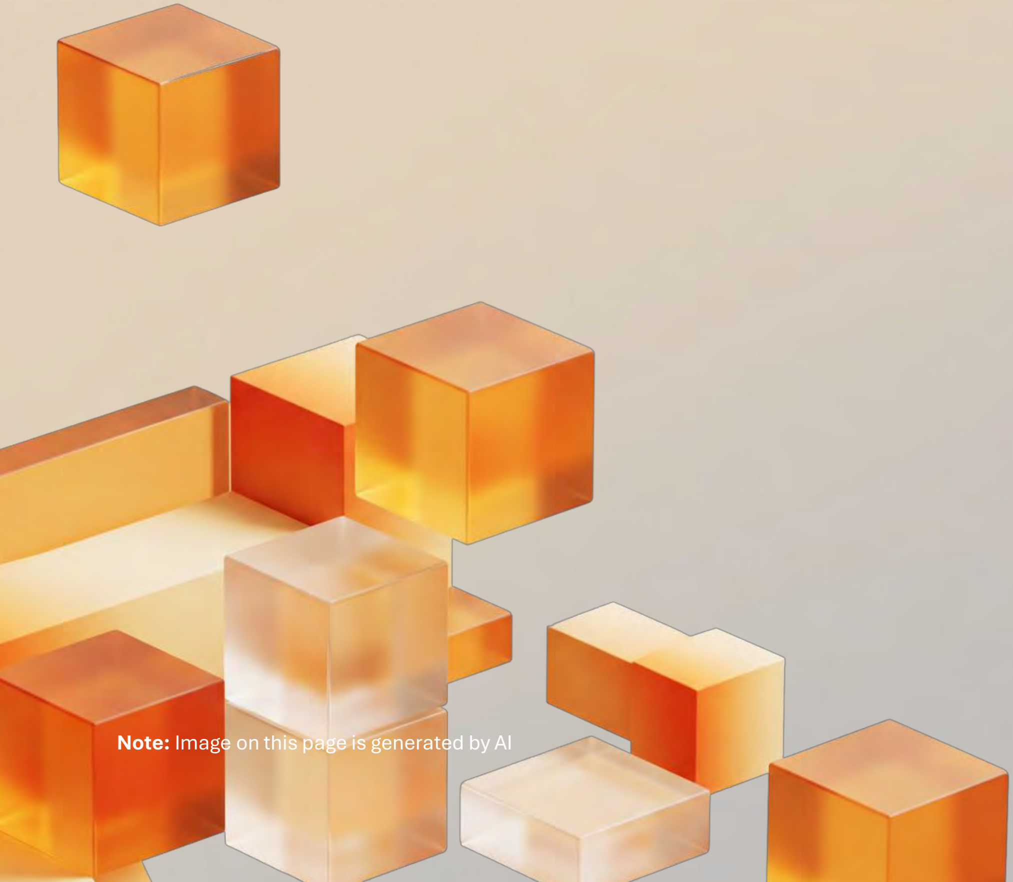
FIBAC 2026

Winning in the AI Era

The New Playbook for Indian Banks

August 2026

Image generated by AI



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Executive Summary I/III

Global banking has entered an era of new opportunities, unleashing massive potential for human prosperity. At the same time, there are resurgent as well as new risks, that have to be mitigated to unlock this prosperity.

While the future is difficult to predict, its drivers are known – **AI, geopolitics, climate and regulation of Big Tech**. This report draws on their interplay and resultant outcomes by 2050, thereby **simulating four archetypal scenarios**, each of which is dominated by one of the four factors. The future is likely to be a combination of these scenarios and **India's share in global GDP is expected to rise across all of them.**

The global banking sector, was languishing in the aftermath of COVID with only over half the banks trading above their book value. This has turned around with 81% of global banks trading above their book value today. India's rebound is among the brightest points across the global banking space. Add to this, a steady, sustainable growth, low NPA levels and solid capitalization buoys the sector's fundamentals.

India's banking-assets-to-GDP ratio remains below that of most major economies. The banks' advances have grown in line with the nominal GDP over the past decade. However, realizing 'Viksit Bharat' vision will require banking assets to grow materially faster by 3.5-4 p.p. over nominal GDP. Banks have started taking strides in that direction. **Last year, the growth of banking assets outpaced nominal GDP by 3.5 p.p.** Sustaining this momentum will be critical to building a USD 30 trillion economy supported by approximately USD 45 trillion in banking assets by 2047.

The sector is also bolstering through consolidation, foreign capital flows, greater flexibility and accountability towards a 'principles-based' regulatory landscape.

Digitization of the previous decade yielded benefits in terms of higher financial inclusion, better risk management and customer ease, but it has not yet met expectations on productivity gain. **Cost-to-income ratios remain elevated**, banks continue to expand branch networks (contrary to global trends), and technology spending has risen rapidly (despite remaining below global benchmarks).

The rise of AI and GenAI has the potential to break these sticky cost structures if banks embrace technology at scale. **AI can deliver significant productivity gains.** Beyond digitization of structured processes and data processing, AI agents can now automate complex, unstructured tasks. All human roles too can potentially deliver at top-quartile ranges, if enabled and augmented with AI/GenAI tools.

Customer experience will also undergo a fundamental transformation. Digital interfaces can become app-less, conversational, and enhanced with augmented reality.

To harness AI at scale, banks will need to reimagine their operating models around **three strategic imperatives:**

a) Democratize credit affordability
b) Unlock productivity
c) Building risk muscle beyond credit

Executive Summary **II/III**

01 Democratize Credit Affordability

Access to credit has expanded significantly, with the bureau footprint doubling over the last five years. **While access has improved, affordability remains a challenge.** The cost of serving credit, is substantially higher than the cost of credit risk (and NCLs) itself. Servicing loans continues to be operationally expensive, particularly for small-ticket retail products that often serve as the entry point into formal credit. **Operation and collection costs together account for 40-50% share of the total cost to serve.**

Unfortunately, despite a decade of digitization, many secured loan processes continue to demand a large number of physical documents, manual checks, and have repeated back-and-forth interactions. **Agentic credit journeys can automate large parts of this process, materially reducing processing costs.**

Collections remain highly manual, intermediary-driven, and expensive. **AI-enabled journeys have the potential to transform collections** into a digital, direct-to-customer, intermediary-free, and personalized process; significantly reducing collection costs.

Supported by the right agentic workforce, these journeys can also become more individualized, authenticated and ensure end-to-end fulfilment.

02 Unlock Productivity

The last decade has seen limited productivity gains, with growth driven largely by capacity expansion. The past two to three years, however, appear to mark an inflection point, with tangible productivity improvements emerging.

Functions across the bank can reshape their operating models to **drive leaner organizational structures** through autonomous AI agents or **enable top-quartile performance** through enhanced capabilities. AI impacts functions in varied ways. Three examples illustrate this:

- Technology: AI can create a shift from a pyramid to a diamond organization, with stronger oversight towards AI agent-led artifacts (e.g. BRDs, code).
- HR: AI can reduce productivity losses arising from attrition/transfers by using AI copilots and tools that preserve unstructured knowledge.
- Advisory: AI can deliver more personalized, individualized customer engagement, helping RMs achieve significantly higher productivity

The opportunity is immense. While banks have begun this journey through multiple pilots, significant work remains to be done. **AI must become a strategic priority for leadership**. Banks will need to upskill talent, strengthen data and infrastructure readiness of backend operations, and strengthen governance frameworks to handle AI risks.

Executive Summary **III/III**

03 Building Risk Muscle Beyond Credit

Over the past decade, **banks have strengthened their financial risk management capabilities** as reflected in low NPA rates, contained interest rate risk and market risk. However, the re-emergence of geopolitical risk, escalating AI and cyber risks, rapidly evolving regulations and escalating stakeholder expectations requires significant strengthening of non-financial risk capability.

Adoption of AI and greater digitization will introduce new challenges, **requiring stronger fraud detection capabilities and real-time monitoring.** Critical operations will depend on interconnected processes, technology, data, people, third parties, controls, and facilities. Building operational resilience requires end-to-end visibility, robust impact assessments, and the ability to recover quickly while maintaining business continuity.

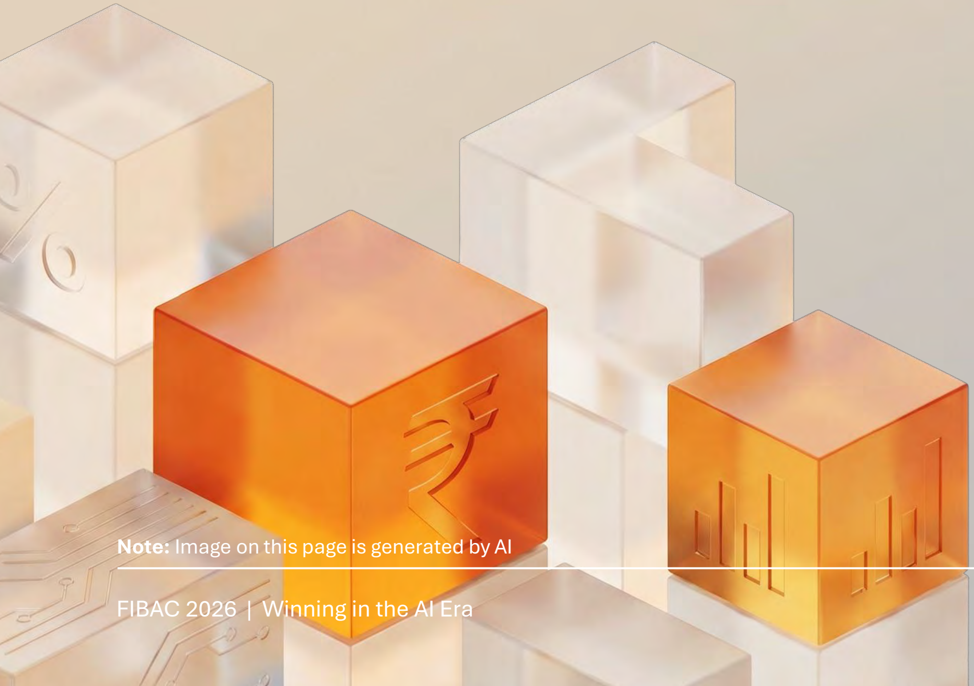
AI is also reshaping cyber risk. Attacks are becoming faster and less expensive, regulators are demanding greater board accountability, and high digital interdependence is expanding the attack surface area. Banks must evolve towards machine-speed defense. Rising geopolitical and climate risks will also have a greater impact on banks. Managing these risks requires a **detailed understanding of the underlying drivers at sub-portfolio level,** modeling tail-risk events, and simulating potential future impact.

Conclusion

The success of India's banking sector will depend on translating today's position of strength into two decades of sustained expansion, with banking assets growing 3.5–4 percentage points faster than nominal GDP. This transformation will be shaped by progress across three strategic imperatives:

a) Democratize credit affordability
b) Unlock productivity
c) Building risk muscle beyond credit

Simultaneously, **banks must lower the structural cost of lending, redesign operating models around AI** rather than automate existing workflows and strengthen resilience beyond traditional credit risk. Achieving this will require coordinated action by banks, regulators and the government. The next two decades will bring both unprecedented opportunities and new risks. Every technological revolution has created a productivity super-cycle, and AI has the potential to be the largest yet. Indian banking has stepped into this transition with strong balance sheets, world-leading digital public infrastructure and growing AI momentum. With the right strategy, execution and collaboration, the banking sector can become a defining force in India's journey towards a truly Viksit Bharat.



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Four forces shifting the tectonic plates of the global economic order

Geopolitical De-Coupling

2026 GPRH index is the highest in the post world war era[1]

Post-2010s, the re-emergence of multipolarity is strengthening. Access to global financial systems, capital flows, supply chains and technology is aligning to different blocs.

Artificial Intelligence

AI could add up to 0.8 p.p. to annual global GDP growth

AI is the most powerful general-purpose technology in a century. Balance between sovereign and globally coordinated AI will determine whether gains are shared or concentrated.

Cyber Risk

Ransomware attacks can be executed 17 times faster

Cyber is replacing conventional warfare for nations, and physical damage for society, as the primary theatre of conflict. Conflict now plays out in the digital domain first.

Polycrisis

2026 was the 3rd warmest in 177-year global record[2]

Climate shocks, regulatory shifts, technology changes, etc. now aggravate each other. Building adaptability and endurance will determine economic stability and prosperity.

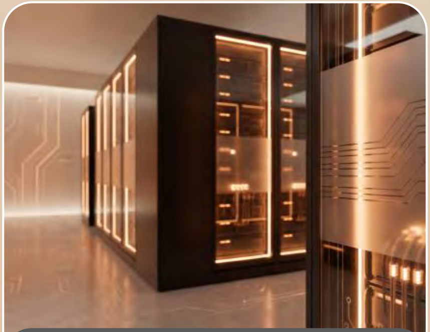
1. Based on Geopolitical Risk Historical Index annual average, January to June 2026 versus full year averages of 1946 to 2025 **2.** Comparison of January to June period from NOAA

Note: Images on this page are generated by AI

Source: Geopolitical Risk Index (GPRH); IMF MD at India AI Summit (2026); IBM, X-Force Threat Intelligence Index 2026 ; NOAA

Four beacon scenarios to determine how the world will evolve in 2050

We call these the 'four beacon scenarios' for 2050. In reality, the future would likely be a blend of two or more of these scenarios. The decisions leaders make now will decide the outcome, for India and the world. These are conditional forecasts under a 'what if' assumption of how each of these scenarios play out.



AI Abundance

The explosive rise of AI technologies eventually leads to global cooperation on strict regulatory standards – enabling exceptional productivity growth, plentiful low carbon energy, and governments that prioritize stability over individual liberty.

Battling Blocs

The world transitions to a tense stalemate among economically decoupled and mutually distrustful blocs. International trade and cooperation decrease, while defense spending rises dramatically as national governments centralize power and control of critical resources.

