

The Indian financial services | Q1FY26

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Indian banks are likely to pursue consolidation to drive benefits such as enhanced synergy, cost take-outs from economies of scale, organisational efficiency and diversification of risks¹

INR252 tn
 2% Y-o-Y growth
 Banking sector assets in 2024¹

INR11 tn
 Interest income of public banks in 2024¹

INR222 tn
 11% Y-o-Y growth
 Bank deposits by Jan 2025¹

INR 187 tn
 6% growth FY16-26E
 Total bank credit by April 2025¹

Segmental performance

Private sector banks reported a slower credit growth of 8.3 per cent Y-o-Y in Q1FY26 as compared to public sector banks with 11 per cent⁵

Loan growth (Y-o-Y)

Agricultural loans	Industry loans	Service sector loans	Personal loans
7.3% vs. 18% growth	6.0% vs.10% growth	10.6% vs.14% growth	11.9% vs 14% growth

July 2025

Break-up of banks in India¹

Performance snapshot

Drivers

Digital payments will grow to (by FY30E)¹

INR62.4 tn

It may account for 60 per cent of Indian fintech market by FY30E¹

Scheduled banks GNPA* and NNPA* reduced to⁴

2.3%

Overall, the stress level of Scheduled Commercial Banks (SCBs) has reduced on a Y-o-Y basis (Q1FY26)

*Gross-non performing assets *Net-non performing assets

Increasing unified payment interface (UPI) adoption³

18.4 bn (Transaction volume, Jun'25)

The UPI system serves 491 mn individuals³

0.5%

Challenges

Net interest margin (NIM) decline by 25 bps Y-o-Y⁴

2.9% Q1FY26

Due to subdued credit growth

Credit to Deposit (CD) ratio declined by 78 bps Y-o-Y⁵

79.6%

Deposit growth is outpacing credit expansion

Current and savings account (CASA) ratio declined by 116 bps Y-o-Y⁵

38.3% Jun'25

Shift towards term deposits and alternative investment options

Return on assets (RoA) of SCBs decreased by nine bps Y-o-Y⁴

1.28%

Due to margin pressures and stress in select segments

Outlook

65%
 Of payments in India are projected to be digital by 2026¹

INR36.5 tn
 India's fintech industry by 2029¹

2,50,000
 Permanent jobs in India's banking, financial services and insurances sector by 2030⁶

India is likely to become the third-largest domestic banking sector by 2050¹

Key takeaways

2,000
 DPIIT* recognised startups in India and third largest fintech ecosystem globally¹
*Department for Promotion of Industry and Internal Trade

Indian banks are likely to grow globally by utilising subsidiaries
 (0.5 per cent growth in staff and 6.2 per cent increase in subsidiaries)¹

India already has the second highest number of smartphone users globally¹

INR234 tn
 Deposits were recorded across all scheduled banks as of Apr'25¹

Sources: 1) Banking Sector in India, IBEF, May 2025; 2) RBI website as of 29 August 2025; 3) India's UPI Revolution: PIB, 20 July 2025; 4) EMIS report (Credit Costs Weigh on Bank Margins; Treasury Gains Partially Cushion Impact in Q1FY26: CareEdge), 26 August 2025; 5) EMIS report (Public Sector Banks Lead Business Growth in Q1FY26: CareEdge), 10 September 2025; 6) BFSI sector to add 2,50,000 jobs by 2030, focus on tier-II, III cities: PIB, 22 August 2025

KPMG in India contacts:

Neeraj Bansal
 Partner and Head – India Global
 E: nbansal@kpmg.com

Vaibhav Sharma
 Director - Markets
 E: vaibhavsharma20@kpmg.com

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KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011 Phone: +91 22 3989 6000, Fax: +91 22 3983 6000.

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