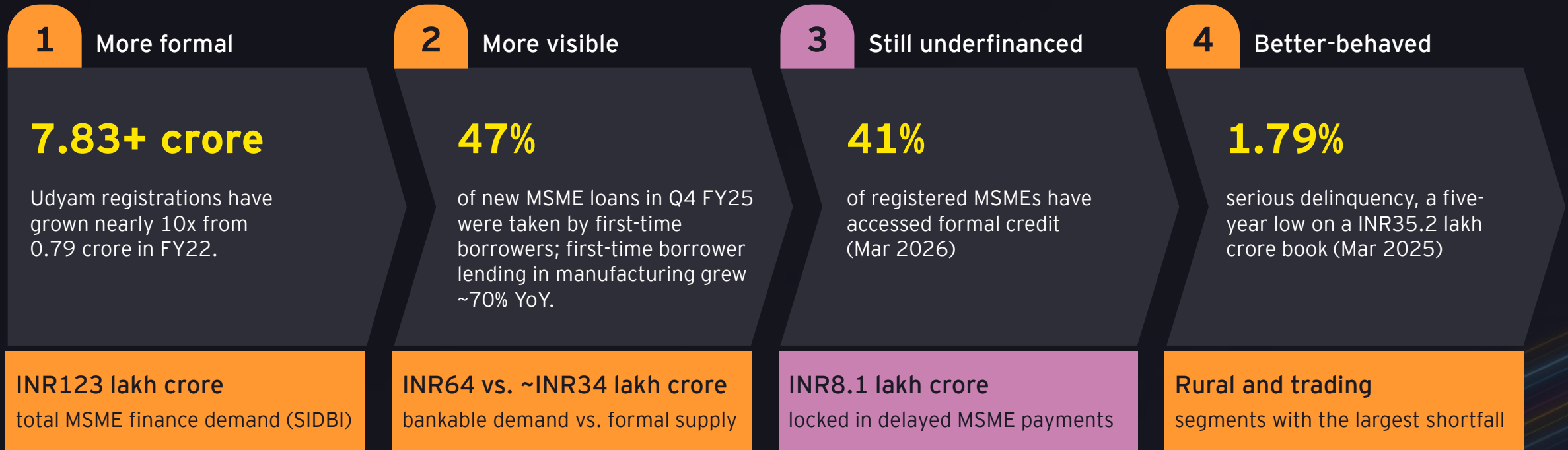
- Rise - Turning formalization into wider credit access and productive enterprise growth.
- Reinvention - Making MSMEs bankable through cash-flow intelligence and ecosystem finance.

Source: EY Analysis/ Reports, IBEF MSME Report, ETBFSI -Jul 2026



Formalization and credit quality are at record strength; MSME financing is not

Rise



Formalization and credit quality are improving, but formal finance has yet to catch up. Only 41% of registered MSMEs access formal credit.

Source: EY Analysis/ Reports;, IBEF MSME Report, ETBFSI -Jul 2026, SIDBI Transunion press release - 2025, SIDBI - 2025, Economic Times - Jan'2026

Cash flows, not collateral, are becoming the first lens of MSME credit

Reinvention

From collateral and static statements → To live cash-flow, transaction and ecosystem intelligence

Decision layer > Cash-flow, transaction and ecosystem intelligence

6 Lending rails > Unified Lending Interface (ULI) · OCEN

5 Receivables > TReDS

4 History > Credit bureau

3 Consented access > Account Aggregator · borrower consent (DPDP)

2 Transaction trail > GST returns · bank transactions · UPI

1 Formal identity > Udyam · GST registration

Governance · data quality · consent · explainability

Policy tailwinds

INR10 crore

Credit guarantee cover for Micro and Small Enterprises, increased from INR5 crore.

INR5 lakh

Customized credit cards for Udyam-registered micro enterprises; 10 lakh cards planned in the first year.

INR2 crore

term loans for five lakh women (SC and ST first-time entrepreneurs)

Lower the cost of credit decisions by using consented data for routine assessments and human judgment for exceptions.

Source: EY Analysis/ Reports; Factsheet Details | PIB, PIB - Union Budget 2025

Underwriting that is better, not just faster: AI turns evidence assembly into judgment time

Reinvention

Credit workbench | Illustrative MSME borrower: Precision components maker | Working capital + term loan

Formal status

Udyam registered · GST active

Consented data

12 months of bank statements via Account Aggregator

Cash-flow view

Inflows stable; seasonal dip flagged

Receivables

Anchor invoices on TReDS

Bureau and relationship

Clean repayment; existing CASA

Exceptions

Reported sales above evidenced sales

Monthly inflows (illustrative)



AI recommendation

(Approve with conditions)

Why: GST-matched inflows; dip covered by receivables; validate cash share. A human decides.

AI-powered credit appraisal delivers

60%-70%

Lower credit officer effort

70%-80%

Faster underwriting turnaround

10%-15%

Better credit outcomes

AI-assisted field discussion

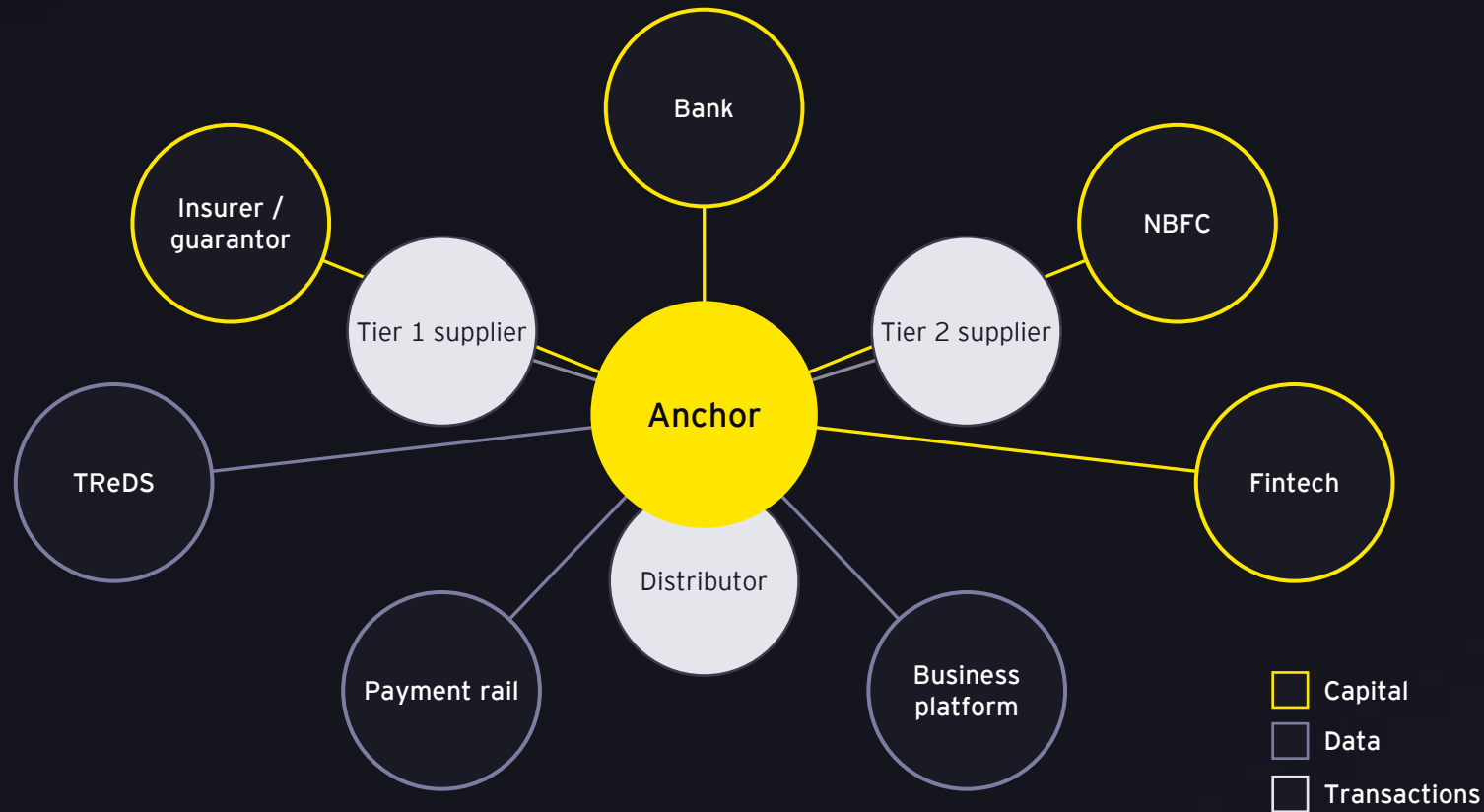
- Pre-visit brief
- Guided, geo-tagged evidence
- AI validates reported vs. evidenced sales
- Soft offer and next-best action

The credit officer stops assembling files and starts exercising judgment: **Triangulated evidence, explainable recommendations, human decision.**

Source: EY Analysis/ Reports

Underwrite the transaction, not just the borrower: Ecosystems change MSME unit economics

Reinvention



Assess the flow

Anchor-led models judge the trade transaction, approved receivable and relationship, not the MSME in isolation. Co-lending pairs bank funding with NBFC reach.