Climate Coalition

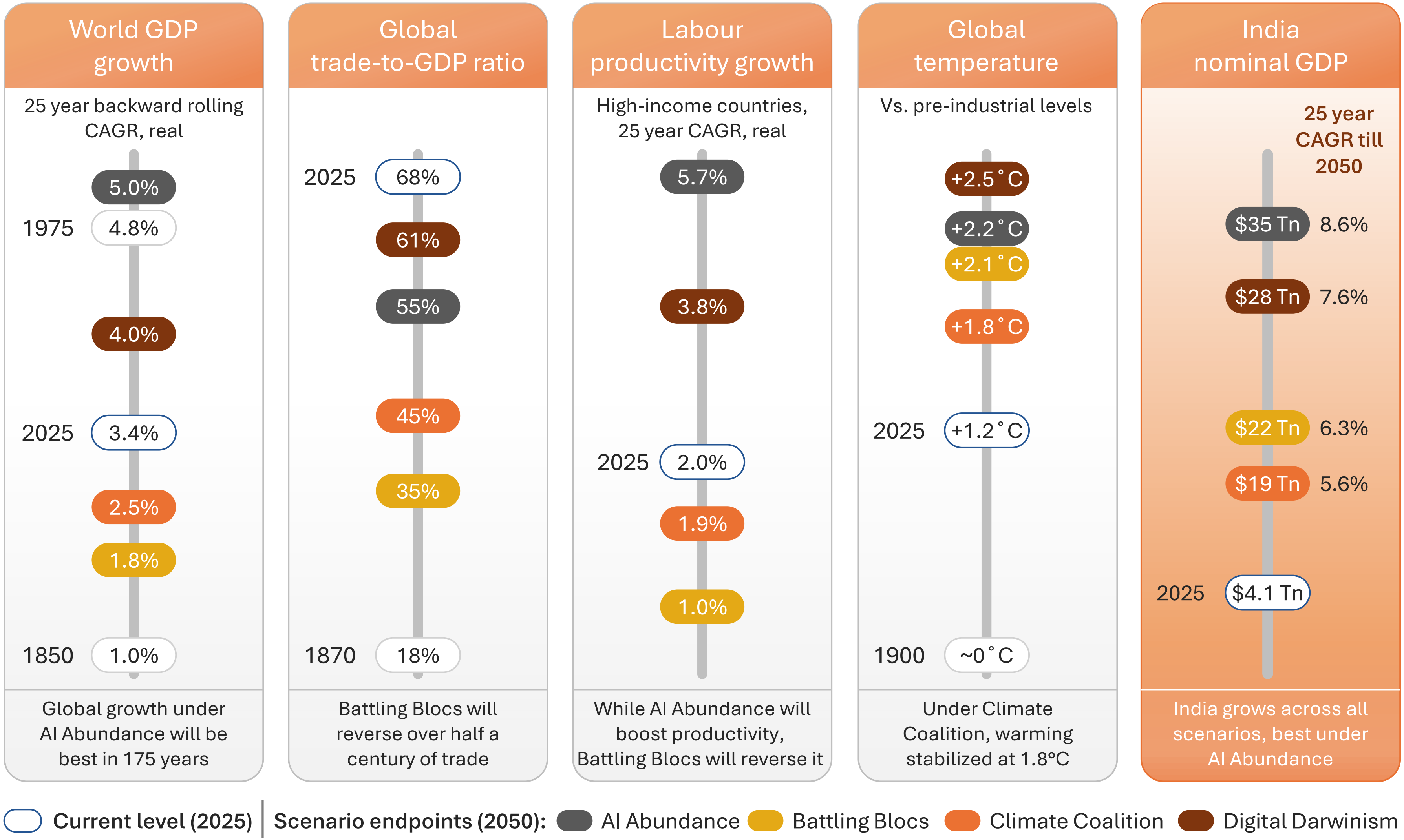
An onslaught of extreme weather shocks drives nations to prize resilience over unbridled economic growth – and a multilateral agreement on carbon standards unlocks green innovation and infrastructure buildout.

Digital Darwinism

With governments and institutions in retreat, corporations dominate a low-regulation, rapidly warming world. Inequality soars, with work increasingly taking place in the gig economy, while huge leaps are made for the wealthy in bionics and longevity technology.

Note: Images on this page are generated by AI
Source: BCG Institute, Beyond Tomorrow: Four Scenarios for the World of 2050, 2026

World growth can have a 50% swing in the different scenarios



Global growth under AI Abundance will be best in 175 years

Battling Blocs will reverse over half a century of trade

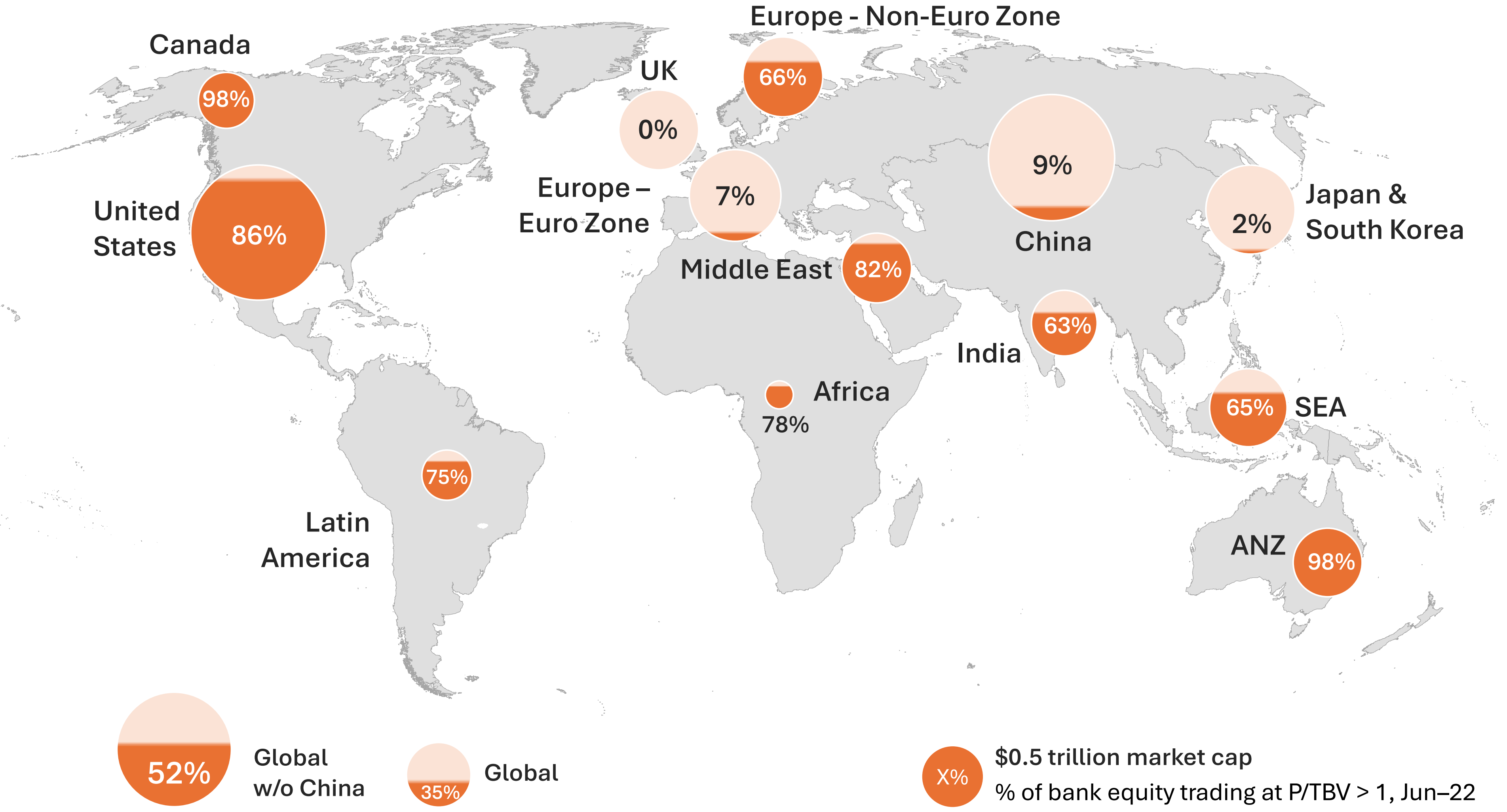
While AI Abundance will boost productivity, Battling Blocs will reverse it

Under Climate Coalition, warming stabilized at 1.8°C

India grows across all scenarios, best under AI Abundance

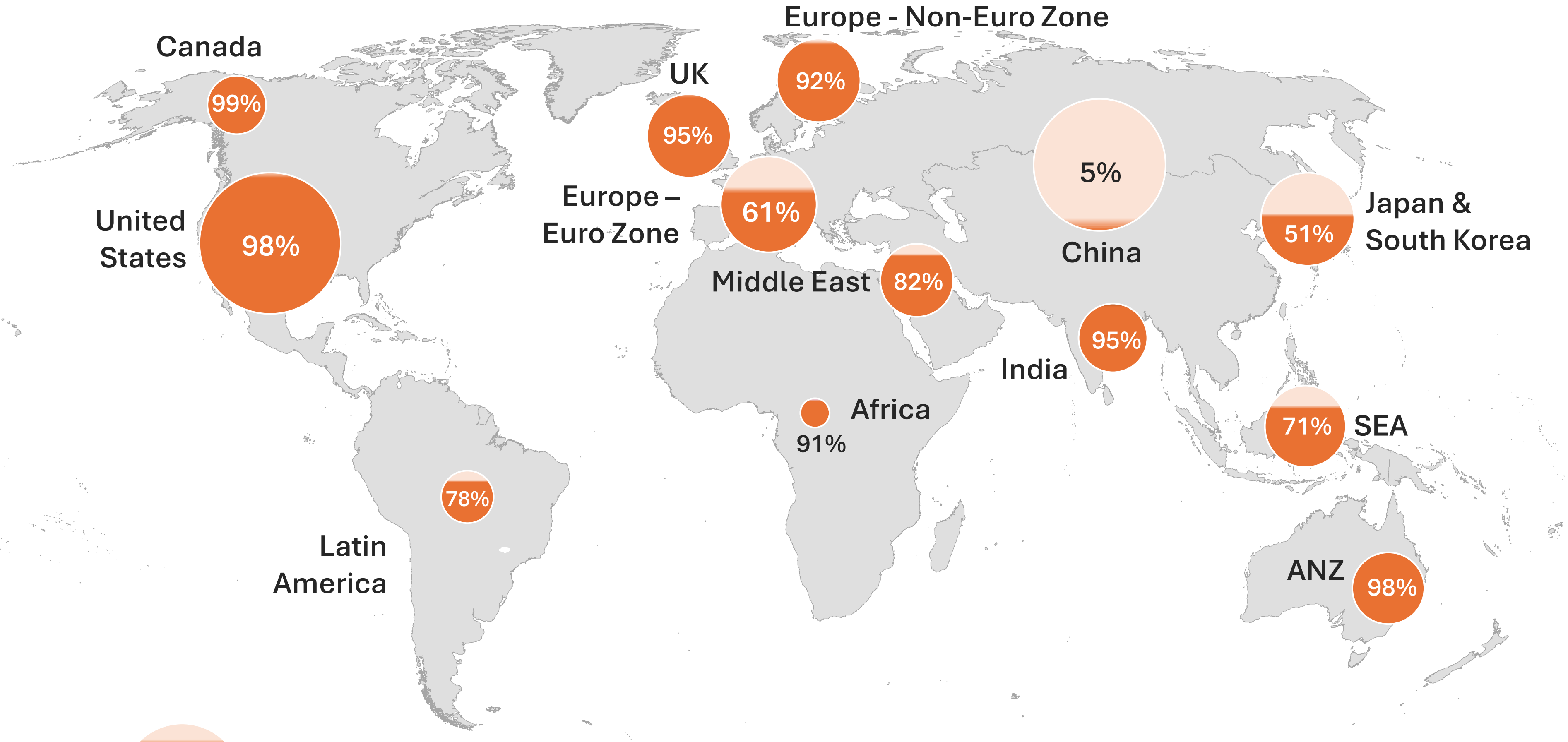
Source: BCG Institute, Beyond Tomorrow: Four Scenarios for the World of 2050, 2026; World Bank; NOAA; Penn World Table

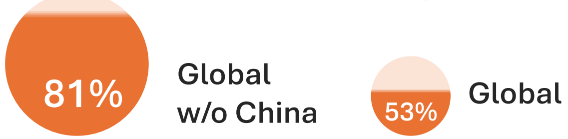
3 years ago, banking sector across the world was struggling with majority banks trading at less than book value

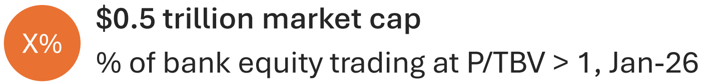


Note: All publicly listed banks considered for analysis
Source: S&P Capital IQ; Future of Finance 2026; BCG analysis

Despite increased macro volatility and uncertainty, banking sectors around the world are now trading above book value



