

The Indian financial services - Q3FY26

KPMG. Make the Difference.



India's banking sector is expected to strengthen, driven by digitalisation, credit momentum and policy support¹

INR62 tn
Total Indian foreign exchange reserves (Dec'25)²

50%
UPI* share in global real-time transactions (Oct'25)¹

INR246 tn
9.8% Y-o-Y growth Total deposits (Oct'25)¹

INR203 tn
14.5% Y-o-Y growth Total bank credit (Dec'25)³

* Unified payments interface

Segmental performance

Non-food bank credit grew 14.4 per cent Y-o-Y as of December 2025, compared with 11.1 per cent in December 2024³

Credit growth (Dec'25 and Y-o-Y)

Category	Dec'25	Y-o-Y
Agricultural loans ³	↓ 12.1%	vs 12.5%
Industry loans ³	↑ 13.3%	vs 7.5%
Service sector loans ³	↑ 15.3%	vs 11.5%
Personal loans ³	↑ 14.4%	vs 12.0%

Break-up of banks in India¹

FY25

As of August 2025

Performance snapshot

Drivers

Expected real gross domestic product (GDP) growth rate⁴

7.4% (FY26)

Driven by consumption and investment

Repo rate reduced by 100 bps (Apr-Dec 2025)¹

5.25% (Dec'25)

Supports credit flow as inflation eased

Challenges

Expected digital payments proportion¹

65% (2026)

Rise in financial technology adoption

Expansion of digital banking units (DBUs)¹

200

DBUs by end of FY26 to enhance financial inclusion

Weakening of the Indian Rupee (INR) against the U.S. dollar^{5,6}

Quarterly average exchange rate of INR vs. USD

Rupee underperformed despite strong macroeconomic fundamentals

Depreciation driven by capital-flow pressures and balance of payments (BoP) deficit

Elevated volatility in capital flows⁵

Fluctuating foreign portfolio investment (FPI) flows and a balance of payments (BoP) deficit increased external-sector vulnerability

Outlook

INR35.8 tn (2029)

India's projected FinTech market¹

20% (2026)

Projected contribution of digital payments in GDP¹

3rd (2050)

India is projected to have the third-largest domestic banking sector in the world¹

INR112.6 tn (2030)

India's projected digital lending market¹

Key takeaways

INR230 tn

Value of UPI transactions in FY26 (till Dec'25)⁷

INR2.7 tn

Worth of deposits in ~569 mn Jan Dhan accounts enabled by the government (till Nov'25)¹

3,000

India's banks maintain multi-decade low NPAs* and strong balance sheets⁵

3,000

DPIIT**-recognised financial technology (FinTech) startups in India¹

*Non-performing assets, **Department for Promotion of Industry and Internal Trade

Sources: 1) Banking Sector in India: IBEF, Nov 2025; 2) Weekly Statistical Supplement – Foreign Exchange Reserves: RBI, 2 January 2026; 3) Sectoral Deployment of Bank Credit – December 2025: RBI, 30 Jan 2026; 4) India's GDP growth for FY26 is estimated at 7.4%, driven by the double engine of consumption and investment: IBEF, 30 January 2026; 5) Economic Survey 2025-26: Ministry of Finance, 29 January 2026; 6) Weekly/Quarterly Average Rates: Foreign Exchange Dealers' Association of India; 7) UPI transactions hit record high of Rs. 230 lakh crore (US\$ 2.56 trillion) in FY25-26 till Dec: IBEF, 4 February 2026

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