# The Indian financial services Q1FY27

Sector snapshots



## Highlights[1]

**Deposits exceeded bank credit by INR45.1 tn, supporting continued lending capacity entering Q1FY27. Housing credit remained resilient, while unified payments interface (UPI) transactions worth INR29.9 tn in May 2026 reflected the increasing digital intensity of India's banking system**

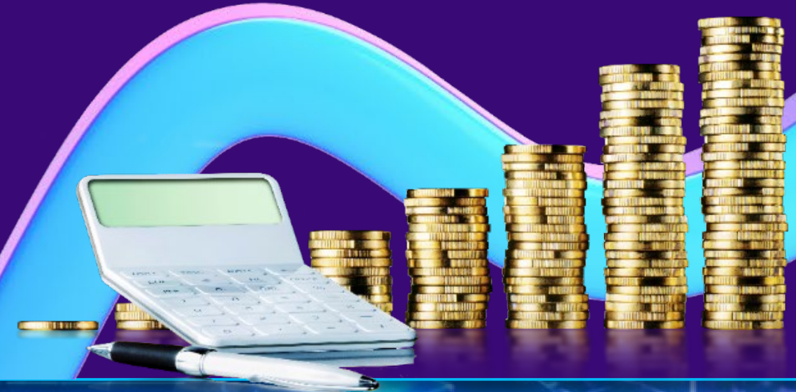
1. Banking, IBEF, May 2026

**INR 220.3 tn**
Bank credit as of May 2026

**INR 265.4 tn**
Total bank deposits as of May 2026

**INR 33.7 tn**
Housing credit representing ~10.9 per cent Y-o-Y growth

**INR 29.9 tn**
UPI transactions reached in value by May 2026



# Segmental performance

**Small finance banks led percentage growth from a low base, while public sector banks remained the principal driver of incremental credit, combining one of the largest loan books with faster growth than private-sector peers in FY26**

## Banking segment performance[1]

**INR 125.1 tn**
Public sector bank (PSU) advances rose 16.3 per cent Y-o-Y in FY26

**INR 85.1 tn**
Private sector bank (PVB) advances grew 13.9 per cent Y-o-Y in FY26

**INR 3.3 tn**
Small finance bank (SMB) advances led growth at 21.8 per cent Y-o-Y in FY26

**INR 6.2 tn**
Foreign bank advances expanded 13.0 per cent Y-o-Y in FY25

## Key growth factors[2]

- Consumption-led borrowing strengthening retail credit demand
- Digital lending widening formal credit access
- Financial inclusion expanding the addressable customer base
- Rising incomes supporting sustained banking demand.

1. Indian Bank's Association, website, access on 31 August 2026
2. Banking, IBEF, May 2026

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## Performance snapshot

### Drivers

**Policy easing is strengthening banks' credit-deployment capacity[1]**

Repo-rate and cash reserve ratio (CRR) reductions improved system liquidity, creating additional headroom for lending growth

**Acquisition-finance reforms are expanding corporate lending opportunities[1]**

Banks can finance qualifying stake increases from 26 per cent to 90 per cent, widening participation in transaction-led corporate financing

**Overseas expansion is widening banks' addressable revenue base[1]**

Indian banks expanded internationally, with headcount rising 0.5 per cent in branches and 6.2 per cent in subsidiaries, favouring subsidiary-led growth

**Green financing is creating new sector-specific lending opportunities[1]**

Growing demand for environmentally sustainable products is opening additional credit opportunities across businesses and consumers investing in green assets

### Challenges

**Rural digital access remains uneven[1]**

Rural tele-density remained 60.8 per cent versus 94.0 per cent nationwide in May 2026

**Digital lending remains small-ticket concentrated[1]**

Digital non-banking financial institutions (NBFCs) generated 77.0 per cent of volumes but only 19.0 per cent value

**External volatility pressures financial stability[2]**

Currency and commodity-price volatility may disrupt capital flows, market liquidity and financial-sector stability

1. Banking, IBEF, May 2026
2. India will do more to boost inflows, IBEF, June 2026

## Outlook[1]

**INR 112.6 tn**
Overall digital-lending opportunity by 2030

**INR 62.3 tn**
Digital consumer-lending market by 2030

**INR 35.9 tn**
Projected Indian fintech market by 2029

**INR 1.0 tn**
National Bank for Financing Infrastructure and Development (NaBFID) infrastructure-loan sanction target by 2030