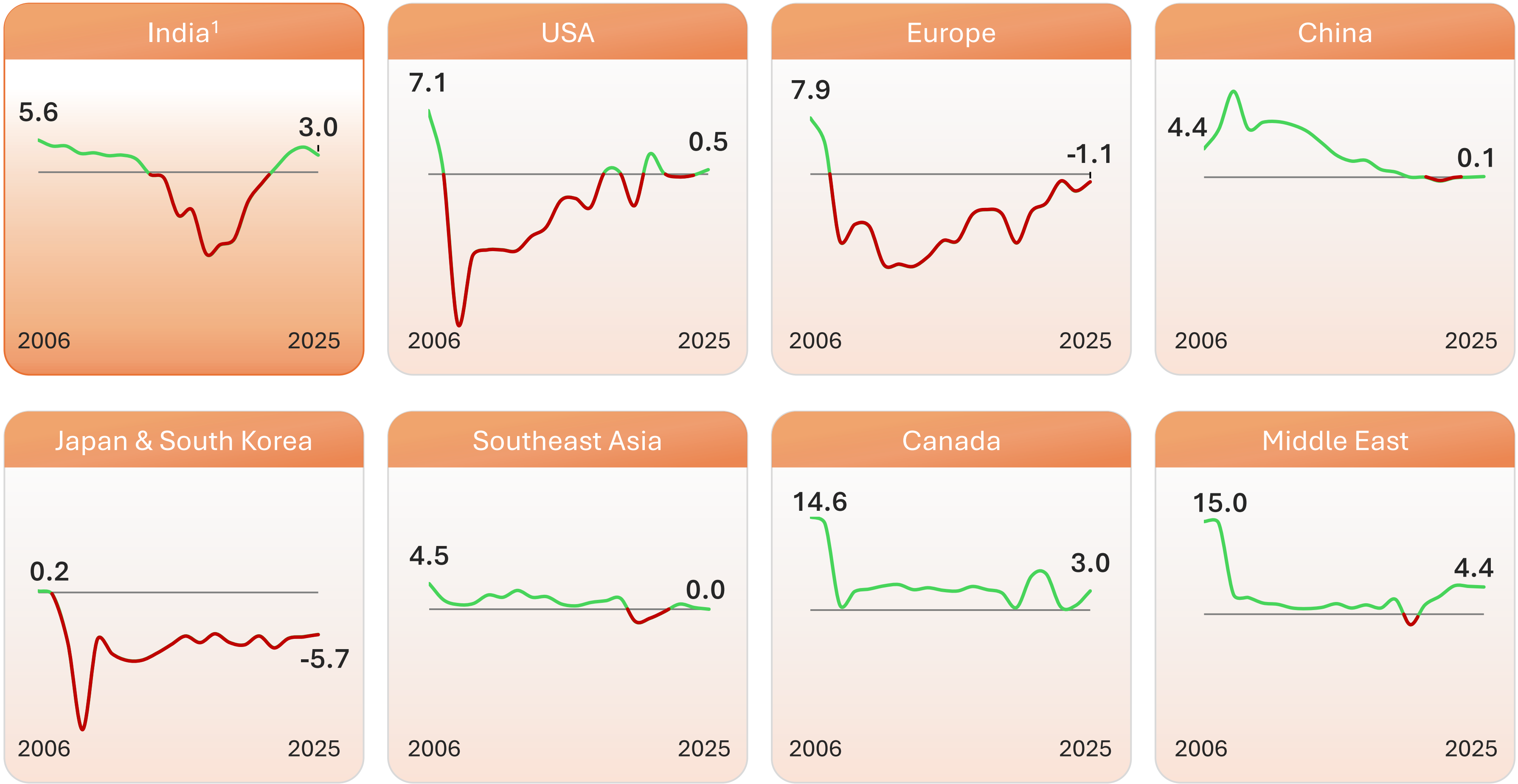




Note: All publicly listed banks considered for analysis
Source: S&P Capital IQ; Future of Finance 2026; BCG analysis

Indian banks have rebounded stronger, outpacing most major global economies

Excess Return over Cost of Equity (%)



1. For India, data is reported on an FY basis; 2025 denotes FY26

Note: Excess return over Cost of Equity (CoE) is calculated as (Industry RoE - Industry CoE) of listed banks from 2006 to 2026; CoE is calculated as 5-year rolling average from 2011 onwards

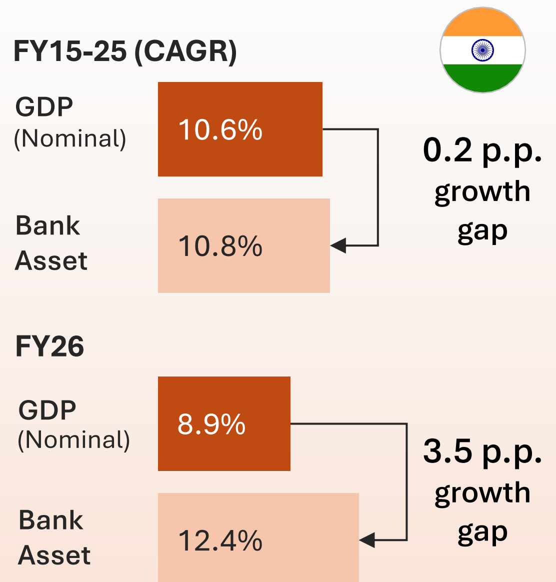
Source: S&P Capital IQ; Bloomberg; RBI; BCG analysis

India's banking assets are starting to outpace GDP growth; after a decade of just matching nominal GDP growth

Global bank and financial asset multipliers

FY25 values	Bank asset to GDP	Financial asset to GDP
🇨🇳	2.8x	4.0x
🇪🇺	2.0x	5.7x
🇺🇸	1.1x	5.1x
🇮🇳	0.9x	2.0x

Excess of bank asset growth over GDP



Regulatory support has unlocked growth across sectors

Corporate lending revival
Acquisition finance, project finance norms, thrust on capex...

MSME expansion
Enhanced CGTMSE coverage, ECLGS 5.0 introduction...

NBFC re-emergence
MFI risk weights, co-lending and digital lending norms...

Retail lending
GST rationalization, gold loan norms...

Banking sector needs to expand 3.5-4% higher than GDP growth rate to achieve the Viksit Bharat ambition. Globally, economies have expanded bank assets and financial assets faster over a sustained period of time.

1. Financial assets consist of assets from the following entities: Banks, Central Banks, Financial auxiliaries, Insurance corporations, OFIs, Pension funds & Public financial institutions
Note: Calculations are based on updated GDP 22-23 base data values for India; For countries excluding India, data is reported on a CY basis; FY25 denotes CY24
Source: FSB; RBI; BCG analysis

Nature of foreign capital in Indian banking is evolving

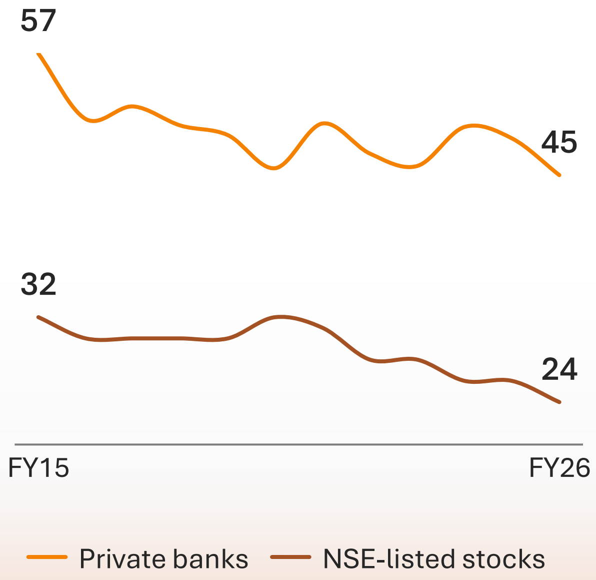
Indian banks are acquiring operations of foreign banks

Axis Bank	Retail book →	Citi Bank
Federal Bank	Credit card book →	Standard Chartered
Kotak Mahindra	Retail, private banking & wealth book →	Deutsche Bank

Entrenched **foreign banks are exiting India's retail business,** with domestic banks stepping in to buy.

Bank ownership is being rewired - DIIs have started anchoring demand

Market-cap-weighted foreign shareholding for Indian Private banks & NSE-listed companies (%)



FIIs are at a 10-year low across private banks and NSE-listed stocks.

Foreign capital entering as strategic investments

DBS Bank India	Amalgamation →	Lakshmi Vilas Bank
SMBC	Minority stake (<25%) →	Yes Bank
Emirates NBD	Majority stake (60%) →	RBL Bank

Foreign banks are **scaling up their India footprint** by acquiring strategic stakes in Indian banks.

Note: Foreign shareholding for Indian Private banks includes foreign promoters, foreign institutions, NRI, Foreign national, Foreign companies & ADR/GDR holdings
Source: Bank shareholding reports; NSE Ownership Report; BSE; Capitaline

As uncertainty and volatility rise, the regulatory landscape is shifting towards more principle-based regulations

Non-exhaustive

Risk Type	Rule-based	Hybrid	Principle-based
	Metric, threshold, & compliance action are pre-defined; limited interpretation by REs.	*Metrics & broad thresholds are defined; REs have flexibility in methodology & evidence.*	*Desired customer/system outcome is defined; REs choose metrics, controls, & proof points within regulatory guardrails.*
Credit Risk (Provisioning)	Fixed provisioning %, prescribed asset classification.	**ECL norms** Loss metric defined, methodology flexible.	
Operational Risk	Fixed capital formula, prescribed approach.		**Operational resilience** Resilience outcome defined, methods flexible.
Cyber Risk	Prescriptive baseline controls, fixed checklist.		**New cyber guidelines** Security outcome defined, methods flexible.
Model Risk	Fixed validation thresholds, prescribed backtesting.		**Model management (AI/GenAI)** Governance outcome defined, methods flexible.
…			

Implications for banks

1 Governance & Risk Appetite

- Quantifiable, outcome-based risk appetite.
- Cascades to business-unit level.
- Predictive tracking of NFR breaches.

2 Process Integration

- Compliance embedded at design stage.
- RAS, ERM, BIA, BCP synchronized.

3 Data & Analytics Capability

- Independent compliance analytics capability.
- Real-time, unfiltered data access.

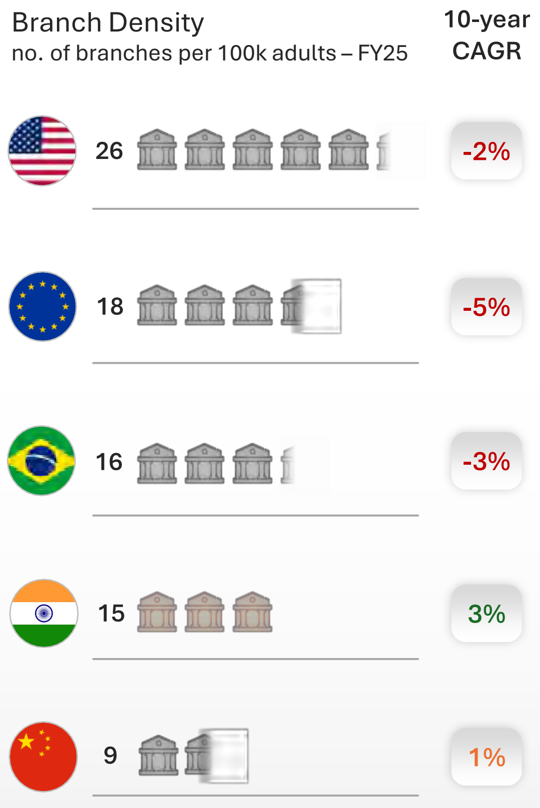
4 Operating Model & Accountability

- Business owns outcomes; compliance orchestrates.
- Escalation thresholds up to board.

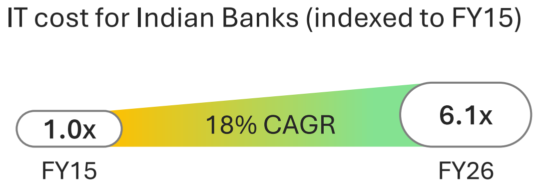
Source: RBI; BCG analysis

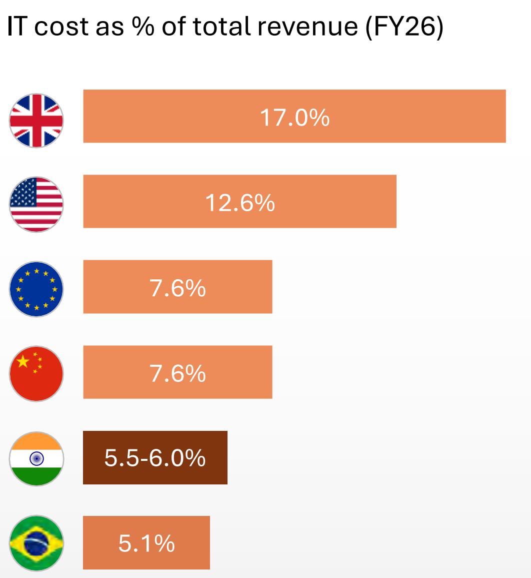
Banks are investing more, but the productivity payoff is yet to arrive

Investment in branch network continues to rise...

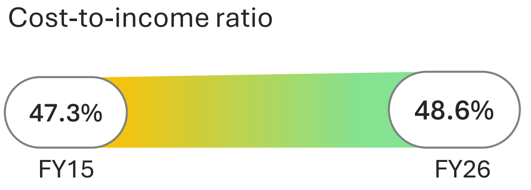

Branch Density
no. of branches per 100k adults – FY25

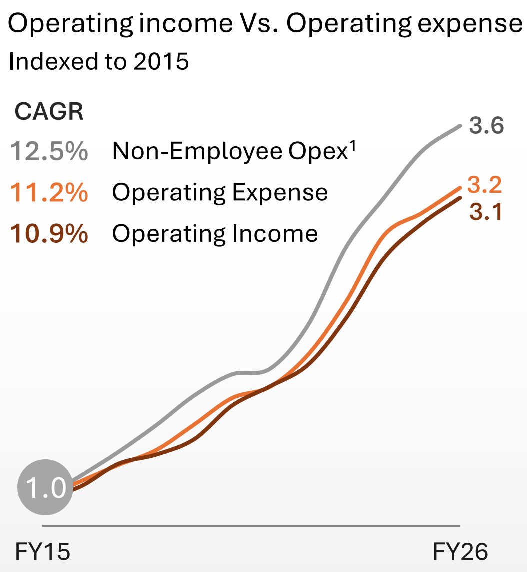
...with significantly faster rise in technology costs...


IT cost for Indian Banks (indexed to FY15)


IT cost as % of total revenue (FY26)

...leading to sticky cost-to-income ratio and no productivity gains


Cost-to-income ratio


Operating income Vs. Operating expense
Indexed to 2015

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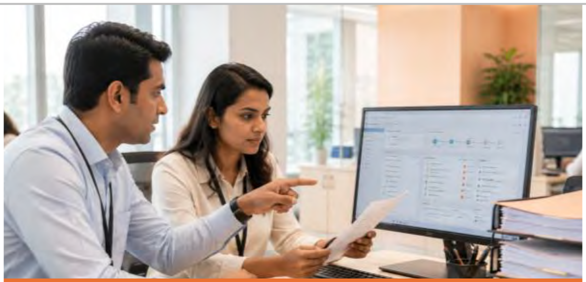
[1] Non-Employee Opex includes IT costs

Source: RBI; World Bank; Bank annual reports; Gartner; S&P Capital IQ; FIBAC Banking Survey; BCG analysis

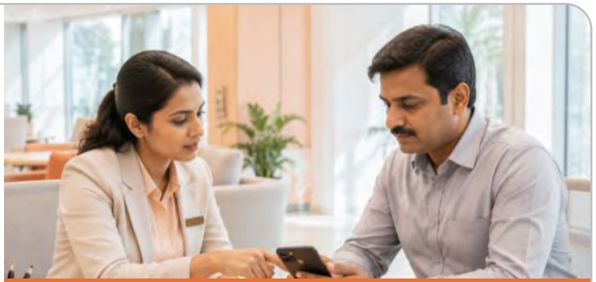
State of banking today: Despite a decade of digitization efforts

Over the last decade, significant investment has been made in the digital infrastructure ecosystem. This has paid off very well in many structured operations/data processes of the sector - e.g. payments (95%+ digital), ID checks (Aadhaar, Bureau, PAN etc). However, there remains a lot of manual work, physical paper handling and complex tasks that impede realisation of gains.

