



Artificial Intelligence (AI) for Bharat: Innovation and inclusion at scale



February 2026

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Executive summary

The global AI landscape is advancing at a remarkable pace, with organisations across industries moving from **experimentation to enterprise-wide deployment**. As AI moves deeper into core workflows, decision-making and product development, the focus is increasingly on scaling these capabilities responsibly.

At the same time, AI agents are beginning to assume more significant roles, prompting companies to strengthen governance frameworks to manage their growing autonomy. Globally, adoption continues to accelerate, propelled by countries that invested early in digital infrastructure, workforce skilling and supportive policy ecosystems, setting the foundation for widespread, sustainable AI integration.



Why AI?

The next productivity and innovation engine

AI is unlocking unprecedented leaps in organisational performance, enabling businesses to unlock step-change efficiency gains and create entirely new value pools.

By automating complex tasks, accelerating insight generation and powering smarter digital systems, AI is reshaping how businesses compete, innovate and grow, driving transformative impact at scale.

76%

of the global enterprises have a clear, enterprise-wide AI strategy

37%

of global organisations prioritise AI as a key investment area for next year

Why India?

One of the most scalable and cost-efficient AI innovation ecosystems

India ranks third globally in AI competitiveness (2024)

Population-scale deployment

~22 bn

payments processed via UPI in Jan'26

Data centre (DC) build-out

850 MW

of new DC capacity added (CY2020–Apr'25)

Cost-efficient AI compute

38,000+

GPUs deployed to support expanding compute capacity

Inclusive innovation

4 bn+

multilingual AI inferences on Bhashini

Sustained policy push

USD 1.1 bn

committed to national AI development

UPI: Unified Payments Interface; MW: Megawatt; CY: Calendar year; GPUs: Graphics Processing Units

Why now?

India at an inflection point

AI could generate USD1.7 tn by 2035, advancing the Viksit Bharat 2047 vision



Access to AI talent has tripled since 2016, creating a deep, scalable talent pool that accelerates AI product development



Strong investment momentum from global technology companies, creating a robust ecosystem for AI infrastructure, data centres and cloud capabilities



USD4 bn+ allocated in the Union Budget 2026-27 for ECMS, accelerating domestic capabilities and building resilient supply chains

ECMS: Electronics Component Manufacturing Scheme

Note: 1. Sources for the data indicated here are provided in the subsequent sections. 2. All currency conversions across the report are based on an exchange rate of USD1 = INR91.61 as of 2 February 2026