Bend the cost curve

AI-led journeys can let a lean, two-officer branch serve many more micro-markets without proportional headcount.

>INR5.3 lakh crore

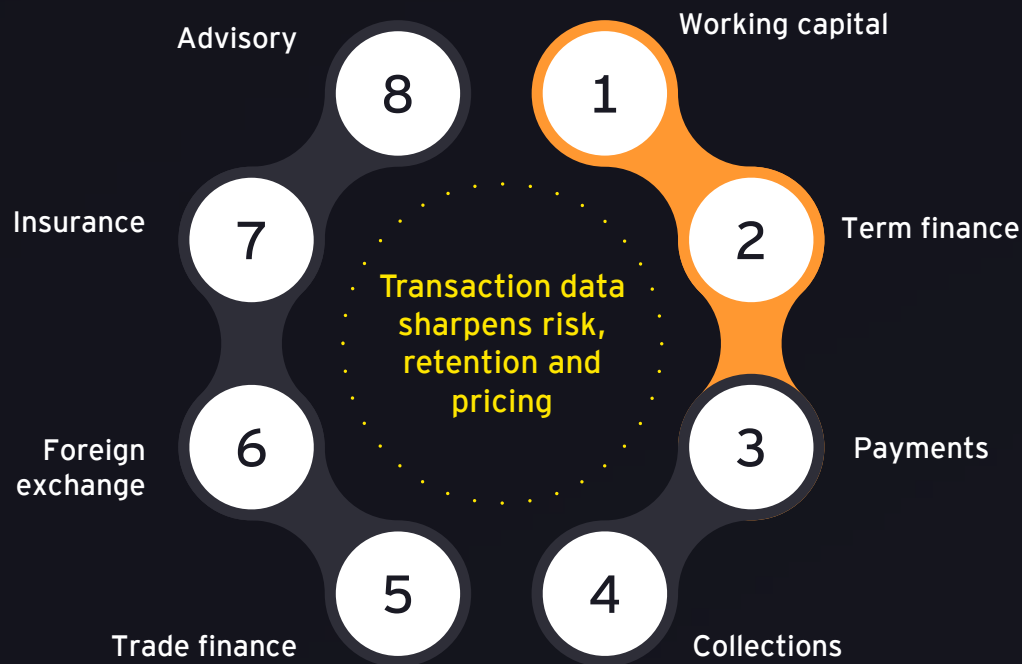
NBFC MSME AUM, FY26.
Collaboration-led origination is already at scale

Own the **ecosystem position**, while governing the concentration, data-sharing and continuity risks that come with it.

Source: EY Analysis/ Reports

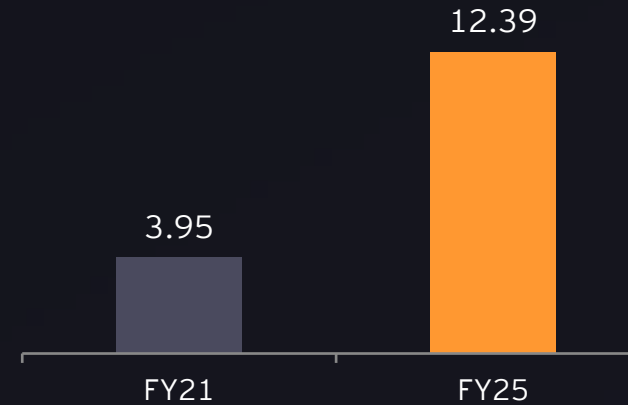
A loan is the entry ticket; The prize is the transaction, trade and FX relationship

Rise



Insurance: Climate, cyber, business interruption. Advisory: cash-flow planning, digital security, FX risk.

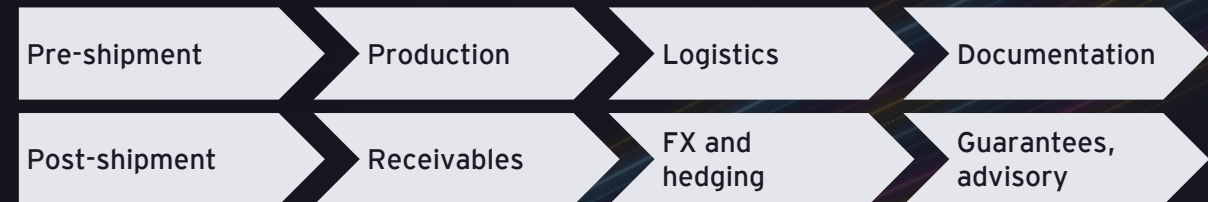
MSME-related exports (INR lakh crore)



>45%

of India's exports are MSME-related; they have more than tripled since FY21

Every export creates eight financing moments



Price and measure MSME relationships on **total relationship value, not loan yield** as exporters need credit, trade, FX and protection together.

Source: EY Analysis/ Reports; PIB -2025

The new-age consumer bank

Products and pricing are now table stakes. Customers choose and stay with banks based on experience, trust and relevance

1 in 4

customers rate their banking experience as excellent (EY, n>2,000)

382 million

Gen Z in India, 26% of the population

20%

of the world's Gen Z live in India

■ **Rise** - Deepening financial participation across emerging customer and wealth segments.

■ **Reinvention** - Deepening financial participation across emerging customer and wealth segments.



4

The experience gap: Onboarding delights, but loyalty is lost in the moments that follow

Reinvention

Customers now benchmark banks against the best digital experiences in any industry, not against other banks

88%

find account opening
convenient

Phygital, not digital-only

>70%

mobile-banking satisfaction in several
segments: The most-used, highest-rated
channel

Branches stay critical for trust-sensitive,
compliance-heavy and high-value
moments: Rural customers, entrepreneurs,
mass-affluent and pre-retirement
households. Customers want to start
digitally, resolve fast and reach a human
when reassurance matters.

Friction

forced branch visits · unclear
communication · delayed resolution

Trust is strong but fragile

>80% vs. 73%

trust banks with their data vs. believe
fraud issues are resolved effectively
Transparent communication, faster closure
and visible human support during disputes
are now non-negotiable drivers of loyalty.
Security alone is not enough without an
empathetic response.

1 in 4

rate their overall
experience as excellent

Relevance is still reactive

>50%

say their bank understands their needs,
yet engagement waits for them to ask
Banks fall short at lifecycle moments:
salary changes, business cash-flow dips,
retirement transitions. Prediction, not
personalization, is the new frontier.

Convenience is now the floor: **Loyalty is won or lost in resolution, communication and the hand-off between app and human.**

Source: EY Reports / Analysis

Gen Z is digital-first, not digital-trusting: India's first fully digital generation still wants a human when money matters

Rise



Gen Z in India,
26% of the
population



of India's
workforce



set aside money
for savings (37%
always)



Per-employee
productivity lift
needed

Digital by habit

69%
prefer UPI for payments (16% prefer cash)

52%
hold more than one bank account

7 in 10
prefer online applications to invest

Human for trust

83%
still prefer a personal touch for financial
guidance

7%
trust bank representatives most for advice
(53% trust family and friends)

55%
rank trust as the top factor in choosing how
to borrow

Open to AI, on their terms

65%
would share financial data with an AI
chatbot for personalized advice

46%
cite data privacy as their main AI concern

62% vs. 6%
trust large banks such as state-owned banks
vs. startups for AI advice

Incumbents hold Gen Z's trust but risk losing its engagement: Pair app-grade experience with human reassurance at decisive moments.