25+ documents per loan journey
Required to originate & process a single loan

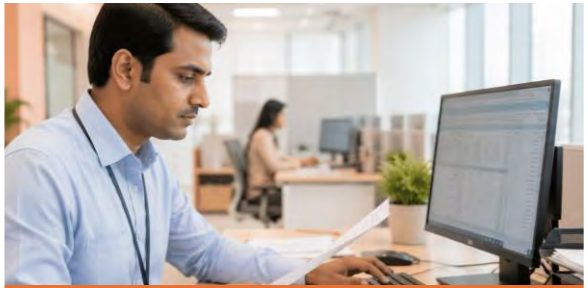


6–8 layers of manual review
Multiple maker-checker approvals per account opened

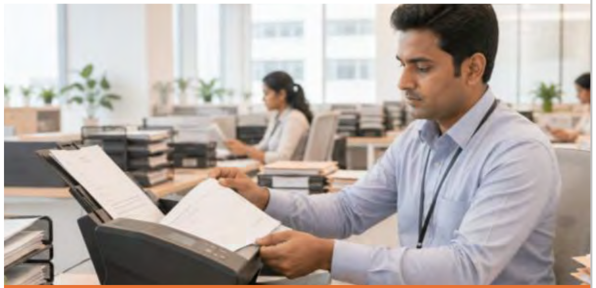


10–20% of branch time lost
Consumed by routine servicing requests

1000s of customer service agents
Dedicated to repetitive service interactions



50+ manual data entry fields
Captured for every loan application



Lakhs of KYC documents annually
Processed manually by a single bank

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Banking is evolving: The AI era will bring in a new operating model

Digitization

Code the known

- Banks automated finite, rule-based journeys on structured data, eliminating manual steps.
- Banks coded predictable rules well, but only permutations explicitly programmed can be handled.

Bureau data reading

Aadhaar-based KYC auto-fetch

...

Agentic Execution

Agents do the work

- Agents process unstructured data (voice, documents, images, free form text), executing infinite task permutations.
- Direction replaces prescription, & agents are guided by intent rather than hard-coded steps.

Call centre agent ▶ Voice bot

CPA for loan ▶ DocAI agent

...

Augmented Intelligence

Humans become smarter

- Humans remain at the centre for judgment & relationships, with AI adding intelligence & speed to every decision.
- Humans are more enabled, making better decisions, faster than before.

Advisory RM with wealth insights

Credit analysts with Smart CAM

...

Much of the investment over the past decade has gone into digitizing structured information & processes.

Much of the gains expected from AI & GenAI will come from automating complex tasks & unlocking outsize productivity gains from humans deployed across the bank.

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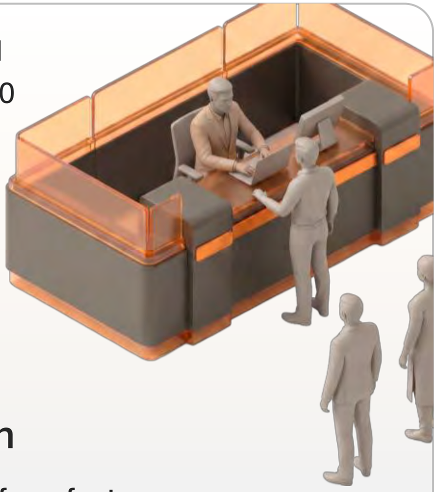
Banking is evolving: Conversational banking is the next frontier

ERA 1

Pre-2010



Branch

Physical form factor

Customer walks in. Relationships built face-to-face with bankers. Hours, geography, & queues define access.

Channel	branch teller RM
Interface	paper in-person
Reach	hours-bound local

ERA 2

2010-Today

Digital

Screen form factor

Customer self-serves on app or web. Menus, forms, & dashboards mediate every interaction at scale.

Channel	mobile & net banking
Interface	tap swipe type
Reach	24 x 7 self-service

ERA 3

Emerging now

Conversational

Dialogue form factor

Customer talks. GenAI agents understand intent, advise, & transact in natural language across voice & chat.

Channel	AI Agents voice chat
Interface	natural language
Reach	always-on personalized

Note: Images on this page are generated by AI

Three imperatives to fulfil India's banking ambition

1

Democratize credit affordability

Lower the operating cost, higher credit affordability

India's degree of penetration in unsecured credit is comparable to and even higher than some OECD countries. However, cost of credit is high, and it is driven by high operating cost of lenders and not the borrower's risk profile. AI-led transformation across operations and rewiring the underwriting journey by leveraging agentic AI will enhance efficiency , with the process savings translating to more affordable credit cost to borrowers.

2

Unlock productivity

Rewire operations,
not blind automation

The maximum productivity benefit from AI can only be realized if banks redesign their operations workflow - repetitive, toil tasks with high certainty outcomes need to be automated, and people resources deployed to enhance decision quality in edge cases or tasks with high variance, high value outcomes. Banks must flatten hierarchies, reskill workforce and empower them to reduce cost and increase productivity.

3

Building risk muscle beyond credit

Build an AI-enabled
resilient enterprise

Risk management is no longer just about credit risk, it spans fraud, operational resilience, cybersecurity, climate etc. Banks lack visibility on how change ripples across operations. Cybersecurity needs to keep pace with attacks that are at machine-speed. It is time to move from managing risks in silos to taking a comprehensive, AI-enabled, dynamic view of resilience across the enterprise.

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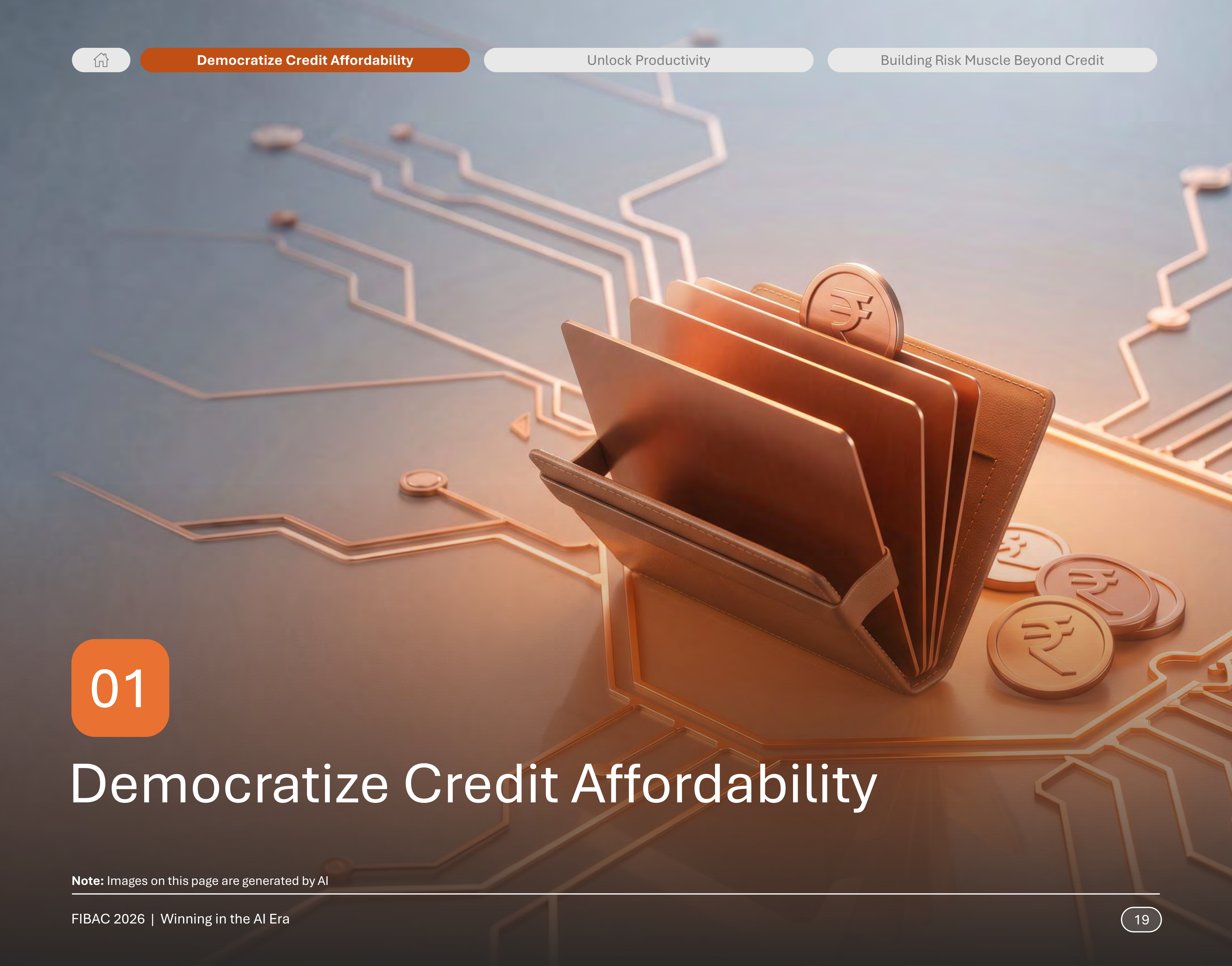

01

Democratize Credit Affordability

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Credit insights Partner: **TransUnion CIBIL**

India has seen a steep increase in access to credit

Credit penetration over the past 5 years

Retail (Secured & Unsecured)

	2021		2026
Adult[1] Population (Cr)	91.8	1.1 x	99.8
Bureau Footprint[2] (Cr)	45.5	**1.7 x**	78.9
Active[3] (Cr)	34.2	**1.7 x**	58.2

MSME (Up to 100 Cr exposure)

	2021		2026
No. of MSMEs[4] (Cr)	6.3	1.3 x	7.9
Bureau Footprint[2] (Cr)	2.0	**2.0 x**	3.9
Active[3] (Cr)	0.9	**2.1 x**	1.9

1. Population of age 20 and above **2.** Borrowers ever present in retail bureau as of March of the respective year
3. Borrowers active in the last 5 years in retail bureau as of March of the respective year **4.** Count of MSMEs in India as of March of the respective year
Source: TransUnion CIBIL; MoSPI; Indian Industries Association (IIA); World Population Review; BCG analysis

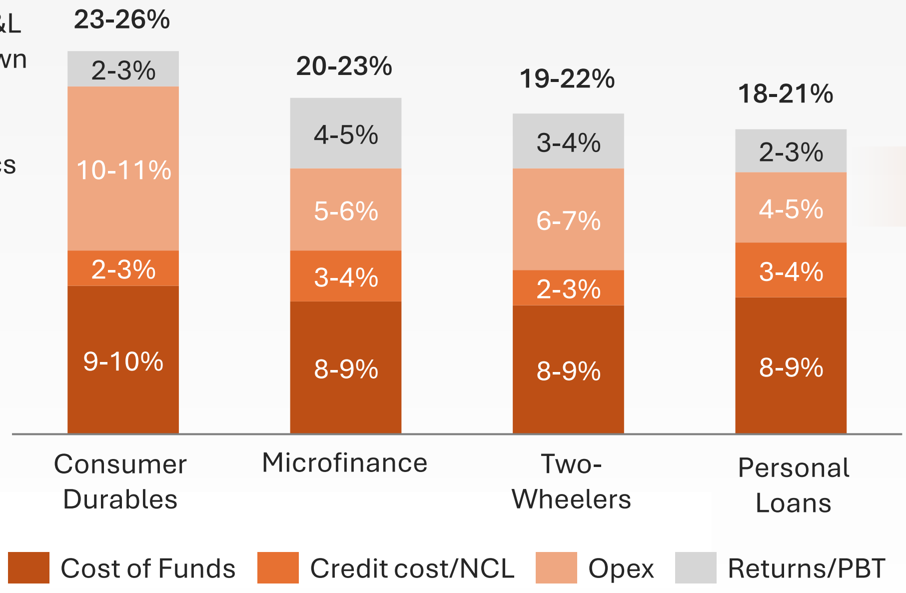
Credit insights Partner: **TransUnion CIBIL**

Affordability of credit continues to be low, driven by high operating costs

Product-wise P&L break-down: Cost to serve is a much larger challenge than credit loss

Total no. of active loans (in Cr)	6.9	10.2	3.2	11.4
NBFC share (% volume)	>70%	>50%	>70%	>60%

Typical P&L break-down for NBFC product economics



Operating cost decomposition by channels

% of opex

45-50%
Sales costs
(including channel costs)

20-25%
Credit operating cost

20-25%
Collection costs

5-10%
Corp G&A
(allocated costs)

Source: TransUnion CIBIL; CRISIL; Industry interviews; BCG analysis

Lenders need to pivot from collections to debt resolution

Meet **Deepak,**
A two-wheeler loan borrower
with a clean record

Deepak, 34, a store supervisor in Nashik, took a loan for his Honda Activa and paid every EMI on time for twelve months.

Four months ago, his employer shut the warehouse and he lost his job. He covered one more month from his own savings but has missed his last three EMIs since. He has filed a claim with the EPFO to withdraw his provident fund and has told the bank himself that he will pay more once he is working again.

Deepak is wondering

Will one missed payment brand him a defaulter, or will his bank recognize a borrower who is honest, and only temporarily unable to pay?

✓ Demonstrated inability to pay

✓ Expressed intent/ willingness to pay

AI/GenAI can bring personalization in helping the customer through this distress cycle

D2C engagement – *minimize/eliminate intermediary*
Reached out via voice bot & WhatsApp in native language in a polite tone for customer comfort.

Bureau simulator shared – *assess score impact*
Deepak can check his credit score impact based on his repayment capacity.

Repayment plan shared – *personalized offers*
Settlement engine offers 3 plans within policy limits.

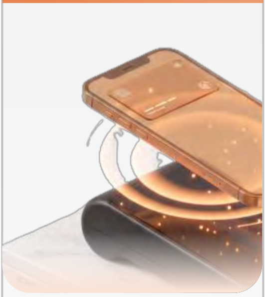
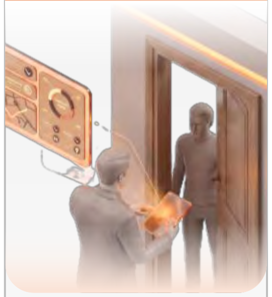
Continuous engagement – *ensure on track behaviour*
Agent checks in around the dates Deepak agrees, instead of generic periodic reminders.