Table of contents

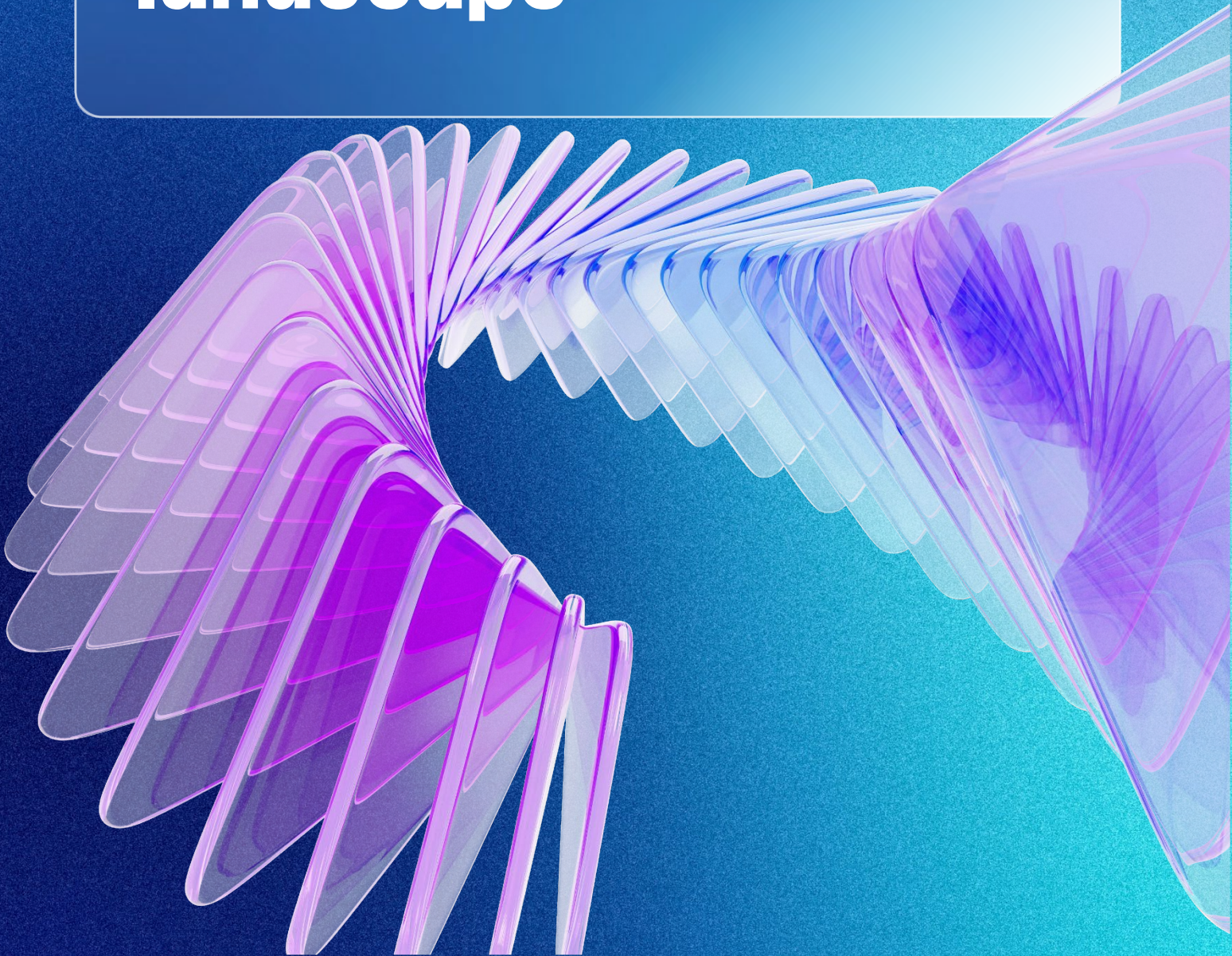


01	India's strategic moment in global AI landscape	6
02	Advancing infrastructure for AI growth	10
03	Driving inclusive, innovation-led growth	13
04	Building AI ecosystem responsibly	18
05	Catalysing India's AI-led growth path	20



1

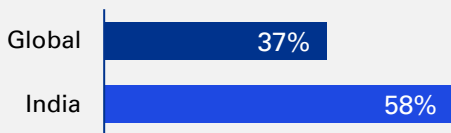
India's strategic moment in global AI landscape



Strong digital ecosystem, talent and infrastructure strengthen India’s emerging AI leadership

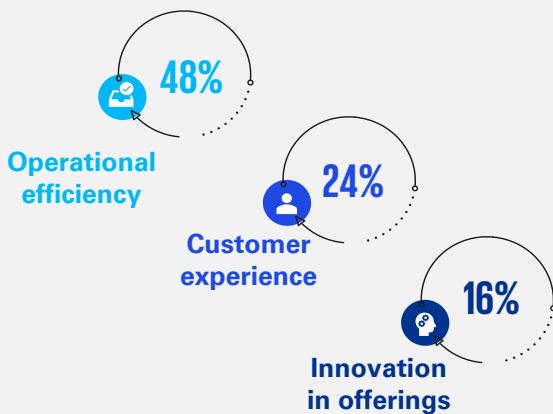
India has spent the past decade advancing a major digital transformation that has reshaped the way people access services, participate in the economy and engage with technology at scale. With India now ranked as the world’s **third most competitive AI nation (2024)**, the country’s core advantages are more visible and consequential than ever¹. Building on this digital base, AI is rapidly becoming a key driver of technological and economic progress. A mature ecosystem defined by interoperability and inclusion is enabling AI to drive innovation and enhance productivity.