Source: EY Analysis / Reports

Gen Z is expected to redefine how the institution operates, not just how its app looks

Reinvention

Operating lever	What Gen Z is signaling (EY-RBIH survey)	What changes in the institution
Products	48% hold multiple accounts to separate personal and professional money; 44% to use different banks' features	Modular, multi-account-aware propositions, not single-product bundles
Channels and servicing	42% of users dissatisfied with their bank's app want better UI/UX	Mobile-first journeys with seamless hand-off to branch or RM, without repetition
Advice and RMs	Only 13% trust bank representatives for unbiased advice, vs. 44% for financial apps	RMs as transparent coaches: Fact-based, goal-led and clear on fees
Loyalty and rewards	68% of UPI users are drawn by discounts and cashback; 46% hold credit cards mainly for rewards	Contextual, dynamic rewards tied to real spending, not static points
Credit	38% prioritize flexible repayment; 36% prefer borrowing from friends and family	Flexible, transparent credit with real-time limits and alternative-data scoring
Financial discipline	81% plan or budget, yet only 33% stick to a budget	Embedded budgeting, goals and nudges that make discipline the default

From product ownership to continuous relevance

A different bank:

Gen Z wants not a marginally better version of today's bank, but one that is more personalized, more responsive and more transparent.

Future agenda:

The agenda is to foster personalized channels, unite convenience and rewards, transform advisory, uphold discipline, redefine engagement, and empower flexible credit.

AI guidance should only be taken with clear consent, transparency and human support at moments of financial consequence.

Gen Zs are already diversifying their money across banks; the institution that stays relevant at every life-stage is expected to win the primary relationship.

Source: EY Analysis / Reports

Customer primacy is not won through more products; it is earned by becoming the first choice across financial moments

Reinvention

Acquisition counts customers. Primacy measures how much of their financial life the institution is trusted to serve.

01 Earn the right to be primary

Permission to deepen

Resilience trust, consent, execution

- Dependable everyday execution
- Continuity across app, branch, RM
- Transparent, clear advice
- Consented data, suitable offers
- Resolution when trust is tested

■ **Permission, not yet primacy**

02 Become relevant across the financial life

From provider to trusted adviser

Reinvention one joined-up institution

Role 1
Everyday bank

Transactions,
deposits and
payments

Role 2
Financial partner

Borrowing,
protection and
planning

Role 3
Trusted adviser

Investment,
retirement,
business and
consequential
decisions

Share of financial life served: transactions → decisions → plans

03 Measure primacy, not activity

Primacy scorecard

Rise participation and value

- **Breadth**
Share of eligible needs served
- **Depth**
Share of balances and financial flows
- **Continuity**
Retention through life-stage changes
- **Trust**
Advice adopted, primary-bank preference

■ **Illustrative management framework**

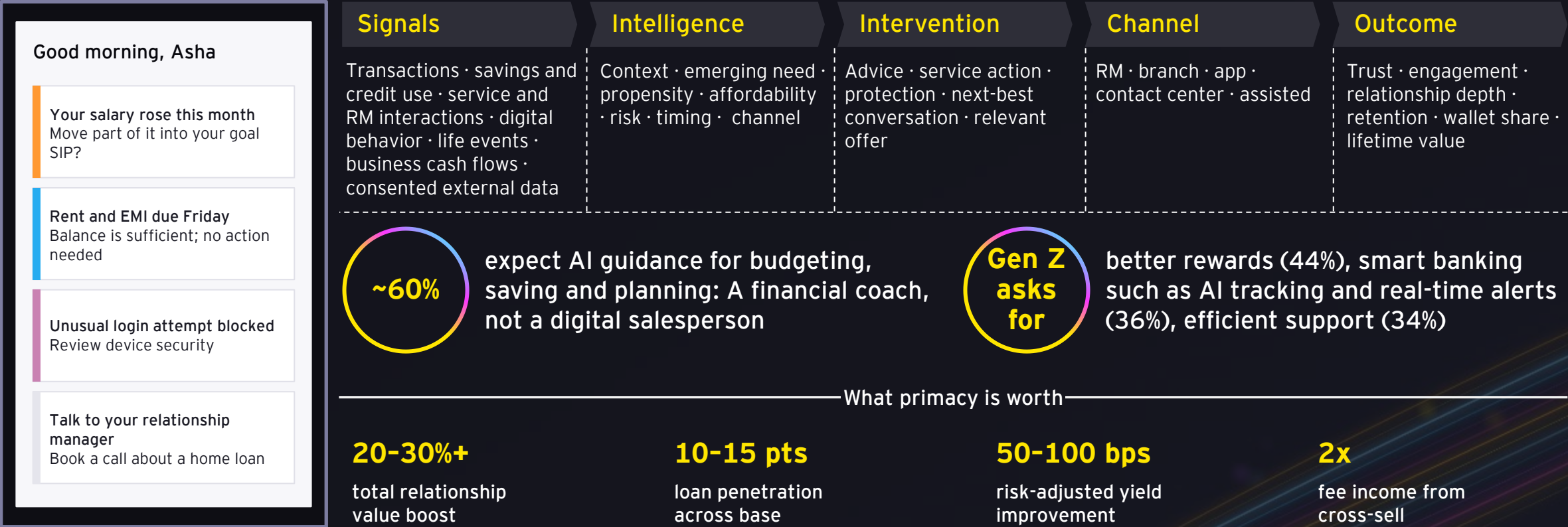
🔄 **Reinforcing loop** Better context → More relevant engagement → Greater relationship depth → Stronger customer permission

Measure primacy through share of financial life, not products sold: **Breadth, balances, flows, continuity and trust.**

Source: EY Analysis / Reports

Fusing consented signals into one customer context: Primacy goes to banks that anticipate needs, not react to requests

Reinvention



Illustrative app mock-up

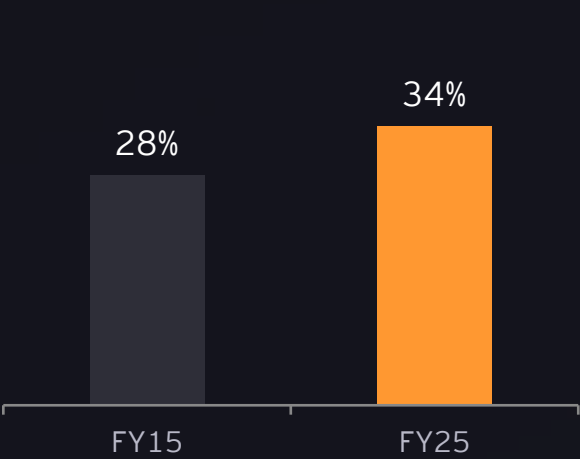
One consented, living customer context lets banks act at lifecycle moments, such as a salary change, a cash-flow dip or retirement, **with suitability, transparency and human judgment built in.**

Source: EY Analysis / Reports; DPDP Act, 2023.; Illustrative

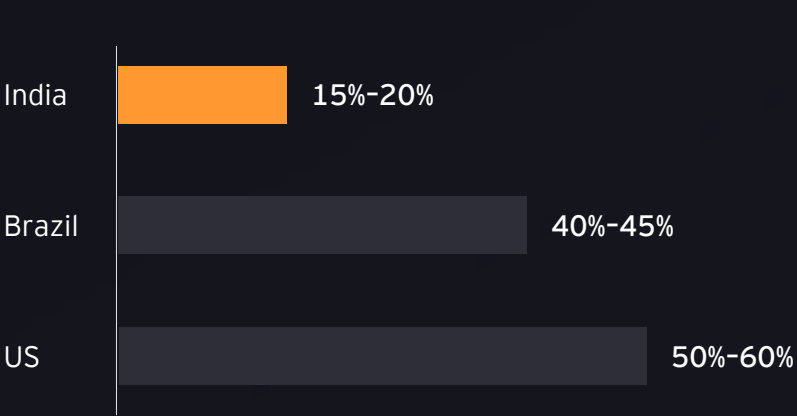
As households shift from saving to investing, value moves to whoever orchestrates their financial lives



Financial assets, % of household assets



Still underpenetrated: MF + Equity, % of GDP



New wealth creators are arriving

- 38%** of investors under 30 (Jun 2026), from 23% in FY19
- 35%** SIP share of individual MF AUM, from 19% in FY19
- 3.3X** women's MF AUM: US\$54.3 billion (2020) → US\$1y78 billion (2025)
- 21%** projected 60+ share of population by 2050 (11% in 2024)



individual MF AUM, 64% of industry (Jun 2026)



demat accounts



of MF AUM from beyond the top 110 cities (FY25)



additional long-term investors

Banking, protection, investment and retirement now form one household balance sheet. The advice gap, not the access gap, limits wealth creation.