Agentic journeys & tools enabling personalized, real-time resolution

- Tracks repayment history
- Verifies EPFO filings
- Reads bank transactions
- Checks & simulates bureau score
- Analyses customer sentiment

Note: Images on this page are generated by AI

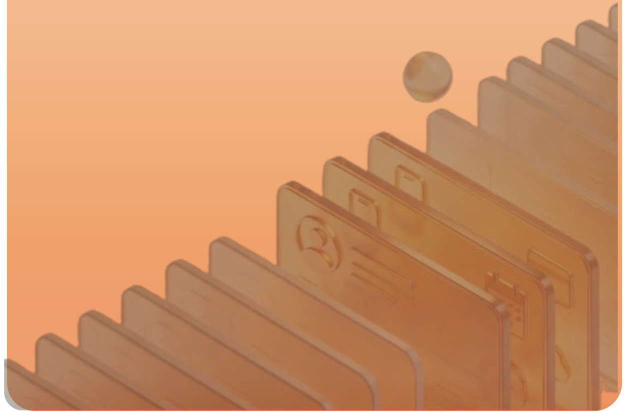
GenAI can enable shift-left to low-cost channels with much better efficacy

	Digital & Contactless powered by AI	**Voice Bot Contactless** powered by GenAI	**Contact Center** powered by human callers	**Field** powered by field agents
				
Economies (Cost of channel)	1/100th of X	1/10th of X	X *(baseline)*	10 X
Effectiveness (Resolution)	X + 10-15% higher efficiency • Unstructured data feedback • Predictive AI models	X + 3-8% higher efficiency • Human-like voice quality • Comprehensive conversation mind maps	X *(baseline)* • Personalized agent coaching • 100% call audits & monitoring	X + 5-10% higher efficiency • Intelligent scripts/offers • AI enabled performance management

Collections cost (% of opex)

20-25% → 10-15%

AI/GenAI can help reimagine 'collections' as a function and significantly lower costs – by integrating to lower-cost channels, disintermediating agencies and driving higher personalization in treatment strategy.



Note: Images on this page are generated by AI
Source: BCG experience

Potential to reimagine a seamless, intelligent and agent-led credit journey

Login & Application

DocuAssist agent
Extracts, validates data from documents.

IDVerify agent
Confirms applicant identity via checks.

ApplyGuide agent
Guides applicants through the form, pre-fills fields.

Profile Assessment

BureauLink agent
Automatically pulls bureau scores via API.

RiskLens agent
Assesses applicant risk using credit, income data.

CashFlowIQ agent
Analyzes bank transactions to assess affordability.

FraudShield agent
Detects synthetic identities, fraud signals.

Asset Verification

ValueLens agent
Estimates collateral value using market data.

LegalCheck agent
Verifies ownership, legal status of pledged assets.

InspectHub agent
Schedules & tracks inspections, valuer visits.

Credit Sanction

SmartCAM agent
Synthesizes data & policy checks into a CAM.

PolicyGuard agent
Checks lending policy, exposure limits, etc.

OfferOptimizer agent
Recommends rates & terms basis risk profile, portfolio.

Post Sanction

SecureSign agent
Manages digital signs, validates document execution.

DisburseNow agent
Releases funds only once conditions are met.

Lower TAT	**50-90%** reduction[1]
High FTR	**>95%** Target
Lower opex	**40-60%** reduction
Lower mortality rate	**20-30%** reduction
Lower NCL	**10-20%** reduction

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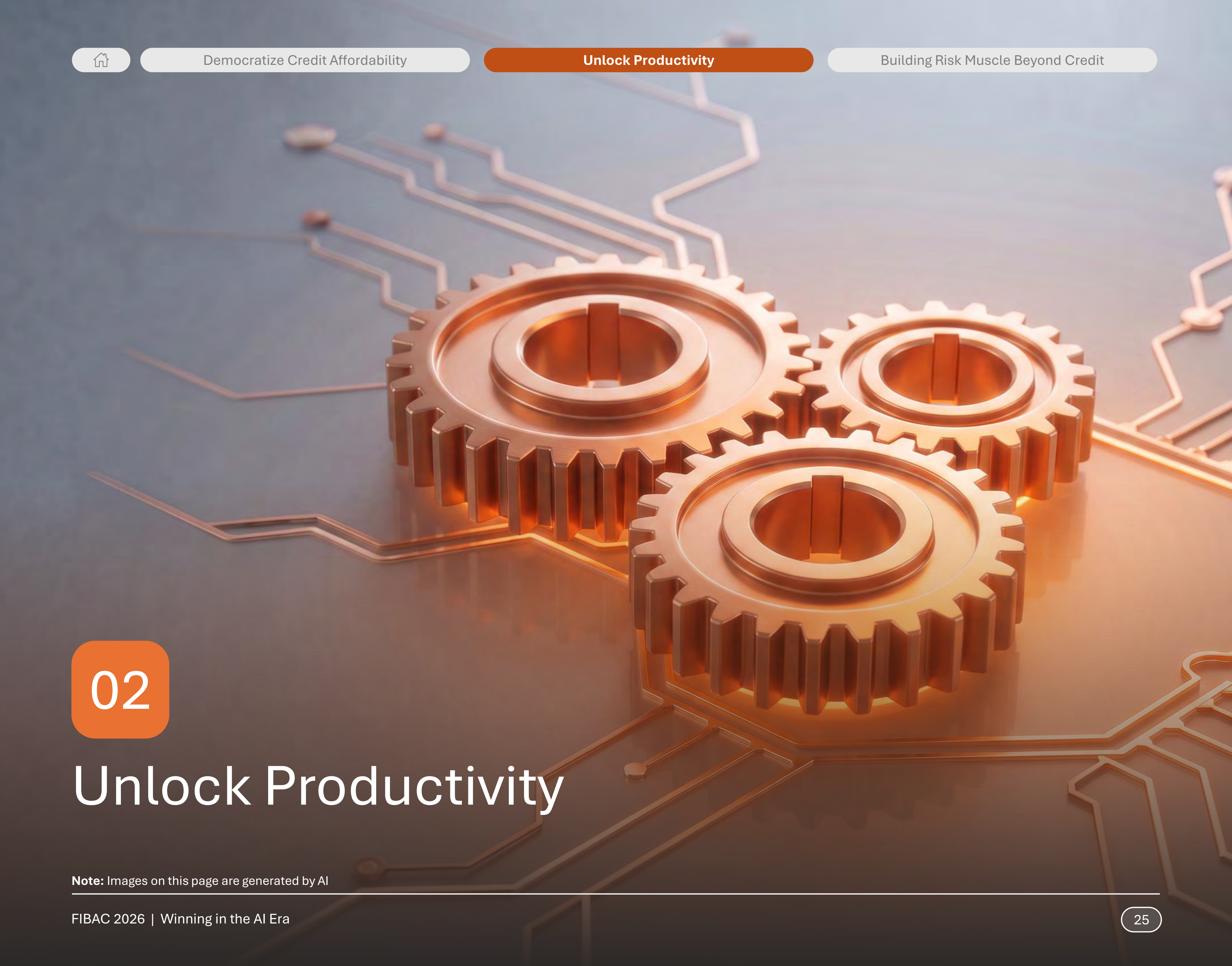
1. 80-90% for mortgages, small business banking; 60-80% for other secured; Up to 50% for unsecured

Source: Industry benchmarking; BCG experience



02

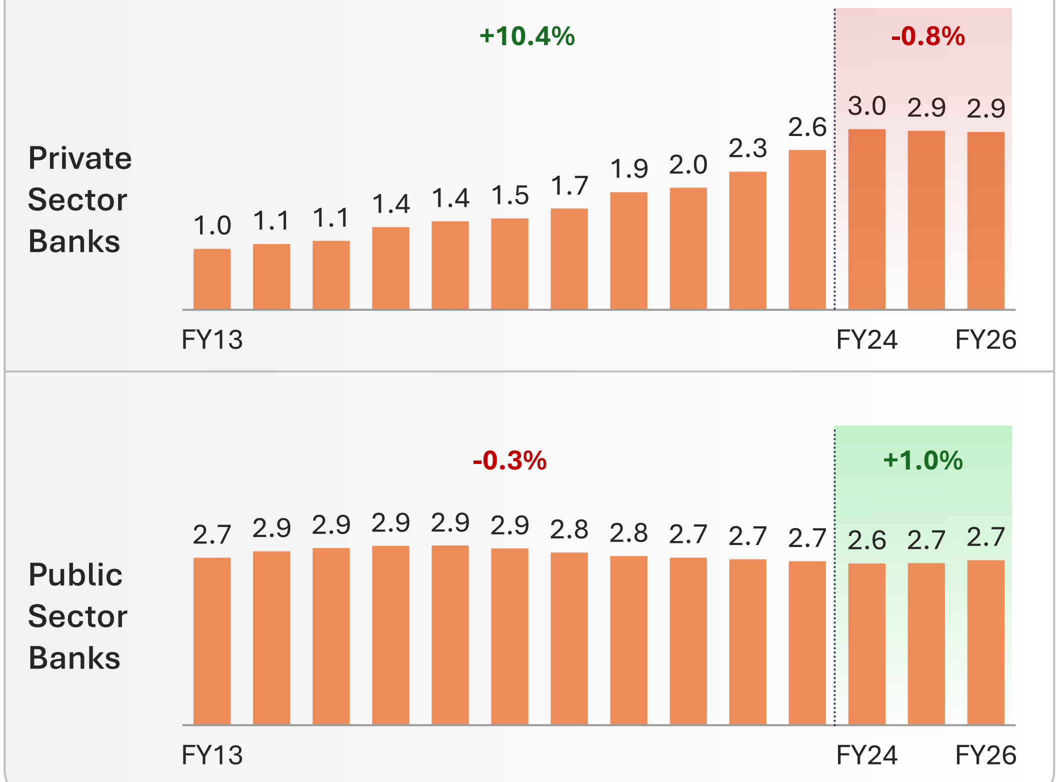
Unlock Productivity

Note: Images on this page are generated by AI

Real productivity has picked up industry-wide, led by a sharp reversal at private banks

Industry headcount growth has flattened

Employee Base | Indexed to FY13 Private Bank's base



	Cost/employee		Real productivity (Operating income/employee adjusted for inflation)	
	Indexed to FY13 Private Bank's base		CAGR (%)	
Private Sector Banks	FY13	1.0	FY13-23	-0.5%
	FY26	2.0	FY23-26	5.4%
Public Sector Banks	FY13	1.2	FY13-23	3.2%
	FY26	3.6	FY23-26	5.4%

Source: RBI; Bank annual reports; BCG analysis

Attrition causes productivity loss; opportunity to recover up to 80% by accelerating ramp-up time from weeks to days using AI

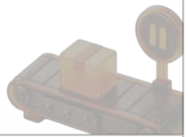
Attrition drives productivity gaps and income loss...

15-20%[1]

Attrition/transfers resulting in non-peak productivity periods.

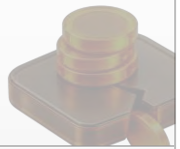
1.5-2.0%[1]

Organization-wide downtime attributable to attrition/transfers.



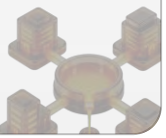
0.5-1%

of operating income lost as a result.



₹ 6-12K Cr

Total operating income loss across the industry.



...however, 3 broad solutions can help bridge these gaps...

1 **TalentLens**

AI-assisted sourcing & screening identifies the right replacement or transfer, accelerating the ramp-up window.

2 **TaskPilot**

AI co-pilots guide employees through their tasks from day one, lifting efficiency during the critical early days.

3 **Knowledge Vault**

Emails, chats, calls are converted into a searchable, cited knowledge base, preserving institutional knowledge.

...unlocking measurable value

80%

Operating income loss bridged by accelerating ramp up time from weeks to days.

Achieved through **faster sourcing, productivity from day-one and preserved institutional knowledge.**

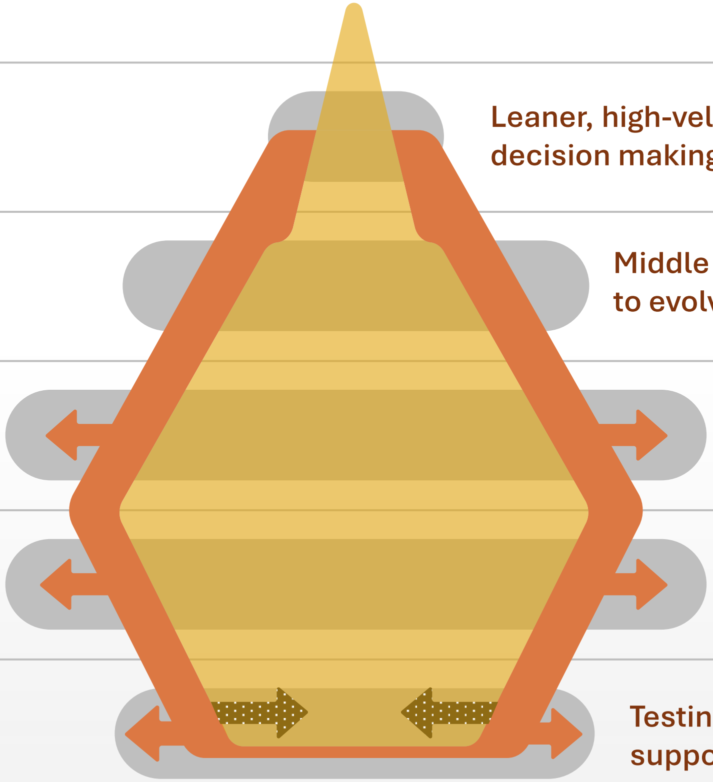
1. Based on FIBAC 2026 Banking Survey and its previous editions

Note: Images on this page are generated by AI

Source: RBI; FIBAC Banking Survey; BCG analysis

AI has the potential to reshape tech workforce model - flatter hierarchies, fewer silos

Potential future state of typical IT delivery organization



Executives

Upper Management

Mid Management

Sr. Software Engineers (SWE)

Mid-Level SWE

Entry-Level SWE

Leaner, high-velocity decision making

Middle management role to evolve rapidly

Entry level workforce to upskill faster, consolidation of roles

Testing, basic coding & support roles to shrink

Pyramid includes both in-house & outsourced workforce

● Traditional workforce ● AI/GenAI enabled workforce ● AI Agents

Challenges to achieve targets

- **Upskilling of talent** to adopt & use AI tools efficiently.
- **Building in-house capabilities** (AI stack engineers, prompt engineers) to develop, host, & maintain the AI ecosystem.
- **Stronger quality checks** & governance to ensure robustness of AI-led output.
- Build adequate controls to **ensure production-grade output** is created with AI.