AI and automation as key investment priorities in the near-term²



As organisations step up AI investments, their strategic priorities are evolving in line with the value creation observed across global enterprises.

Indian enterprise focus areas for AI³

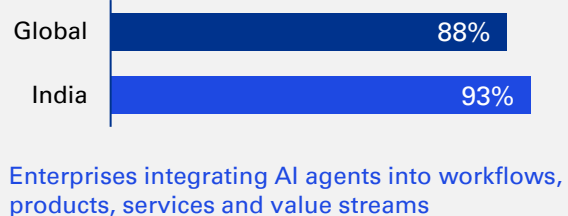
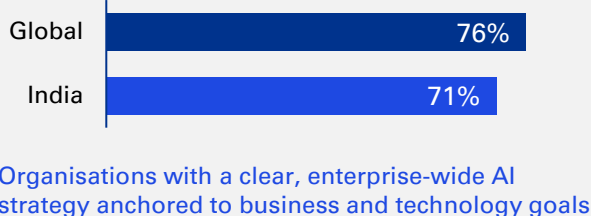


Key drivers accelerating global AI adoption



Together, these priorities reflect how organisations are evolving in their AI maturity, shifting from strategy alignment to enterprise enablement and AI-driven operations.

Enterprise shifts in AI strategy and adoption²



As global organisations advance rapidly in their AI journeys, India is aligning its efforts to mirror these developments and unlock comparable value. With its strong digital foundations, mature public digital infrastructure and expanding talent base, India is well-positioned to accelerate high-value AI return trends.

1. Transforming India with AI - Over ₹10,300 crore investment & 38,000 Graphics Processing Unit (GPUs) powering inclusive innovation, PIB, 30 December 2025
 2. KPMG Global Tech Report 2026, KPMG International, 20 January 2026
 3. The AI Outlook, KPMG in India, 30 September 2025

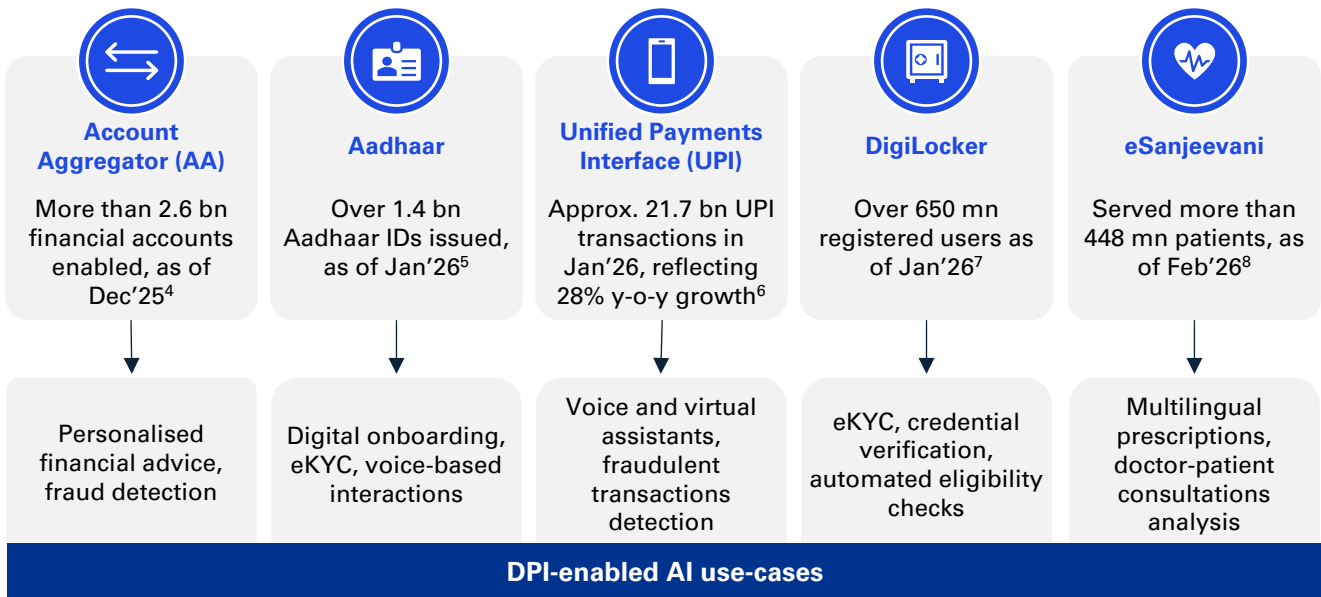
Core pillars of India’s AI competitiveness