1. Source: Banking, IBEF, May 2026

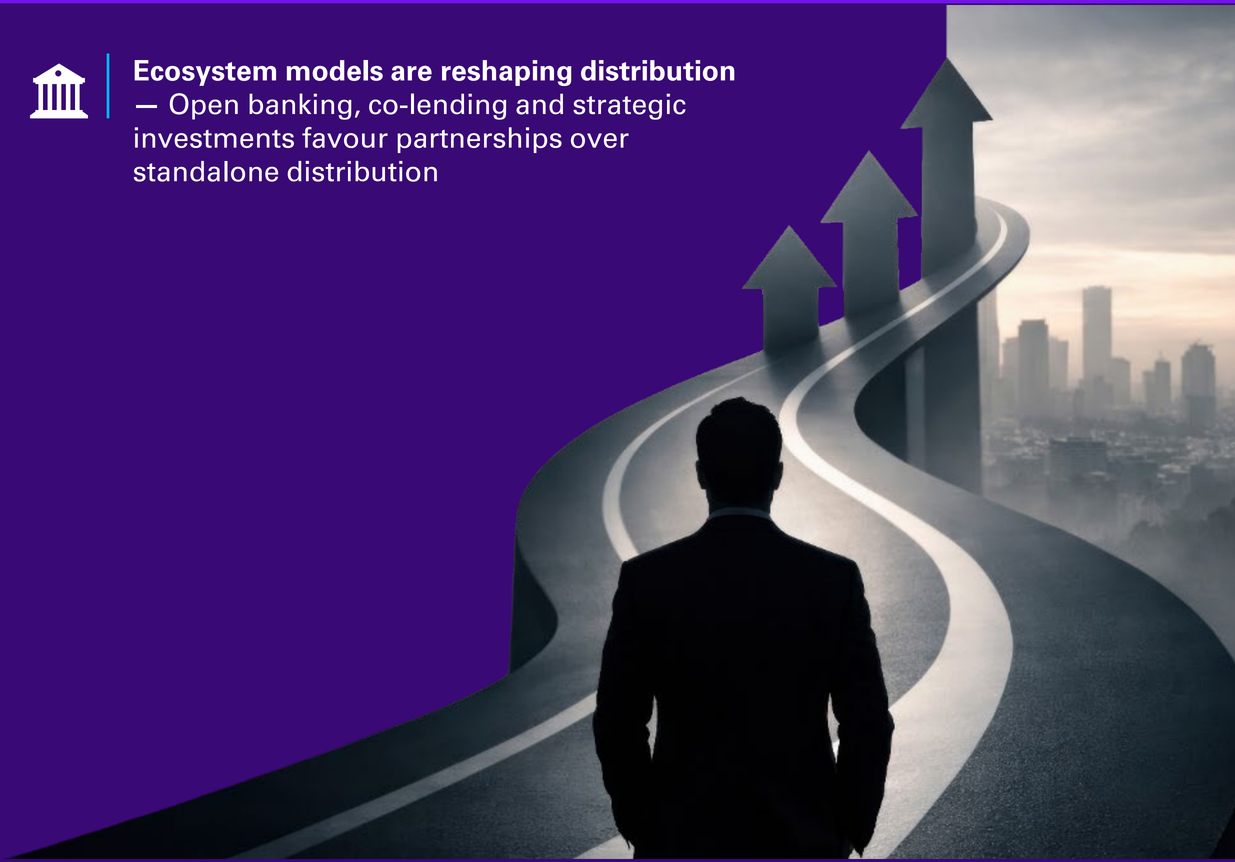
# Key takeaways[1]

**PVBs have reset the performance baseline —** Record INR2.0 tn profit makes artificial intelligence (AI)-led productivity the next performance frontier

**Payments scale is becoming table stakes —**UPI accounts for nearly 49 per cent of global real-time payment transactions; differentiation is shifting to credit conversion and cross-sell

**Financial inclusion could unlock a value pool —** 581.6 mn Jan Dhan accounts hold INR3.0 tn; rural access still requires phygital models

**Ecosystem models are reshaping distribution —** Open banking, co-lending and strategic investments favour partnerships over standalone distribution



1. Source: Banking, IBEF, May 2026

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