Source: State of AI/GenAI across Engineering Survey; BCG analysis

An agentic SDLC to accelerate software delivery while improving quality, reliability, and productivity

	Discovery	▶ Design	▶ Development	▶ Testing	▶ Deployment	▶ Monitoring
From	**Manual BRD Writing** Product Managers draft BRDs from stakeholder note; slow, error-prone.	**Manual Design Specs** Architects hand-craft specs; no consistency & traceability.	**Individual Dev Effort** Developers hand-craft features; repetitive set up from scratch.	**Individual Dev Effort** Test cases written manually; gaps & inconsistency throughout.	**Risky Manual Releases** High-ceremony; manual approvals; rollback fears.	**Reactive Incident Respectively** Manual runbooks, tribal knowledge, high MTTR (mean time to repair).

Key changes in SDLC of Future

To	**Assisted BRD Writing** Co-pilot assists human to write; agents review to pressure test.	**Agent-Drafted Specs** Agents generate prototypes, convert BRDs into testable specs with acceptance criteria & constraints.	**Spec-Driven Development** Agents write code from approved specs; developers review & sign-off.	**Continuous Agent Testing** Agents scan for security & rerun tests automatically after code change.	**Human-Gated Auto-Deployment** System auto-deploys on human approval; bug fix passed back to developers.	**Proactive Agent Monitoring** Agents triage incidents; copilot assists engineers to investigate flagged issues.

50%+ Faster time-to-market (BRD ▶ Deploy)	**90%+** Auto Test Coverage	**3x** Engineering Throughput	**70%** Reduced Toil	**99%+** Deployment Reliability

Source: BCG experience

AI can reshape every stage of the RM value chain leading to revenue growth & unlocking capacity

Customer acquisition	Onboarding & KYC	Deepening & cross-sell	Service & operations	Retention & portfolio quality
20–25% unlock	**45–55% unlock**	**20–45% unlock**	**40–55% unlock**	**30–50% unlock**

AI enables good relationship managers to operate at their best, more consistently by shrinking preparation time, surfacing portfolio gaps, and enhancing quality of recommendations.

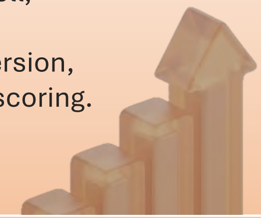
AI augments human intelligence and aids better decision making at every step.

Potential to unlock significant value across players

+15-20%

Revenue per RM

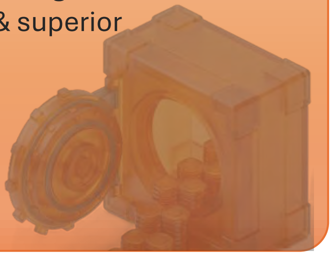
driven by cross-sell, retention, higher acquisition conversion, AI-powered lead scoring.



25-30%

Capacity unlocked

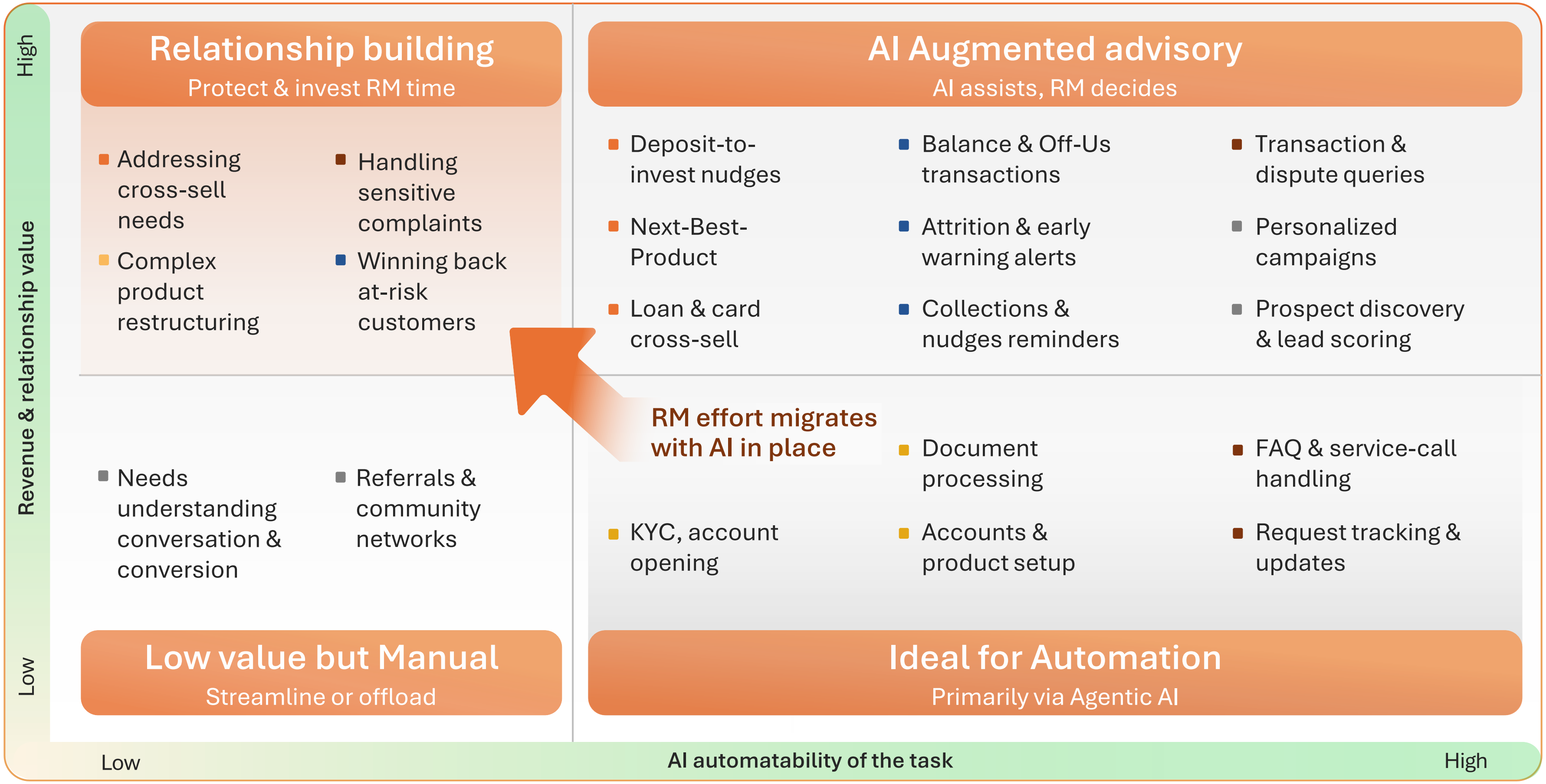
via better planning, onboarding, & superior servicing.



Note: Images on this page are generated by AI

Source: Industry interviews; BCG analysis

AI absorbs the automatable, low-value tasks freeing RM effort to level up into the high-value relationship zone



Relationship building
Protect & invest RM time

- 🟧 Addressing cross-sell needs
- 🟨 Complex product restructuring
- 🟫 Handling sensitive complaints
- 🟦 Winning back at-risk customers

AI Augmented advisory
AI assists, RM decides

- 🟧 Deposit-to-invest nudges
- 🟧 Next-Best-Product
- 🟧 Loan & card cross-sell
- 🟦 Balance & Off-Us transactions
- 🟦 Attrition & early warning alerts
- 🟦 Collections & nudges reminders
- 🟫 Transaction & dispute queries
- ⬛ Personalized campaigns
- ⬛ Prospect discovery & lead scoring

RM effort migrates with AI in place

- ⬛ Needs understanding conversation & conversion
- ⬛ Referrals & community networks

Low value but Manual
Streamline or offload

- 🟨 KYC, account opening
- 🟨 Document processing
- 🟨 Accounts & product setup
- 🟫 FAQ & service-call handling
- 🟫 Request tracking & updates

Ideal for Automation
Primarily via Agentic AI

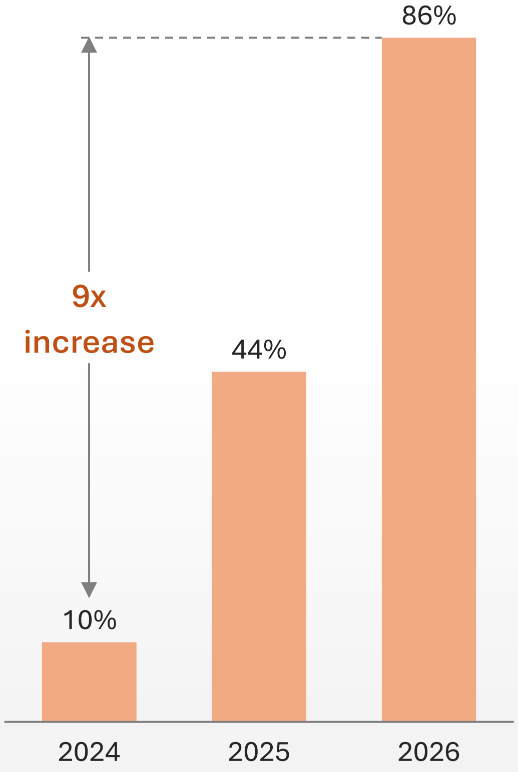
The prize is not just cost cutting but redeploying effort from the bottom-right quadrant into the top-left where revenue & trust are won

⬛ Customer acquisition 🟨 Onboarding & KYC 🟧 Deepening & cross-sell 🟫 Service & operations 🟦 Retention & portfolio quality

Source: Industry interviews; BCG analysis

Indian banks are experimenting with GenAI at a fast pace; but long way to go to embrace it at scale

Share of banks with GenAI use cases under implementation (%)[1]

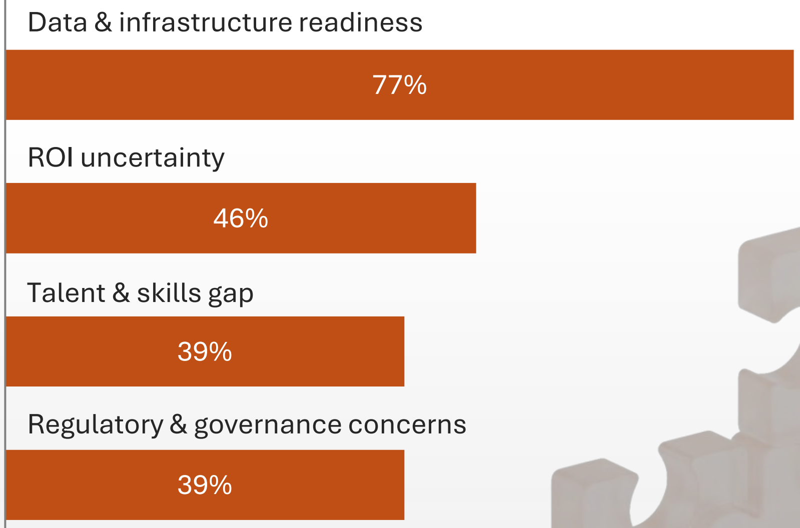


Strategic prioritization of GenAI and scaling challenges

% of banks with GenAI among top 3 strategic priorities

36% Indian Banks[1] Vs. **81%** All Indian CXOs[2]

Top challenges faced by banks in deploying AI/GenAI solutions[3]



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1. FIBAC 2026 Banking Survey and its previous editions **2.** BCG AI Radar 2026 Survey (n=200) **3.** Based on the frequency of each barrier/enabler ranked 1st, 2nd or 3rd

Note: Images on this page are generated by AI

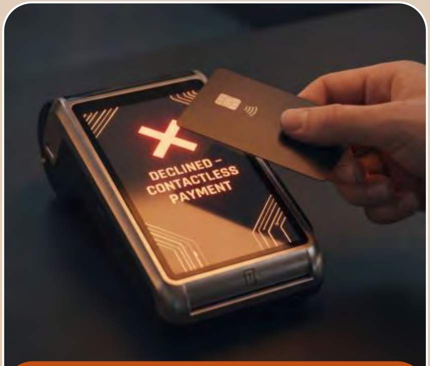
Source: FIBAC Banking Survey; BCG GenAI in FI Benchmarking Survey; BCG AI Radar 2026 Survey; BCG analysis

03

Building Risk Muscle Beyond Credit

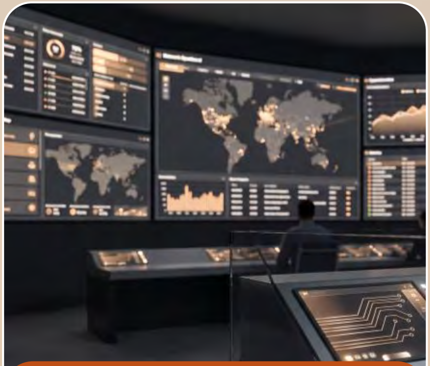
Note: Images on this page are generated by AI

Risk landscape is expanding beyond traditional credit risk



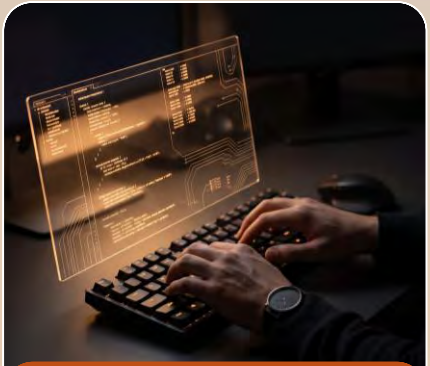
Fraud

Fraud patterns are evolving across operations - asset, liability & transaction related. Adoption of AI & digitization will also bring challenges, requiring banks to strengthen detection capabilities & real-time fraud monitoring.



Operational Resilience

Critical banking operations depend on interconnected processes, technology, data, people, third parties, controls & facilities. Building operational resilience requires end-to-end visibility of these dependencies, impact assessment, recovery & continuity during disruptions.



Cybersecurity

Cyber risk is being reshaped by AI. Attacks are now faster & cheaper to launch, regulators are demanding board accountability, & growing digital interdependence is widening the attack surface. Banks need to move towards machine-speed defense.