India’s rise as an emerging AI nation stems from the strong structural foundations built alongside its digital transformation. Its robust digital public infrastructure (DPI), deep talent pool and widespread digital adoption position the country to scale AI faster, more inclusively than many global peers. Together, these strengths create a uniquely enabling environment for developing, deploying and responsibly scaling AI.

DPI as an enabler

The DPI ecosystem has created a strong base for the next generation of public service delivery. As AI becomes increasingly integrated into these systems, it is enhancing their ability to provide services that are anticipatory, user-responsive and capable of operating at a population scale. The growing convergence between AI and this digital infrastructure is set to accelerate economic empowerment, strengthen governance and support the delivery of personalised and efficient people-centric services.

Foundational platforms include:



Strong technology talent base

A rapidly expanding and highly skilled technology workforce is emerging as a core driver of AI advancement. Digital upskilling has emerged as a decisive scale enabler, helping organisations with structured skilling programmes translate AI investments into enterprise-wide impact, as the capability focus shifts towards increasingly specialised skills.

Deep and growing India’s AI workforce

- Witnessed more than a **threefold** increase in AI talent concentration since 2016 and currently it accounts for **16 per cent** of the global AI talent pool^{9,10}
- Produces over **2.5 million STEM graduates** each year, ensuring a robust talent pipeline backed by strong technical capabilities¹¹

Global AI skillsets reshaping talent demand

- **88 per cent** of companies worldwide report that their talent acquisition strategy includes AI-native roles such as prompt engineers, AI ethicists and MLOps specialists
- **92 per cent** of organisations globally anticipate that managing AI agents will emerge as a key skill over the next five years¹²

STEM: Science, Technology, Engineering and Mathematics, MLOps: Machine learning operations

4. Account Aggregator Framework, Department of Financial Services, accessed on 6 February 2026
 5. International Data Privacy Day - Strengthening confidence in India’s evolving digital ecosystem, PIB, 27 January 2026
 6. UPI Monthly Product Statistics Trended, NCPI, accessed on 6 February 2026
 7. DigiLocker National Statistics, DigiLocker website, accessed on 6 February 2026
 8. eSanjeevani website, accessed on 6 February 2026

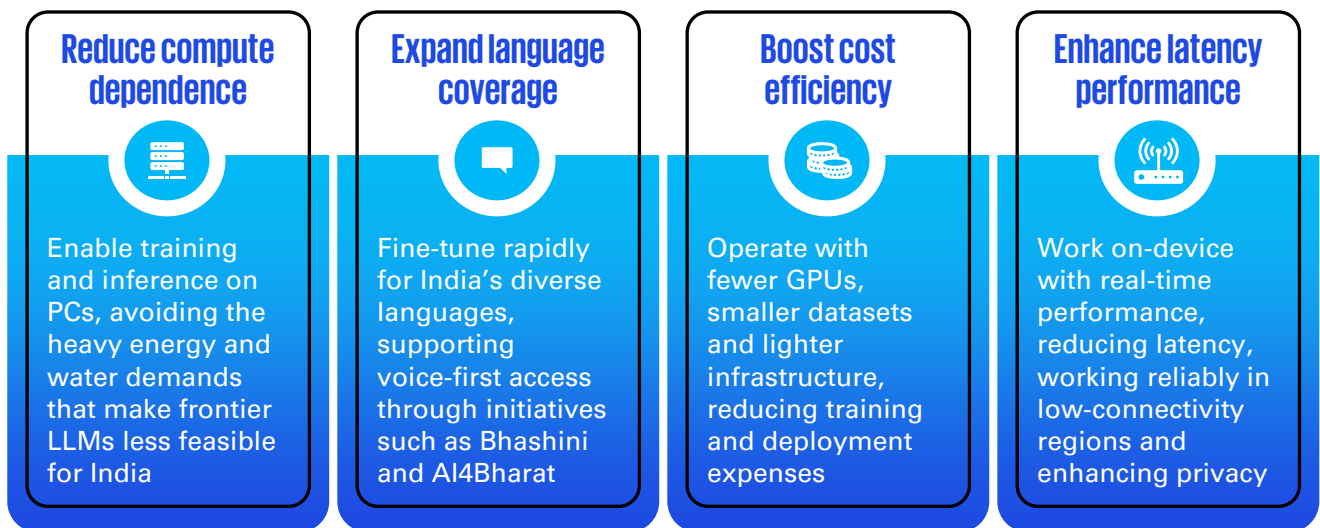
9. AI-Enabled Labour Transformation: Harnessing Technology for Inclusive Growth, IBEF, 22 July 2025
 10. India leading the world in AI talent acquisition, among top countries in AI skill penetration, PIB, 19 December 2025
 11. Indian job market stays strong amid global uncertainty: Michael Page India, IBEF, 11 April 2025
 12. KPMG Global Tech Report 2026, KPMG International, 20 January 2026