Source: EY Wealth Inclusion in India , EY analysis

AI-led banking

AI has moved from pilots to P&L. The advantage now goes to institutions that can industrialize it, responsibly

74%

of financial firms
have initiated
GenAI proof-of-
concept projects

11%

of financial firms
have moved to
production-level
GenAI deployments

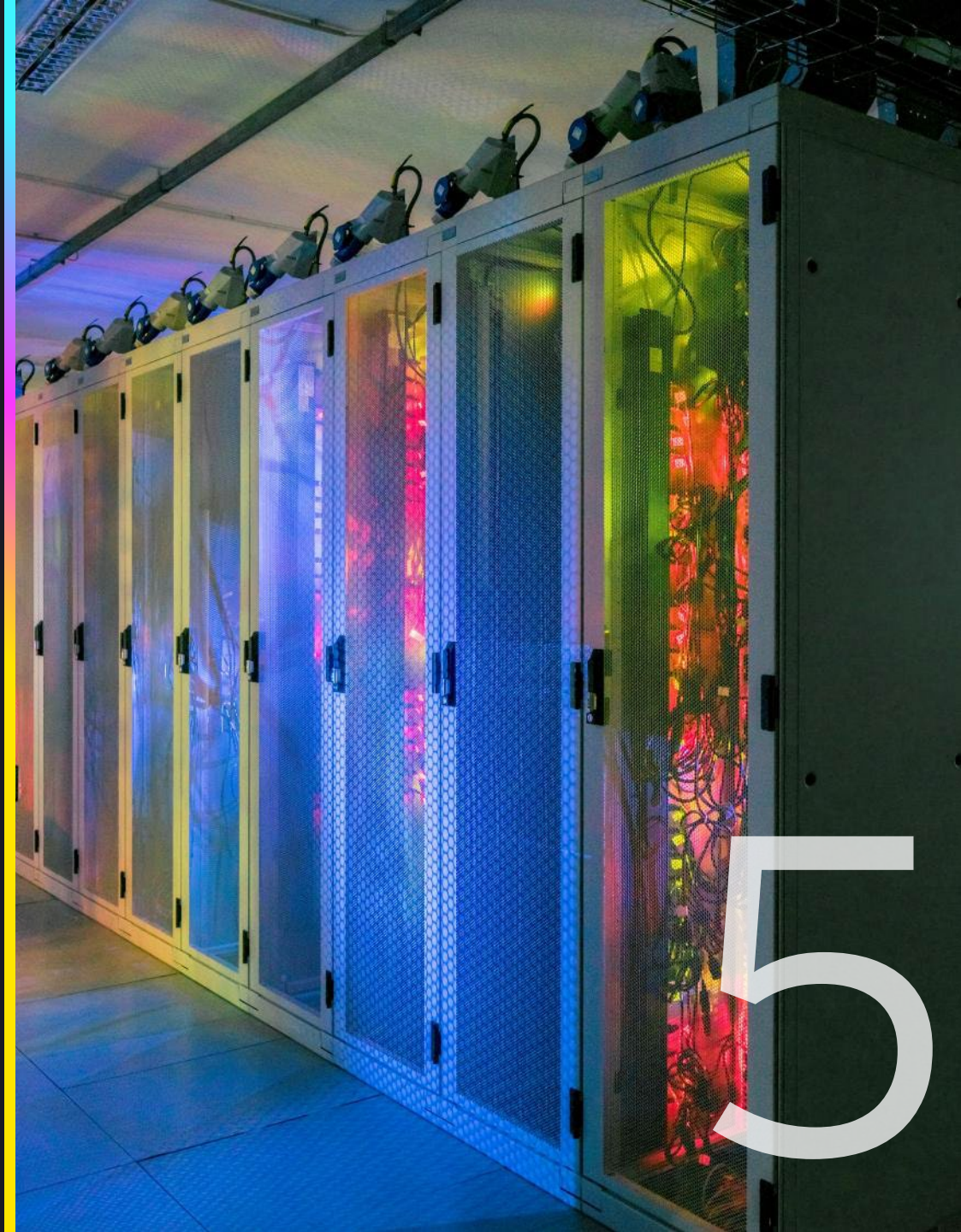
Up to 46%

potential
productivity uplift
in Indian banking
operations by
2030

■ **Reinvention** - Moving AI from isolated pilots to production-grade institutional capability.

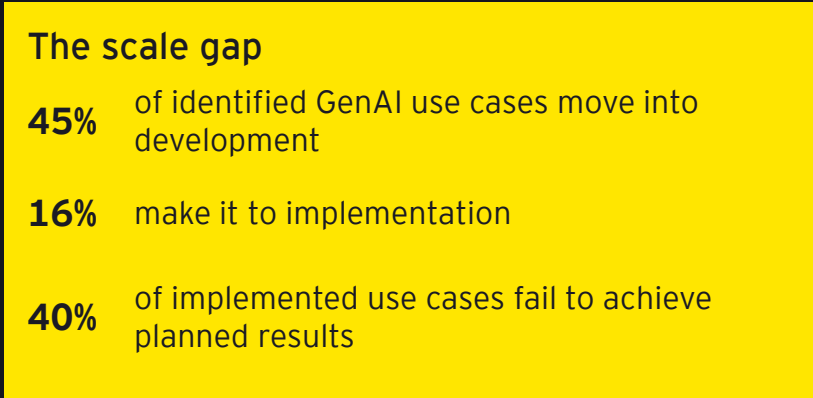
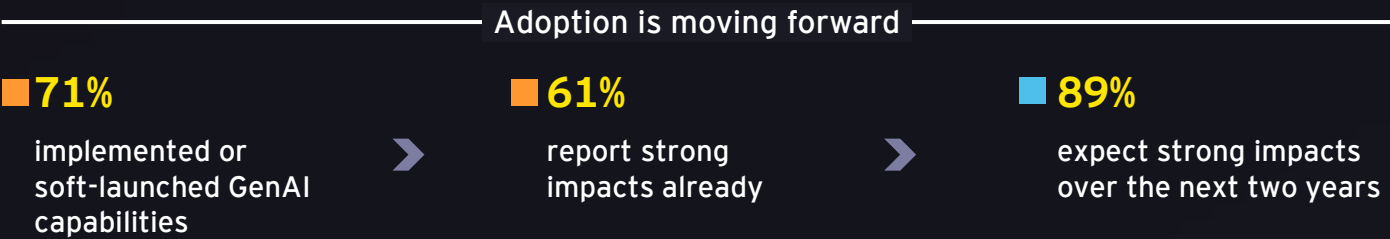
■ **Resilience** - Embedding explainability, human oversight and continuous governance by design.

Source: EY Analysis / Reports; EY, The Aldea of India



AI adoption is accelerating; The value gap is now between experimentation and scaled execution

Reinvention



What this means

Adoption is no longer the central question. The challenge is turning activity into repeatable, measurable outcomes.

