

# The Indian financial services Q4FY26

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India's banking sector is expected to remain on a strong growth trajectory, led by digital scale, resilient credit growth and broader financial inclusion<sup>1</sup>



**-INR208 tn**

Bank credit as of February 2026<sup>1</sup>



**3<sup>rd</sup> largest**

Expected domestic banking sector by 2050<sup>1</sup>



**-INR257 tn**

Total bank deposits as of February 2026<sup>1</sup>



**23.9% CAGR\***





Mobile wallet industry growth 2023-2027<sup>1</sup>

\*Compound annual growth rate

Segmental performance

*Bank credit deployment in India is likely to tilt further towards services and retail, driven by stronger demand visibility and relatively lower risk profiles<sup>1</sup>*

*Deployment of gross bank credit by major sectors*

January 2026	Agriculture and allied activities <sup>2</sup>	Industry <sup>2</sup>	Service sector <sup>2</sup>	Personal loans <sup>2</sup>
				
	<b>INR25.1 tn</b>	<b>INR43.8 tn</b>	<b>INR57.2 tn</b>	<b>INR67.2 tn</b>

**Breakups of banks in India, 2025\* vs 2024<sup>3, 4</sup>**


Foreign banks	41.50%	37.70%
Private sector banks	20.00%	17.21%
Others	16.60%	0.02%
Public sector banks	11.40%	9.83%
Small finance banks	10.50%	35.24%

\*As of December 2025

Performance snapshot

**Drivers**


*Economic and demographic tailwinds<sup>1</sup>*

 **INR200 tn**

Total bank credit (Dec 2025)

Reflects strong lending momentum driven by retail (housing, auto) and MSME demand


\*Micro, small and medium enterprises

 **Adoption of open banking principles across the ecosystem<sup>1</sup>**

Enables scalable, resilient systems while improving access and delivering seamless financial services

\*\*National bank for financing infrastructure and development

*Infrastructure financing push<sup>1</sup>*

 **INR1 tn**


Infrastructure financing target via NaBFID\*\* (by 2030)

Signals sustained government push to scale infrastructure-led credit growth


**Challenges**

- High dependence on digital infrastructure and cybersecurity capabilities<sup>1</sup>**  
Increases exposure to system vulnerabilities and necessitates continuous investment in security and resilience
- Ongoing need for enhanced risk management and compliance frameworks<sup>1</sup>**  
Drives operational complexity and increases cost of maintaining regulatory adherence
- Tight regulatory requirements on \*CRR (4.5 per cent) and \*\*SLR (18 per cent)<sup>1</sup>**  
Constrains deployable liquidity and limits banks' flexibility to expand lending  
\*Cash reserve ratio  
\*\*Statutory liquidity ratio
- Heavy reliance on policy-driven liquidity support<sup>1</sup>**  
Indicates underlying sensitivity of credit growth to monetary policy conditions


Outlook<sup>1</sup>




65 per cent of payments are expected to be digital by the end of 2026, driven by rapid shift to digital channels



~11.77 per cent average loan growth (2012–2025), reflecting sustained credit demand across segments




~99,000 MSME loans sanctioned via digital credit model (since Apr 2025)




Digital transactions worth INR12,000 tn over last six financial years, highlighting scale of ecosystem adoption


Key takeaways<sup>1</sup>




Credit growth remains consistently strong across multiple economic cycles and demand segments



Technology-led initiatives are improving efficiency and reducing turnaround times in banking operations



Digital credit infrastructure is enabling faster and scalable MSME financing across India



Operational efficiency improvements are being driven through technology integration across banking processes

Sources: 1) Banking Sector in India, IBEF, February 2026; 2) Indian Bank's Association, Website, access on 8 June 2026; 3) Growth of Banking Sector – Infographic, IBEF, February 2026; 5) Growth of Banking Sector – Infographic, IBEF, November 2024

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