Emergent Risks & Uncertainties

Rising geopolitical & climate risks will impact banks way more than in the past. Modelling for these risks requires detailed understanding of the underlying shock factors at a sub-portfolio level, studying fat-tail events & simulating the future impact.

Note: Images on this page are generated by AI

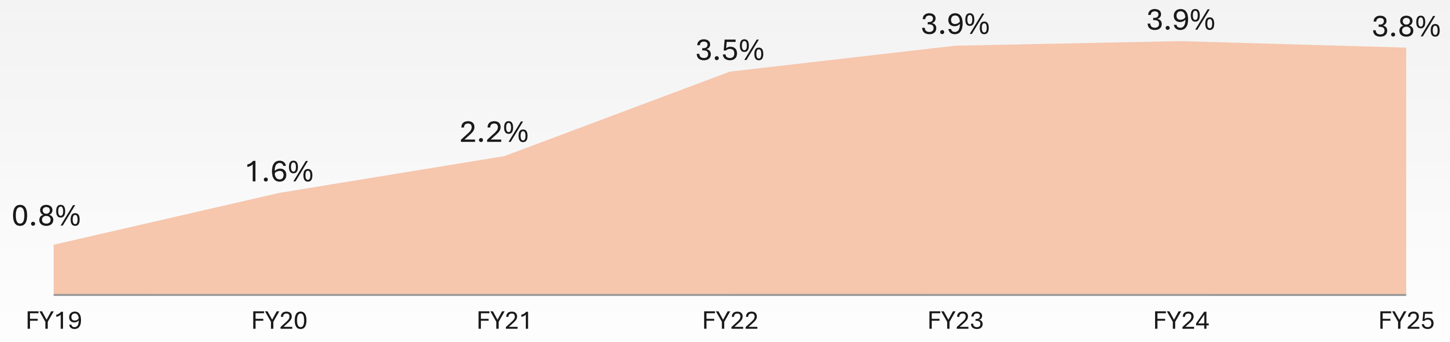
Credit insights Partner: **TransUnion CIBIL**

Fraud incidence continues to be elevated

All values are % of loans with 90+ DPD at 6 MOB not normalized at 12 MOB[1] to total loans (retail consumption)

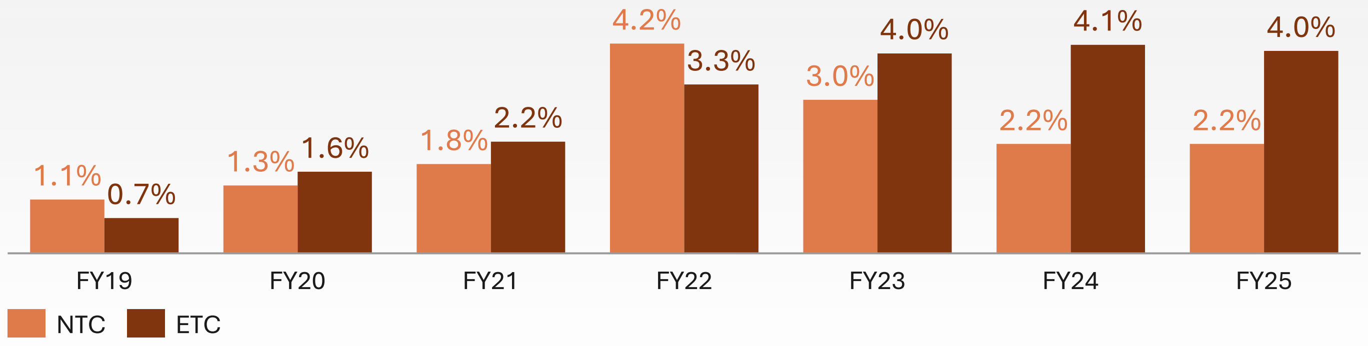
Early delinquency volumes over time

Proxy for fraud



Early delinquency volumes over time by ETC & NTC

Proxy for fraud



1. Early Delinquency: 90+ DPD in 6 months is taken to determine applications with potential fraudulent behavior

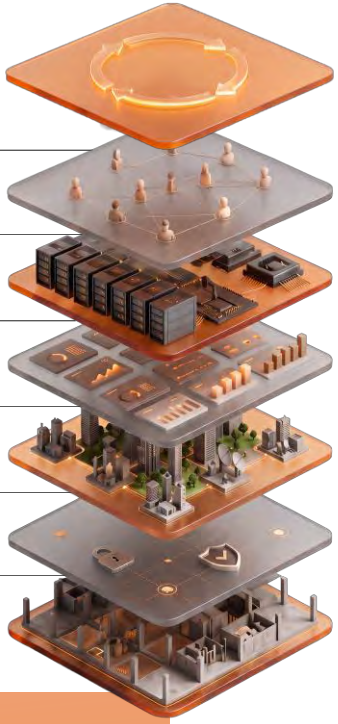
Note: Analysis done for Personal loans, Credit card, Consumer durable & Two-wheeler loans

Source: TransUnion CIBIL; BCG analysis

Operational resilience requires end-to-end mapping of critical operations

UPI critical operation: end-to-end mapping across 7 layers of interdependencies

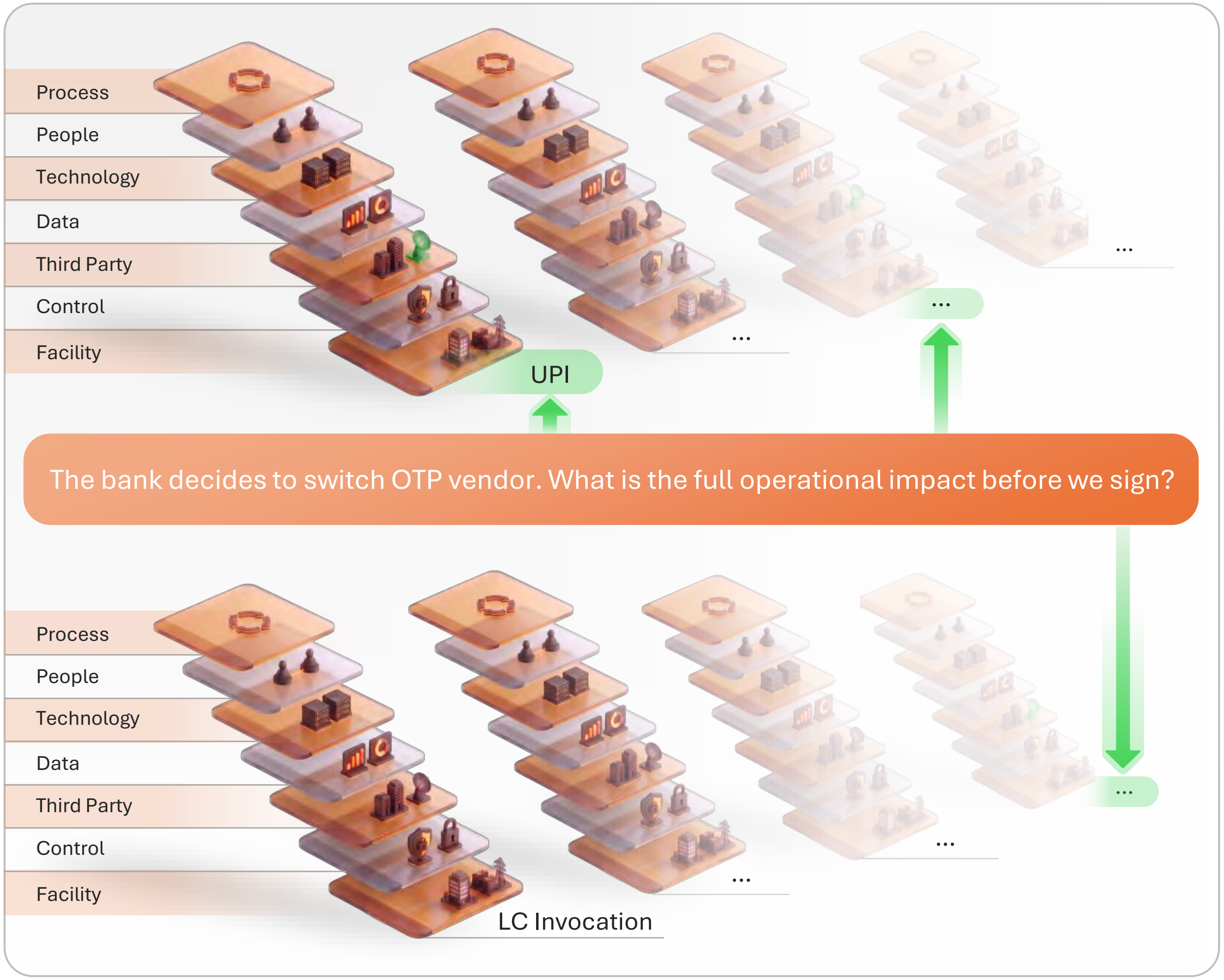
Initiate	Authenticate	Validate	Transact	Response	Credit	Confirm	
1 Login	2 Transactional Details	3 Verify 4 NPCI Ping 5 Payee PSP Notified 6 Payee PSP verifies	7 Confirmation to NPCI 8 UPI Switch Triggers 9 CBS Ping 10 CBS Debit	11 NPCI Informed Notify Customer	12 Beneficiary Credited 13 Confirmation to NPCI	14 Confirmation to PSP	1 Process
Application Management Customer Support			Customer Risk		Business Owner IT		2 People
	1 Mobile app, PSP app Network — Internal Server		2 UPI 3 CBS			4 Mobile app, PSP app	3 Technology
1 Authentication DB		2 Transaction log DB	3 CBS Ledger				4 Data
	1 Gpay/WA/ Paytm app	2 Payer PSP app	3 NPCI Switch 4 Payee PSP 5 NPCI Switch	6 NPCI Switch Telecom Provider SMS	7 Beneficiary Bank UPI Switch (external)	8 NPCI Switch	5 Third Party
1 Failure Identification		2 Alert Escalation		3 DC-DR Switchover			6 Controls
1 Mobile Device/ Channels		2 Bank IT Infrastructure		3 Support facilities for BCP/DR			7 Facility



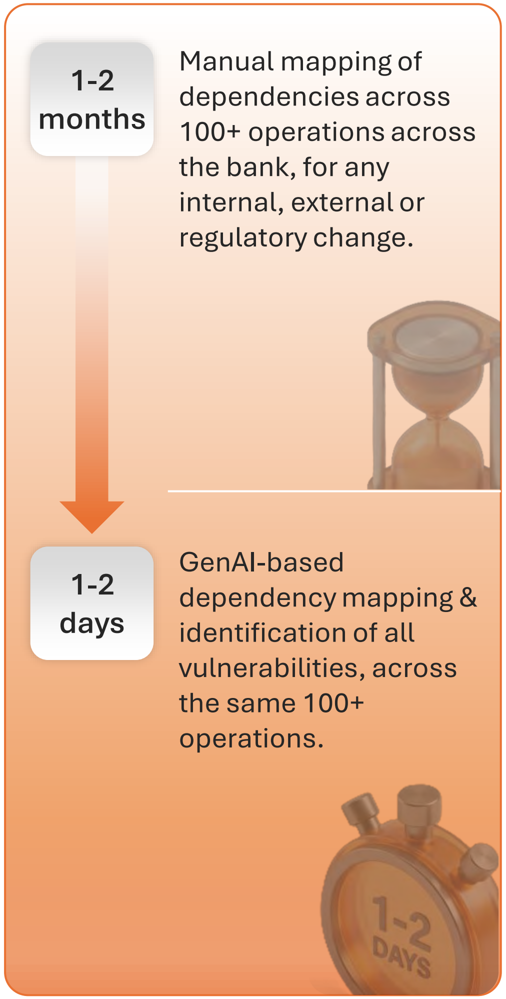
Operational resilience demands a full view of what keeps a critical operation running. Most banks lack one. A single critical operation spans 7 layers and 40-50 interdependent steps, and mapping it end-to-end has traditionally taken months of manual work, pieced together from policies, BRDs, APIs and data flows scattered across teams and systems.

Note: Images on this page are generated by AI

A single change can ripple across multiple operations – GenAI can help identify every dependency and vulnerability across these operations



The bank decides to switch OTP vendor. What is the full operational impact before we sign?



1-2 months

Manual mapping of dependencies across 100+ operations across the bank, for any internal, external or regulatory change.

1-2 days

GenAI-based dependency mapping & identification of all vulnerabilities, across the same 100+ operations.

Note: Images on this page are generated by AI

Cybersecurity has become a board-level risk for Indian Banks

Indian Banks face a structurally more demanding cyber environment…

1.6x	Attacks per organization in Indian BFSI Vs. global in 2025[1].
17x	Faster: time from vulnerability disclosure to first observed exploitation[2].
76%	of Indian BFSI CISOs rank AI-enabled attacks as a top-four priority[3].
38%	of Indian BFSI spend over 10% of IT budget on cyber (Vs. 76% globally)[4].

…creating 3 Board-level imperatives

AI-enabled threats

Since attacks now move at machine speed, **detection & response must be re-timed** to match this pace.

Regulation

The bar has moved from having controls in place to being able to demonstrate to the board how **cyber & AI risk is governed.**

Digital Interdependence

Banks must **assess business value & security risk together** for every new digital capability.