Governance has to catch up
Among the 127 RBI-surveyed entities reporting AI use



real-time performance monitoring



monitor data or model drift

The constraint is shifting from finding AI use cases to converting them into **repeatable value**, with the data, governance and monitoring needed to scale responsibly.

Source: EY Analysis/Reports; RBI FREE-AI report (Aug 2025)

AI pays where it changes a decision: Six value pools from customer primacy to risk

Reinvention

Value pool	AI intervention	Evidence in this report (EY experience, indicative)
Customer primacy	Fused signals; next-best conversation; RM copilots	20%-30%+ relationship value; up to 2x fee income
Retail and MSME underwriting	Cash-flow triangulation; AI credit memos	60%-70% less officer effort; 70-80% faster turnaround
Collections	Propensity models; voice AI; guided field visits	15-20 pts lower flow-to-NPA
Lending operations	Agentic KYC, documents and orchestration	60%+ RM and 80%+ CPA capacity released (p.30)
Corporate banking and trade	Client intelligence; document AI; covenant monitoring	15-20% higher wallet share
Risk and compliance	Early warning; anomaly detection; drift monitoring	Only 14% monitor models in real time: the gap

Fraud is two problems, not one

Value

Advances-related fraud carries most value at risk; Needs early flags on a few large exposures.

Volume

Card and internet fraud drives case counts at private banks. Needs real-time monitoring.

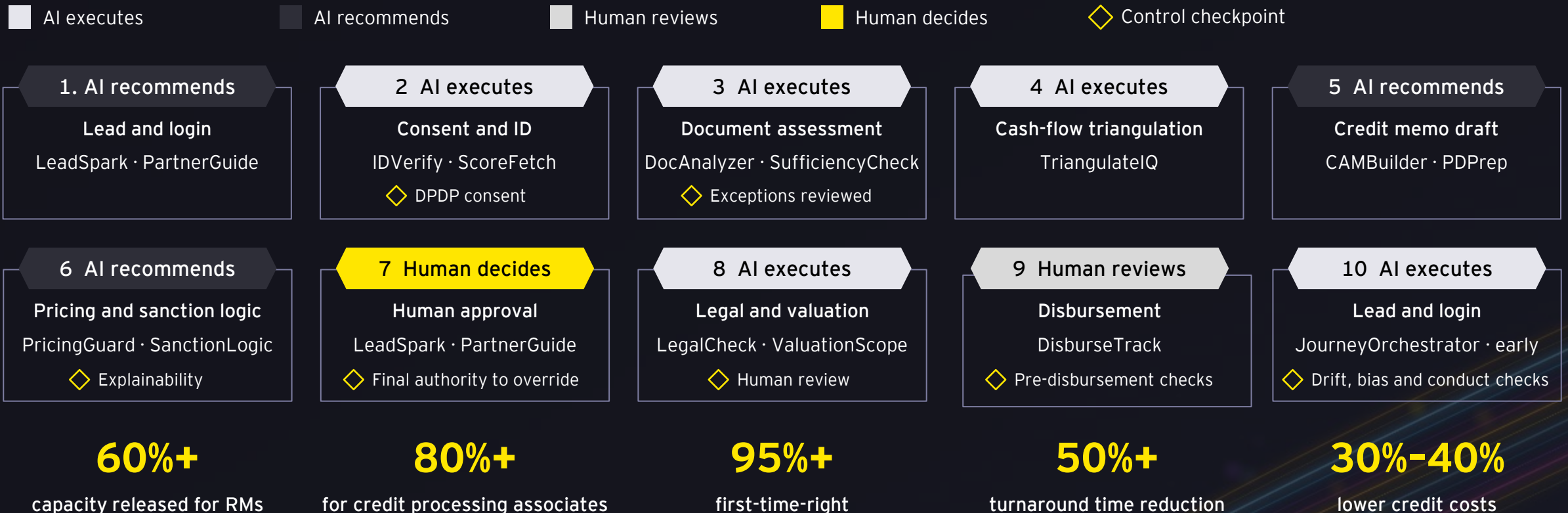
Counts are distorted by reclassification after the Supreme Court ruling of 27 March 2023: track value and cohorts. MuleHunter.AI and IDPIC target real-time detection.

Prioritize AI against **growth, efficiency and experience outcomes, not technology**; Design fraud AI separately for volume and for value.

Source: RBI; EY Analysis / Reports

Retail lending: 15+ agents prepare the decision; humans own it

Resilience



Encode controls in the journey, so **speed and accountability scale together**: Agents execute and recommend; A named human decides.

Source: EY Analysis / Reports (EY experience, indicative)

Corporate banking and trade: AI widens the RM's field of view and shortens the time to decide

Resilience

■ AI executes ■ AI recommends ■ Human reviews ■ Human decides ◇ Control checkpoint



AI turns the corporate RM into a portfolio strategist: **Deeper wallet share, faster decisions and earlier risk visibility**, with credit judgment and sanction authority unchanged.

Source: EY Analysis (EY experience, indicative); UCP 600

Be deliberate about where AI takes over: From doing the work to conducting it



Colleague archetypes: productivity multiple rises as people move from executing tasks to directing agents

Example: How AI reshapes the credit officer's work

Autonomous	Agent drafts	Copilot	Deprioritize
70%-90%+	40%-60%	15%-30%	Redesign
work automated	work AI-led	work AI-assisted	low-value work
AI executes; human reviews exceptions Application and KYC checks · document authentication · policy and exposure checks	AI recommends; human approves Credit assessment and offer · risk-based pricing · credit memo · policy exceptions	AI augments; human leads Personal discussion and site visits · restructuring and stress conversations	Streamline, standardize or defer Ad hoc status updates · manual file archiving · informal coordination

Allocate work by materiality: AI executes the routine, drafts the analytical and assists the judgment that stays human.

Source: RBI FREE-AI Report; EY analysis / Reports

Moving from pilots to P&L requires an operating system: Build once, gate rigorously and scale with explainability at the core

Resilience

1 Build once, reuse everywhere

- Talent built to operate agents
- Orchestration and data platform
- Decisioning agents
- Conversational and voice AI
- Document intelligence

Shared layers redeployed across process ops, credit, collections, marketing, wealth and employee productivity. Every investment ranked against growth, efficiency or experience.

2 Gate every use case

Anchor on the outcome, then score four lenses: data · knowledge · integration and tooling · AI platform

1	AI-ready	Scale
2	Substantially ready	Enhance
3	AI-constrained	Remediate
4	Significantly constrained	Rebuild
5	AI-blocked	Stop

Any critical blocker stops go-live, whatever the weighted score.

3 Scale explainable first

Lead here Explainable, high value Interpretable credit scoring · ECL · AML monitoring	Prove, then scale Opaque, high value GenAI underwriting agents · neural mule detection
Autopilot Low stakes, explainable Reconciliation · document processing · coding	Hold Opaque, lower value Niche black-box tools · speculative GenAI with no P&L

Opaque models graduate to "lead" once explainability clears regulatory scrutiny.

Treat digital actors in the same way as any other employee: Clear accountability, explainability by design and continuous monitoring.

Source: EY Reports/ Analysis

Resilience

By design, not by audit

Balance sheets are stronger, but the risk perimeter is wider, more connected and increasingly outside institutional walls.

1.8%

Gross NPA ratio, a multi-decadal low

#1

AI-enabled cyberattacks top near-term risk in RBI's survey of 33 banks and 10 upper-layer NBFCs

1,530

CERT-In alerts issued in 2025

■ Resilience - Protecting critical services, customer trust and asset quality through the cycle.