Cost-efficient innovation at scale

The AI landscape in India is shaped by a distinctive model of cost-efficient and problem-driven innovation. Technology is designed to operate in resource-constrained environments while addressing highly contextual challenges across the country. This bottom-up ecosystem, powered by government, startups and community institutions, builds AI that reflects India’s reality: diverse, distributed, and digitally uneven.

Small Language Models (SLMs) fit seamlessly into this model. They align with India’s application-led approach, optimised for local languages, sector-specific workflows and public service delivery. Drawing strength from the country’s expanding open-source community, they keep AI development accessible to startups, researchers and public sector innovators, enabling broad-based participation and faster deployment.

SLMs enable a more efficient pathway to value creation



PCs: Personal computers; LLMs: Large language models

Together, these capabilities illustrate how India’s value-driven AI models deliver scale with inclusion, enabling decentralised, affordable and locally grounded innovation shaped by the country’s realities.

Large mobile-first digital population

The rapid expansion of smartphone-led internet adoption has created a deeply digital and highly interactive user environment, characterised by seamless access to online services and continuous data generation.

- In India, an estimated **85.5 per cent of households** had access to at least one smartphone as of Mar’25¹³

This widespread connectivity supports the swift integration of AI-driven solutions across sectors, as users increasingly rely on intelligent interfaces for communication, commerce, entertainment and essential services.