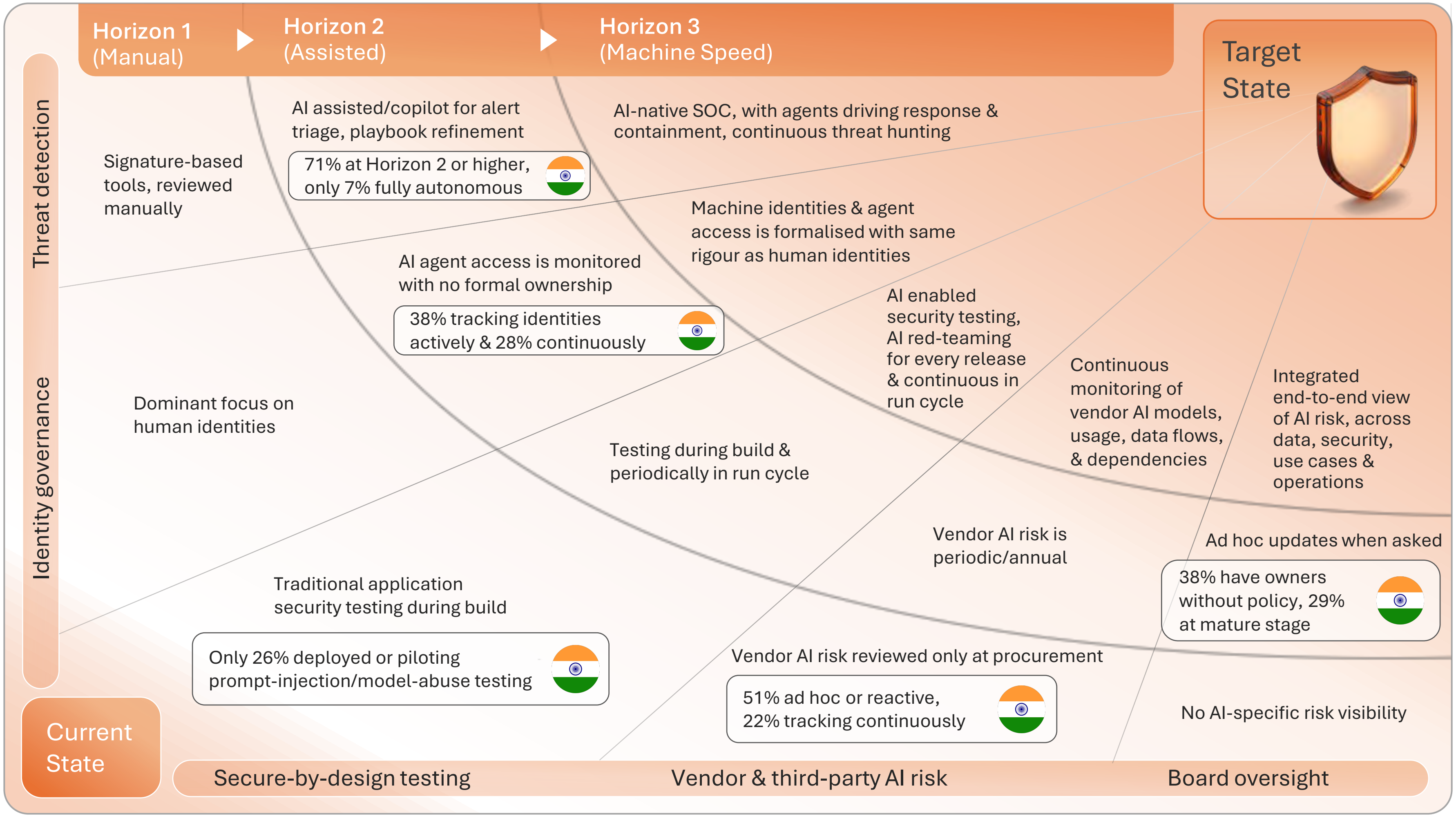
---

1. Check Point Cyber Security Report 2026 (January 2025 – December 2025) **2.** 745 days (2020) to 44 days (2025), Flashpoint 2026 Global Threat Intelligence Report
3. BCG x DSCI India CISO Survey 2026 (N=42) **4.** BCG x DSCI India (N=42) and BCG x GLG Global (N=53) CISO Surveys 2026

Note: Images on this page are generated by AI

Source: BCG x DSCI, Cybersecurity in the Age of AI, May 2026

AI to beat AI: Cybersecurity needs massive overhaul across the industry



Horizon 1 (Manual) ▶ **Horizon 2** (Assisted) ▶ **Horizon 3** (Machine Speed)

Target State

Current State

Threat detection

- Horizon 1: Signature-based tools, reviewed manually
- Horizon 2: AI assisted/copilot for alert triage, playbook refinement
  - 71% at Horizon 2 or higher, only 7% fully autonomous 🇮🇳
- Horizon 3: AI-native SOC, with agents driving response & containment, continuous threat hunting

Identity governance

- Horizon 1: Dominant focus on human identities
- Horizon 2: AI agent access is monitored with no formal ownership
  - 38% tracking identities actively & 28% continuously 🇮🇳
- Horizon 3: Machine identities & agent access is formalised with same rigour as human identities

Secure-by-design testing

- Horizon 1: Traditional application security testing during build
  - Only 26% deployed or piloting prompt-injection/model-abuse testing 🇮🇳
- Horizon 2: Testing during build & periodically in run cycle
- Horizon 3: AI enabled security testing, AI red-teaming for every release & continuous in run cycle

Vendor & third-party AI risk

- Horizon 1: Vendor AI risk reviewed only at procurement
  - 51% ad hoc or reactive, 22% tracking continuously 🇮🇳
- Horizon 2: Vendor AI risk is periodic/annual
- Horizon 3: Continuous monitoring of vendor AI models, usage, data flows, & dependencies

Board oversight

- Horizon 1: No AI-specific risk visibility
- Horizon 2: Ad hoc updates when asked
  - 38% have owners without policy, 29% at mature stage 🇮🇳
- Horizon 3: Integrated end-to-end view of AI risk, across data, security, use cases & operations

🇮🇳 Current State of Indian BFSI

Note: Classification Criterion: Horizon 1. Controls are signature- or rule-based and reviewed by humans, Horizon 2. AI augments human analysts but humans sign off on decisions, Horizon 3. AI-native controls operate continuously and are embedded in the build; Images on this page are generated by AI

Source: BCG x DSCI India CISO Survey 2026 (N=42); BCG analysis

Credit insights Partner: **TransUnion CIBIL**

Emerging risks that may cause unexpected losses need to be assessed with advanced stress-testing

Prominent risks requiring capability build

Geopolitical risk
Conflicts & trade tensions disrupt currency, prices, & demand patterns.

Climate risk
Extreme weather damages assets & disrupts borrower income streams.

Supply chain risk
Disruptions delay production, raise costs, & strain repayment capacity.

Cyber risk
Attacks are growing faster & becoming cheaper to launch, widening exposure across digital systems.

...

Significant direct transmission factors of geopolitical risk

- **FX rates** level, volatility & trade.
- **Inflation** to measure retail price pressure on borrowers.
- **Interest Rates** & **Credit Spread** across term structures.
- Trackable state-wise economic **business activity (GST filings).**
- **Crude Prices** & **Energy Prices** driving input costs across manufacturing & transport.
- **Core Sector** & **Industrial Production** reflecting infrastructure & manufacturing activity.
- ...

Different State Groups (SG) emerge basis sensitivity analysis

SG 1 - Large-scale manufacturing & services (e.g. KN, MH, GJ...)
FX, interest rates, inflation dominate; trade exposure drives sensitivity.

SG 2 - Mid-sized manufacturing & services (e.g. DL, MP, AP...)
Business activity & inflation lead; strong reliance on formal domestic activity.

SG 3 - Mining & natural resources (e.g. OD, JH, CG...)
Industrial production & core sector dominate; mining dependence drives volatility.

SG 4 - Agriculture & Trading (e.g. UP, BH, WB...)
Business activity & core sector lead; agricultural & trading exposure dominant.

Note: SG1, SG2, SG3, SG4 are state groups clubbed by predominant economic activity and similarity of macro-factors driving MSME portfolio risk
Source: TransUnion CIBIL; BCG analysis

Credit insights Partner: **TransUnion CIBIL**

MSME credit has been resilient at the current level of geopolitical stress

If the conflict in the Middle East remains unresolved beyond 9-12 months, then MSME slippage levels will shoot up by 1.5X or more

Scenarios:
Stress Case 1– Successful resolution within 3 months
Stress Case 2 – Resolution delayed by 3 to 6 months,
Stress Case 3 – Resolution delayed by 9 to 12 months

Under Stress Case 1, normal economic activity resumes within 2 to 3 months. While under Stress Case 3, recovery is delayed by a further 6 months.

State Groups	Observed Slippage[1] Rate (FY 22-25) *(Share of good loans turning 30+ DPD, 12 months)*	Scenario	Slippage rate multiplier[2]		
			Stress 1	Stress 2	Stress 3
SG1	Small: 12.2% - 15.5%	Small	🟥	🟥	🟥
	Medium: 8.0% - 10.4%	Medium	🟨	🟧	🟧
	Large: 3.8% - 5.3%	Large	🟧	🟥	🟥
SG2	Small: 11.4% - 14.7%	Small	🟨	🟧	🟥
	Medium: 7.7% - 10.1%	Medium	🟩	🟧	🟥
	Large: 3.6% - 4.9%	Large	🟩	🟥	🟥
SG3	Small: 16.1% - 21.4%	Small	🟨	🟨	🟨
	Medium: 13.3% - 16.5%	Medium	🟩	🟩	🟩
	Large: 4.7% - 6.3%	Large	🟩	🟥	🟥
SG4	Small: 15.2% - 20.8%	Small	🟩	🟩	🟨
	Medium: 10.1% - 14.0%	Medium	🟩	🟨	🟨
	Large: 3.8% - 5.3%	Large	🟩	🟧	🟧

Slippage Multiplier: 🟩 Less than 1.15X 🟨 1.15 – 1.25X 🟧 1.25 – 1.5X 🟥 1.5 – 2.5X

Industrialization of economy is highest for SG1 states & reduces towards SG4. Diversification increases as we move from SG1 states to SG4 states.

Accordingly, **multiplier due to geopolitical stress is highest for SG1 states** with high first-order dependency on crude, FX & trade. SG3 & SG4 states are more insulated & benefit from government support.

Larger MSMEs across geographies slip more sharply if the conflict extends beyond six months; driven by the continuous first-order impact of FX & inflation, & the lagged second-order impact on commodity prices & demand.

1. Reflects the share of good loan book turning 30+ DPD at any point over the next 12 months, by outstanding value **2.** Slippage multipliers are based on 30+ DPD at 12 months and represent median outcomes across states within each group

Note: SG1, SG2, SG3, SG4 are state groups clubbed by predominant economic activity; Loan Ticket Size Classification: Small: <10 lakhs, Medium: >10 lakhs and <50 lakhs, Large: >50 lakhs

Source: TransUnion CIBIL; BCG analysis

Perspective: Each technological revolution unlocked a productivity supercycle

1780s-1890s

Steam Engine

28x

Increase in energy production[1]

22-41%

US labor productivity growth from steam[2]

1890s-1950s

Electricity[3]

8x

Increase of electricity usage as power source in US manufacturing

40x

Jump in electricity's share in the global energy mix

1980s-2010s

Internet[4]

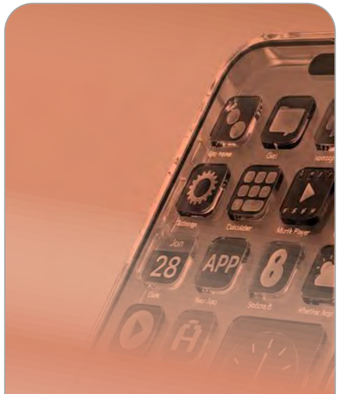
21%

Contribution to GDP growth in mature economies

2x

Increase in internet users

2010s-2020s



Digital Platform

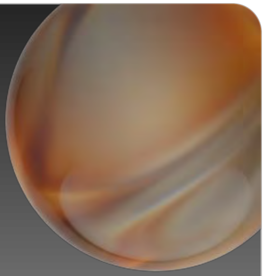
$4 Tn

Value of digitally delivered services exports[5]

64%

Share of total services exports[6]

2020s +



Generative & Agentic AI

AI is poised to be the next & potentially the largest tech revolution

What will this lead to?

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1. Observed between 1860-1910; **2.** Observed between 1850-1880; **3.** Computed between 1900-1950; **4.** Computed between 2005-2010; **5.** In year 2022; **6.** In year 2020

Note: Images on this page are generated by AI

Source: UNCTAD; International Telecommunication Union (ITU); MPRA; Institute for Energy Analysis (IEA); CEPR; National Bureau of Economic Research (NBER); BCG analysis

13-point agenda to strengthen the banking sector

Agenda for Banks

1. **Embrace AI to completely reshape & reimagine every function,** not just optimize at the margins.
2. **Dedicated reskilling & upskilling** from AI fluency (for business users) to AI specialization (for risk & analytics) to drive large scale adoption.
3. **Governance -in-action & compliance-by-design paradigm** to be adopted to address evolving regulations on AI, models & Data Privacy.
4. **Bolster risk management beyond credit** (Fraud, operational resilience, climate etc.) & **scale cyber security posture** to match the expanding attack surface.

Agenda for Regulators

5. **Build shared common utilities** across the industry (e.g., climate finance, fraud, AML) to lift collective defenses.
6. **Define a third- & fourth-party registry for AI/GenAI vendors** across the industry (like API-based services using ULI).
7. **Build a regulatory sandbox** for AI/GenAI vendors & use-cases.
8. **Adopt & develop AI tools** in internal operations & in **enhancing risk monitoring & banking supervision.**
9. **Expand industry-wide upskilling on AI** through common curriculum & certification.

Agenda for Government

10. **Create an enabling environment for developing sovereign models** while driving more regional adoption.
11. **Enable skill development** via Skill Development Initiatives (Skill India, NIELIT) & apprenticeships.
12. **Accelerate AI infrastructure** (compute, data centres, energy) to support adoption across the banking sector.
13. **Creating PPP between Banks, Utilities & CERT-IN** for real time detection, dissemination & to build collective ability to respond & recover.

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Established in 1927, Federation of Indian Chambers of Commerce and Industry (FICCI) is the largest and oldest apex business organisation in India. Mahatma Gandhi addressed FICCI's 4th AGM in 1931. Our 98th AGM was held in November 2025. With our rich legacy, FICCI would play an even greater role as India emergence as the 3rd largest economy.

FICCI works with its key stakeholders to foster active engagement and dialogue with decision makers, to support steps that are good for commerce and industry.

As a member-led and member-driven organisation, FICCI represents over 2,50,000 companies across all segments of economy including public, private and multinationals. The diverse membership base of FICCI across all Indian states includes both direct and indirect members through its 300 affiliated regional and state level industry associations. FICCI has a large international presence via partner agreements with 250 national business associations in over 100 countries.

Indian Banks' Association (IBA) the only advisory body for banks in India, was set up in 1946 as an association to discuss vital issues of Banks. The onward journey of IBA has been progressive and enriched by the development of India's banking sector since independence.

Having bestowed with the status of the "torch bearer" for the banking industry, IBA has initiated several path breaking policies during the last 80 years which have eventually transformed the banking sector. Over a period of time IBA has evolved as the "Voice of the Indian Banking Industry".

At present IBA has 237 Members, 136 Ordinary Members comprising Public, Private, Foreign, SFB, RRBs, Payment Banks and Co-operative Banks and 101 financial institutions and Banking related organizations as Associate Members.

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