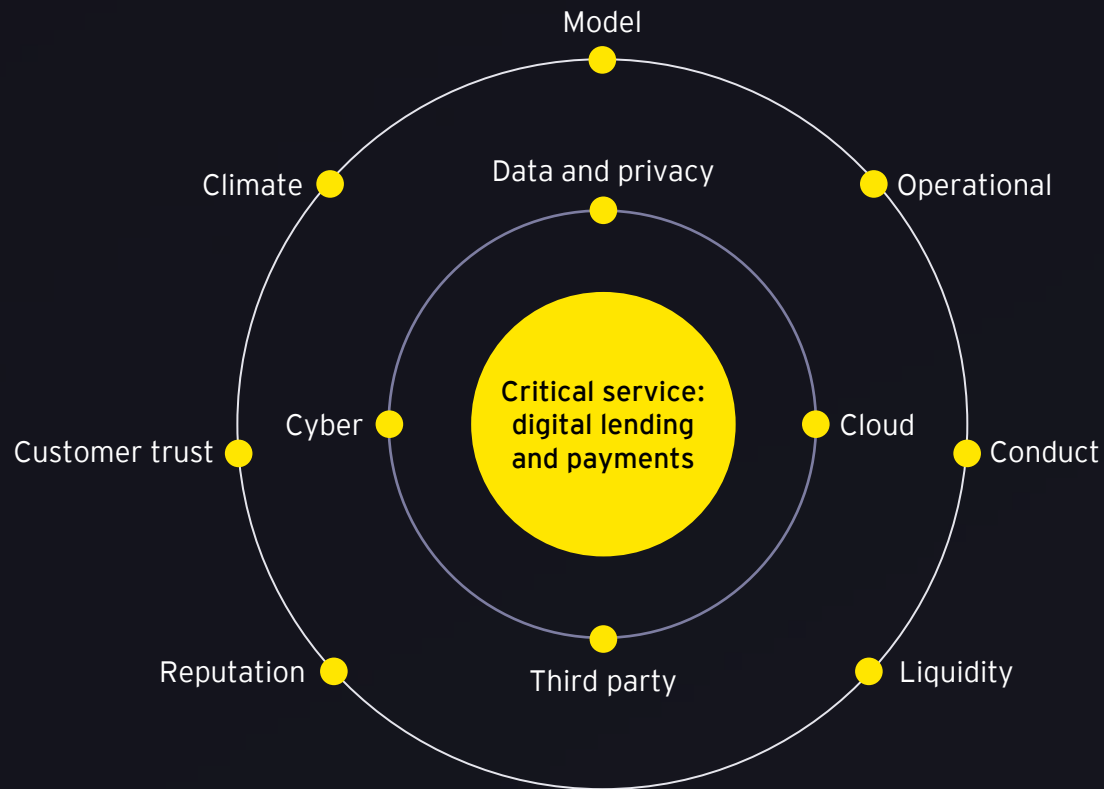
Source: EY Analysis, RBI FSR Jun 2026; Press Information Bureau 2025



6

Risk now travels across the enterprise: One event can cascade through cyber, model, conduct and trust

Resilience



Trigger (illustrative): compromised third-party vendor

1. Vendor breach
2. Service interruption
3. Data exposure
4. Conduct and liquidity consequences
5. **Reputational impact**

AI asymmetry: Offensive AI advancing faster than defense; trust-chain manipulation targets biometric onboarding, video-KYC and AI decisions

Synthetic identity: A reported NBFC case of fabricated borrowers, INR15-20 crore losses

Deepfakes: I4C urges detection inside onboarding

Organize resilience around **critical services, dependencies and impact tolerances**, not risk silos.

Source: EY Analysis/Reports; MeitY Digital Threat Report 2025-26; Business Standard

AI-powered risk management: See deterioration in signals before it shows up in NPAs

Resilience

	Detect	Diagnose	Prioritize	Act
What AI watches	Transactions, cash flows, GST and bureau shifts	Sector, peer and market signals	Exposure, materiality and time to default	Covenants, limits and collateral
AI capability	Anomaly detection; transaction monitoring	Root-cause and scenario analysis	Risk-ranked alert queues	Recommended actions and playbooks
Human role	Validate signal quality	Interpret context with the RM	Investigate the few that matter	Decide to restructure, recall or support
Control	Data lineage; false-positive tracking	Explainable risk drivers	Bias and threshold review	Documented decisions; audit trail
Asset quality	Earlier warning	Fewer surprises	Investigator time on real risk	Lower slippage, better recovery

Why now: GNPA is at a multi-decadal low of 1.8%, yet only 14% of regulated entities monitor models in real time: The next stress is expected to show in signals before NPAs.

Protect asset quality through the cycle: **Let AI watch every signal, so people investigate what matters** and govern the models as tightly as the loans.

Source: RBI FSR (Jun 2026); RBI FREE-AI ; EY Analysis / Reports

AI-powered collections protect asset quality and trust together: Right customer, right time, right treatment

Resilience

Collections economics break first in small-ticket, dispersed portfolios. AI can segment by ability and willingness to pay, time the contact and guide the agent, provided every action stays within RBI recovery and fair-practice norms.

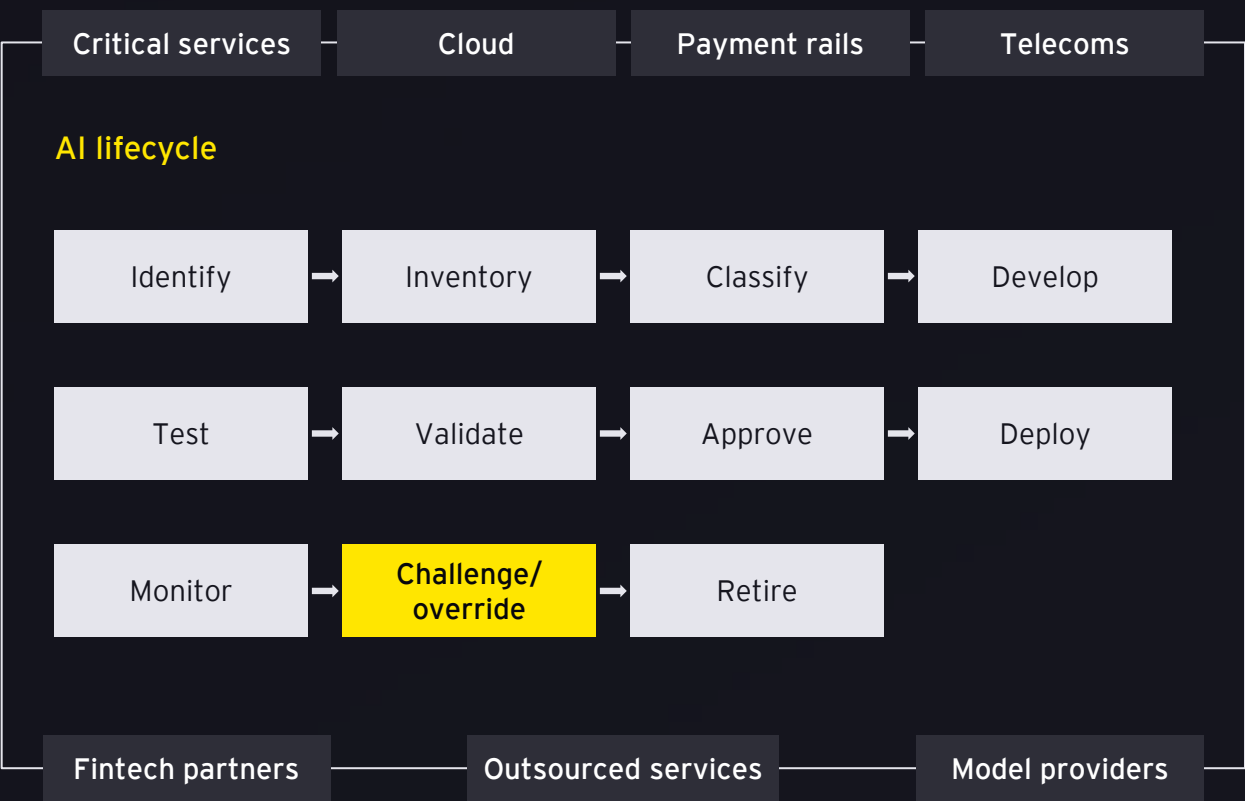
	Pre-delinquency	Early delinquency	Mid-bucket	Late bucket	Repo and recovery
AI capability	Bounce and roll-forward prediction	Propensity to pay; channel and timing	Voice AI; scripts; guided field visits	Settlement and restructure options	Image-based asset valuation
Human role	Approve nudge and offer design	Agents handle hardship cases	Field officer leads the conversation	Credit approves within guardrails	Specialists decide legal action
Impact (EY)	20%-30% lower bounce rate	25%-35% faster time to resolve	+20-30 pts resolution rate	40%-50% lower legal cost	+15-20 pts recovery accuracy
Safeguard	Consent and contact limits	Vulnerability flags to humans	No harassment; call-quality review	Explainable, policy-linked offers	Documented, fair process
Asset quality	Fewer accounts roll forward	Cures before stress hardens	Lower cost per resolution	More pre-NPA settlements	Better realization

Flow-to-NPA is 15-20 pts lower and collections costs 20%-30% lower. This is achieved without constant spamming, excessive contact or unreviewed automated treatment of vulnerable customers.