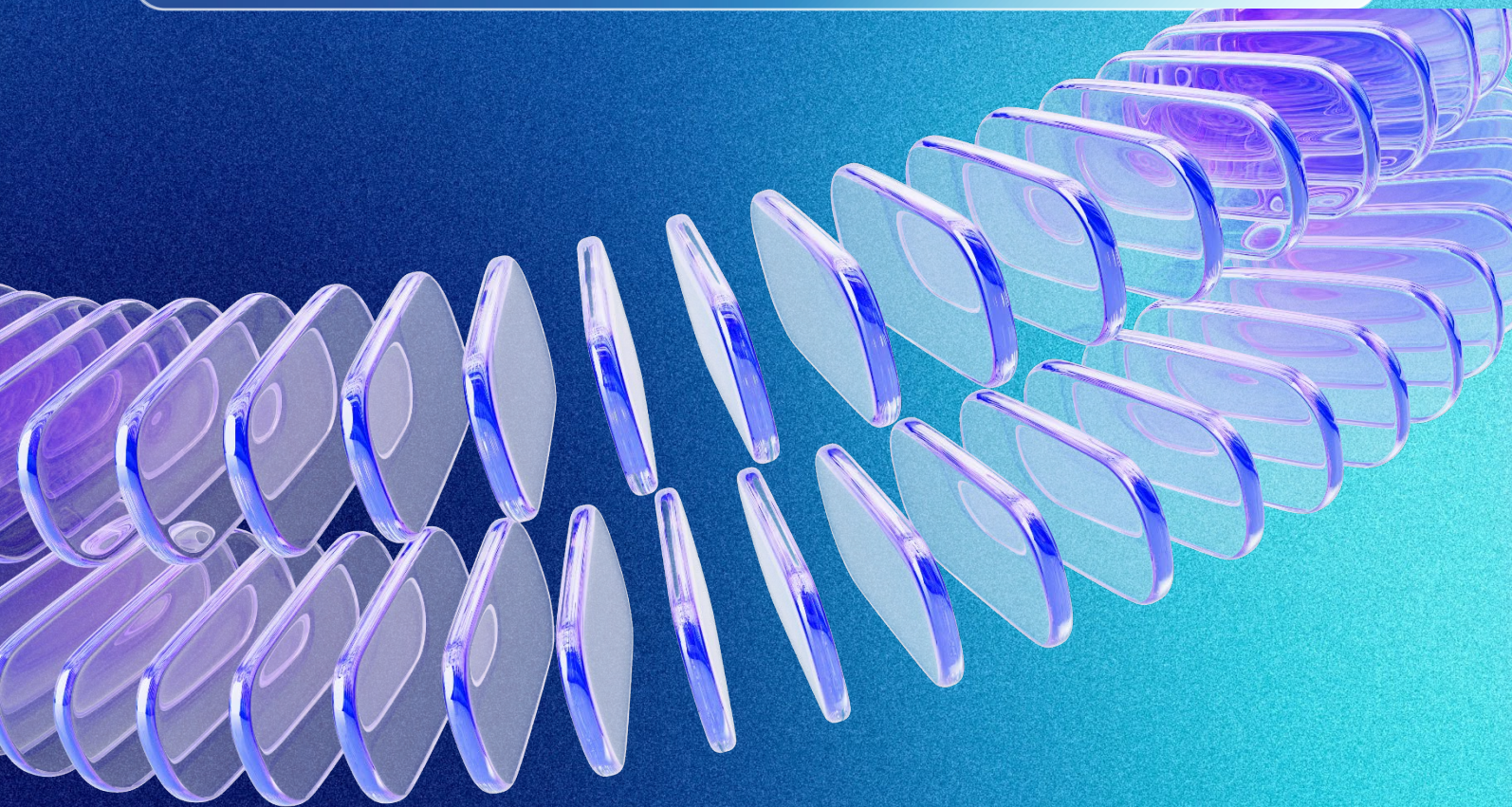


13. Results of Comprehensive Modular Survey: Telecom, 2025 (January – March 2025), PIB, 29 May 2025

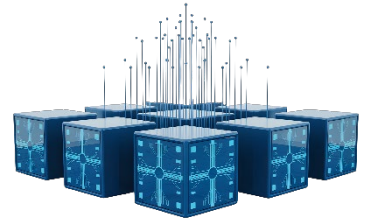
14. Highlights of Telecom Subscription Data as on 31st December 2025, PIB, 10 February 2026

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Advancing infrastructure for AI growth



Advancing the digital and governance foundations for trusted, scalable AI to power Viksit Bharat



India's core AI infrastructure

India's AI strategy seeks to build a sovereign, inclusive and trusted ecosystem by positioning it as core digital infrastructure. Approved in March 2024 with an outlay of USD1.1 bn, the IndiaAI Mission shifts the focus from adoption to system creation by expanding compute, building talent and embedding safety, ethics and trust to drive inclusive growth and global leadership¹.