Source: EY Analysis /Reports ; RBI recovery-agent norms; Fair Practices Code

Govern AI across its life, and anchor it to the resilience of the services customers depend on

Resilience



AI control tower | model inventory (illustrative mock-up)

Credit scoring model	Tier 1 · high risk	Validated
GenAI service assistant	Tier 2	Drift alert
Collections propensity	Tier 2	Override logged
Document AI (vendor)	Tier 3	Change notified

RBI draft MRM guidance (Jun 2026): hallucinations, drift and third-party model updates within model risk; board-approved framework; enterprise inventory; override or kill switch for high-risk AI.

Timeline: IT outsourcing (Apr 2023) · IT governance (Nov 2023) · climate disclosure draft (Feb 2024) · operational resilience (Apr 2024) · FREE-AI (Aug 2025) · draft MRM (Jun 2026)

Build **one converged architecture** across AI, model, third-party and operational risk, not six compliance programs. Outsourcing does not transfer accountability.

Source: EY Analysis/Reports; RBI master directions and press releases; RBI FREE-AI report (Aug 2025)

Building future-ready financial institutions

A 24-month agenda for CEOs and boards

The agenda is clear. The advantage may go to institutions that execute it together over the next 24 months.

5 moves

for CEOs and boards,
each with an
accountable forum
and a first
measurable outcome

5 capabilities

built as one value
engine, not as
separate programs

3 horizons

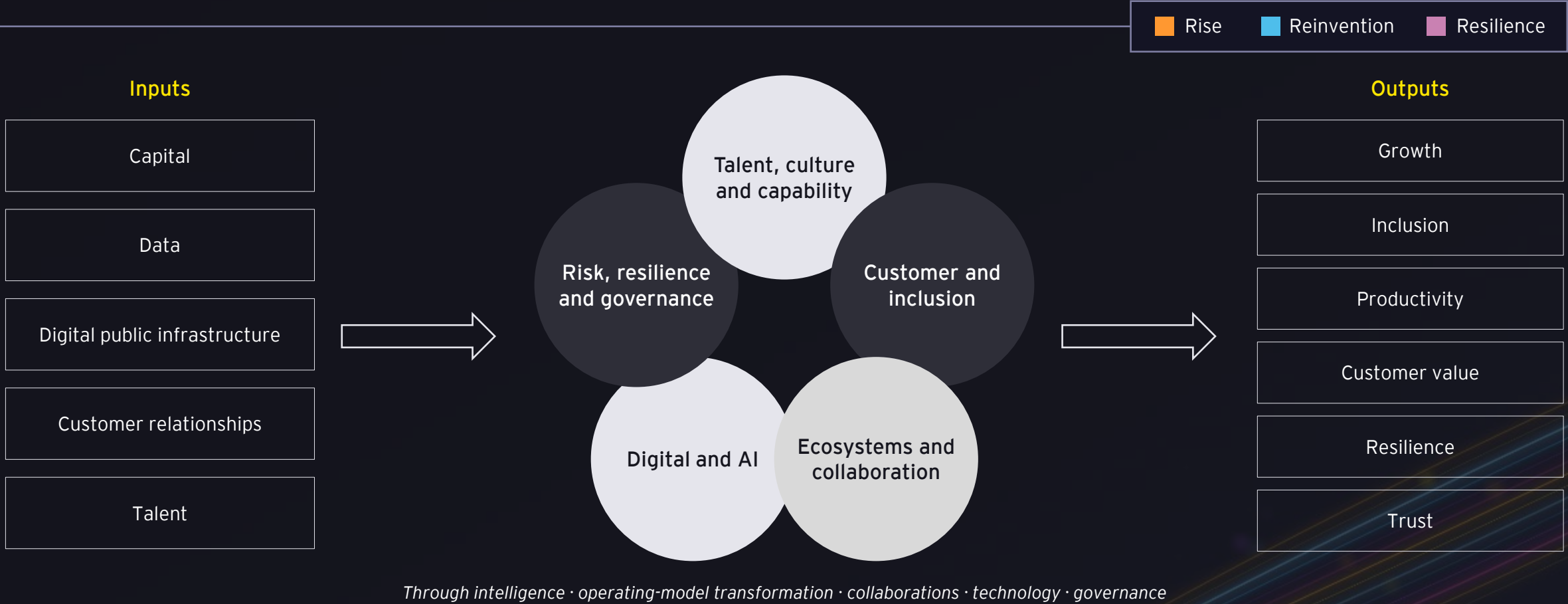
0-6, 6-12 and 12-
24 months: Stand
up, scale, embed

- **Rise** - Where growth may come from: Productive sectors, MSMEs and households.
- **Reinvention** - How productivity and value capture improve.
- **Resilience** - How asset quality, continuity and trust are protected.

Source: EY analysis



Five capabilities, one value engine: Leaders are expected to build them as a system, not as separate programs



The 24-month agenda: Five moves for CEOs and boards

■ Rise
 ■ Reinvention
 ■ Resilience

0-6 months baseline and stand up → 6-12 months scale proven moves → 12-24 months embed in the operating model

Move	Actions	Accountable forum	First measurable outcome	Execution risk
Direct capital	Sector desks for priority sectors · structuring and distribution capability · milestone-linked disbursement and combined-scenario early warning	CEO; Board Credit Committee	Exposure underwritten through sector lenses; capital mobilized vs. retained	Concentration and optimism bias
Deepen relationships	Consented cash-flow MSME underwriting · financial-life propositions · predictive engagement for RMs	Business heads; ExCo customer council	Products per relationship; first-time borrower conversion with delinquency tracked	Conduct and mis-selling; model bias
Industrialize intelligence	Business-owned AI portfolio with value baselines · production gates · human-AI role redesign and reskilling	CEO-chaired AI council; CRO	Use cases in production with measured value; monitoring coverage	Pilot sprawl; unmonitored drift
Orchestrate ecosystems	Anchor-led supply-chain programs · co-lending and embedded finance with clear risk-sharing · API platform	ExCo; CRO (third-party risk)	MSME originations via ecosystems; transaction-relationship revenue	Concentration, data-sharing and continuity risk
Govern for resilience	Model and AI inventory with tiers, override and kill switch critical services with tested impact tolerances · board cyber and AI risk appetite	Board Risk Committee; IT Strategy Committee	Models inventoried and tiered; critical services with tested tolerances	Compliance-only response that slows innovation

India's rise sets the direction, reinvention delivers the value, resilience sustains it. Govern all five moves through quarterly board oversight.

Source: EY Analysis/Reports

Rise is the opportunity.
Reinvention is the response.
Resilience decides whether value endures.

The next era of Indian financial services may not be won through scale, digital access or technology in isolation. It is expected to be shaped by institutions that mobilize capital, understand customers, orchestrate ecosystems and deploy intelligence while preserving trust. India has built the rails. The leaders of the next decade may convert them into productive capital, deeper customer value and trusted growth.



Abbreviations

AI	Artificial Intelligence
AML	Anti-Money Laundering
API	Application Programming Interface
AUM	Assets Under Management
CAM	Credit Appraisal Memorandum
CASA	Current Account Savings Account
CERT-In	Indian Computer Emergency Response Team
CPA	Credit Processing Associate
CX	Customer Experience
DCCO	Date of Commencement of Commercial Operations
DFI	Development Financial Institution
DPDP	Digital Personal Data Protection
ECL	Expected Credit Loss
EXCEL	Empathy, Execution, Convenience, Empowerment and Listening
ExCo	Executive Committee
FREE-AI	Framework for Responsible and Ethical Enablement of Artificial Intelligence
FSR	Financial Stability Report
FX	Foreign Exchange
GDP	Gross Domestic Product

GenAI	Generative Artificial Intelligence
GNPA	Gross Non-Performing Assets
GST	Goods and Services Tax
GW	Gigawatt
GWh	Gigawatt-hour
IDPIC	Indian Digital Payment Intelligence Corporation
IT	Information Technology
KYC	Know Your Customer
MFI	Microfinance Institution
MRM	Model Risk Management
MSME	Micro, Small and Medium Enterprise
NBFC	Non-Banking Financial Company
NIP	National Infrastructure Pipeline
NPA	Non-Performing Asset
OCEN	Open Credit Enablement Network
PIB	Press Information Bureau
PLI	Production Linked Incentive
PSB	Public Sector Bank
RBI	Reserve Bank of India
RBIH	Reserve Bank Innovation Hub
RM	Relationship Manager

SC	Scheduled Caste
SIDBI	Small Industries Development Bank of India
SIP	Systematic Investment Plan
ST	Scheduled Tribe
TBML	Trade-Based Money Laundering
TReDS	Trade Receivables Discounting System
UCP 600	Uniform Customs and Practice for Documentary Credits
Udyam	Government of India's MSME registration system
ULI	Unified Lending Interface
UPI	Unified Payments Interface
US	United States
US\$	United States Dollar
UI	User Interface
UX	User Experience
YoY	Year-on-Year

Key contacts

Financial Services



Pratik Shah

Partner and National Leader -
Financial Services

pratik.shah@in.ey.com



Anand Mihir

Partner and Leader - Financial
Services Consulting (Domestic)

anand.mihir@in.ey.com



Toral Doshi

Partner - Financial Services
Consulting

toral.doshi@in.ey.com



Paras Joshi

Partner - Financial Services
Consulting

paras.joshi@in.ey.com

Contributors

Sadaf Anis | Surbhi Dhama | Parag Jani | Arnik Haria | Krishnakali Vaishnav | Gunjan Bhatia | Krish Jain | Hardi Shah

Our Offices

Ahmedabad

22nd Floor, B Wing, Privilon
Ambli BRT Road, Behind Iskcon Temple
Off SG Highway, Ahmedabad - 380 059
Tel: + 91 79 6608 3800

Gandhinagar

8th Floor, Building No. 14A
Block 14, Zone 1
Brigade International Financial Centre
GIFT City SEZ
Gandhinagar - 382 355
Tel: + 91 79 6608 3800

Bengaluru

13th Floor
"UB City", Canberra Block
No.24 Vittal Mallya Road
Bengaluru - 560 001
Tel: + 91 80 6727 5000

3rd Floor, # 11, 'A' wing
Divyasree Chambers
Langford Town
Bengaluru - 560 025
Tel: + 91 80 6727 5000

3rd & 4th Floor
MARKSQUARE
#61, St. Mark's Road
Shantala Nagar
Bengaluru - 560 001
Tel: + 91 80 6727 5000

1st & 8th Floor, Tower A
Prestige Shantiniketan
Mahadevapura Post
Whitefield, Bengaluru - 560 048
Tel: + 91 80 6727 5000

Vaishnavi MSR Union
No.29, Union Street
Off Cubbon Road
Vasanth Nagar, Bengaluru - 560 001
Tel: + 91 80 6727 5000

Ecospace
1st Floor, Campus 1C
Ecospace Business Park
Outer Ring Road
Bellandur - Sarjapura Area, Varthur Hobli
Bengaluru Urban - 560103

Bhubaneswar

8th Floor, O-Hub, Tower A
Chandaka SEZ, Bhubaneswar - 751024
Tel: + 91 674 274 4490

Chandigarh

Elante offices, Unit No. B-613 & 614
6th Floor, Plot No- 178-178A
Industrial & Business Park, Phase-I
Chandigarh - 160 002
Tel: + 91 172 6717800

Chennai

6th & 7th Floor, A Block,
Tidel Park, No.4, Rajiv Gandhi Salai
Taramani, Chennai - 600 113
Tel: + 91 44 6654 8100

Delhi NCR

Aikyam
Ground Floor
67, Institutional Area
Sector 44, Gurugram - 122 003
Tel: + 91 124 443 4000

3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity, New Delhi - 110 037
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B
Tower 2, Sector 126
Gautam Budh Nagar
Noida - 201 304
Tel: + 91 120 671 7000

Hyderabad

THE SKYVIEW 10
18th Floor, "SOUTH LOBBY"
Survey No 83/1, Raidurgam
Hyderabad - 500 032
Tel: + 91 40 6736 2000

THE SKYVIEW 20
2nd Floor, 201 & 202
Right Wing, Survey No 83/1
Raidurgam, Hyderabad - 500 032
Tel: + 91 40 6736 2000

Jaipur

9th floor, Jewel of India
Horizon Tower, JLN Marg
Opp Jaipur Stock Exchange
Jaipur - 302018
Tel: + 91 141 4618415

Kochi

7th Floor, ABAD Nucleus
NH-49, Maradu PO
Kochi - 682 304
Tel: + 91 484 433 4000

Kolkata

22 Camac Street
3rd Floor, Block 'C'
Kolkata - 700 016
Tel: + 91 33 6615 3400

6th floor, Sector V,
Building Omega, Bengal Intelligent
Park, Salt Lake Electronics Complex,
Bidhan Nagar
Kolkata - 700 091
Tel: + 91 33 6615 3400

Mumbai

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (W), Mumbai - 400 028
Tel: + 91 22 6192 0000

5th Floor, Block B-2
Nirlon Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai - 400 063
Tel: + 91 22 6192 0000

3rd Floor, Unit No.301
Building No.1, Mindspace-Gigaplex
IT Park, MIDC, Plot No. IT-5
Airoli Knowledge Park
Airoli West, Navi Mumbai - 400 708
Tel: + 91 22 6192 0003

18th Floor, Altimus
Pandurang Budhkar Marg
Worli, Mumbai - 400 018
Tel: + 91 22 6192 0503

Pune

C-401, 4th Floor
Panchshil Tech Park, Yerwada
(Near Don Bosco School)
Pune - 411 006
Tel: + 91 20 4912 6000

10th Floor, Smartworks
M-Agile, Pan Card Club Road
Baner, Pune - 411 045
Tel: + 91 20 4912 6800

Ernst & Young LLP

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EYG member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is one of the Indian client serving member firms of EYGM Limited. For more information about our organization, please visit www.ey.com/en_in.

Ernst & Young LLP is a Limited Liability Partnership, registered under the Limited Liability Partnership Act, 2008 in India, having its registered office at Ground Floor, Plot No. 67, Institutional Area, Sector - 44, Gurugram - 122 003, Haryana, India.

© 2026 Ernst & Young LLP. Published in India.
All Rights Reserved.

EYIN2610-011
ED None

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

SA

ey.com/en_in

About Us

The Associated Chambers of Commerce & Industry of India (ASSOCHAM) is the country's apex national chamber since 1920. It advocates actionable policy suggestions to strengthen the Indian economy by leveraging its extensive membership reach of over 450,000 companies, comprising of large corporates and SMEs. With over 70 Sector and State Councils, ASSOCHAM effectively represents diverse segments of Indian industry and focusses on aligning industry priorities with the nation's growth aspirations.

The Associated Chambers of Commerce and Industry of India

ASSOCHAM Corporate Office
4th Floor, YMCA Cultural Centre and Library
Building, 01, Jai Singh Road, New Delhi 10001

Ph: +91 - 11 - 46550555

Fax: +91 - 11 - 23347008/9

Email: info@assocham.com

Web: www.assocham.org

For further information, please contact:

Mr. Ankit Raghav

Additional Director, HOD Department of Banking
and Financial Services

ankit.raghav@assocham.com | 011- 46550555