Compute infrastructure

Build a scalable, high-performance AI compute ecosystem, with 38,000 GPUs empanelled to deliver affordable compute at USD0.7/hour, enabling startups and researchers to train large-scale AI models and accelerate innovation²

Talent enablement

Establish a sovereign AI-talent pipeline across core, advanced and research-grade capabilities, anchored by 73 institutes, 31 AI and data capability hubs in tier II/III cities and 174 industrial training institutes (ITIs) and polytechnics nominated for lab deployment²

Startup enablement and scale-up

Enable application-led AI deployment through funding and compute support, delivering 30 approved AI solutions for critical sectors, hosting sector-focused hackathons with ministries and supporting 10 startups in scaling globally through sponsored international programmes²

Innovation hub

Develop indigenous, large multimodal and industry-specific models. From 500+ proposals, 12 startups have been selected under the IndiaAI Innovation Centre to convert national data and compute into deployable, India-centric AI capabilities²

Data ecosystem

Aggregate government and non-government datasets through AIKosh, providing a unified repository of 251 AI models and 5,500+ datasets across 20 sectors, allowing developers to focus on solution development rather than foundational data and model creation²

Centres of Excellence (CoEs) for AI

The AI CoEs serve as mission-oriented hubs that translate India's AI strategy into real-world impact by uniting academia, industry, startups and government to co-develop deployable solutions, strengthen skills and build long-term national capability for public-good outcomes and future-ready jobs.

- Three AI CoEs in agriculture, healthcare and sustainable cities were established in 2024³. In the latest Union Budget 2026-27, over USD27 mn has been allocated for these CoEs, reflecting a 25 per cent increase over the previous year⁴
- Five national CoEs for skilling to set up across five Indian states, announced in the Union Budget 2025-26, were approved in May 2025 to develop a competitive, innovation-ready workforce in emerging technologies such as AI and data science⁵.

1. Cabinet Approves Ambitious IndiaAI Mission to Strengthen the AI Innovation Ecosystem, PIB, 07 March 2024

2. Transforming India with AI, PIB, 30 Dec 2025

3. Government approved Rs. 990.00 Crore for creation of three AI-CoEs, PIB, 15 October 2025

4. Union Education minister lauds historic budget 2026-27, calling it a yuva shakti driven budget-a budget for human capital for Viksit Bharat, PIB, 01 February 2026

5. Setting up Five National Centres of Excellence, PIB, 15 December 2025

Data centres (DC) as the core of India’s AI advantage

India’s AI infrastructure is anchored in AI-ready DCs equipped with high-density power, liquid and immersion cooling and low-latency network fabrics that enable reliable training and deployment of large-scale AI models. These DCs form the foundational layer for high-performance computing, secure data storage, resilient connectivity and advanced research at competitive costs. As India advances towards national-scale capacity, this infrastructure is accelerating innovation, strengthening self-reliance and enhancing digital competitiveness across the AI value chain.

DC capacity	Green-certified DC	Budget provisions
<ul style="list-style-type: none"> Capacity is concentrated across Mumbai (41 per cent), Chennai (23 per cent) and Delhi NCR (14 per cent) Added 859 MW of new DC capacity (CY2020-Apr 2025), supported by ~USD14 bn in committed investments⁶. 	<ul style="list-style-type: none"> Green-certified DCs, currently ~25 per cent, are projected to reach 30-40 per cent by 2030⁶ States are incentivising energy-efficient, low-carbon data centres through subsidies and green-certification benefits. 	<ul style="list-style-type: none"> Announced a tax holiday until 2047 for foreign cloud providers, along with a 15 per cent safe-harbour regime Launched ISM 2.0 and increased the ECMS outlay by 75 per cent from the initial scheme announced in Apr’25⁷.


CY: Calendar year; ISM: India Semiconductor Mission; ECMS: Electronics Components Manufacturing Scheme

AI Governance in India: From principles to practice

India has adopted a pragmatic model for digital and AI governance, building on the Digital India initiative and guided by voluntary safeguards. This approach offers a structured yet adaptable framework for responsible innovation and underpins the country’s emerging governance architecture.

The following frameworks can serve as foundational guardrails for ensuring the responsible, trustworthy and ethical use of AI in India.

- 2025 India AI Governance Guidelines
- National Data Governance Framework Policy (NDGFP)
- Digital Personal Data Protection Act (DPDPA)



35%

Organisations globally are protecting their data using effective governance processes⁸

KPMG Global Tech Report 2026 - Based on a survey of 2,500 tech executives from 27 countries

With India’s AI governance foundations firmly in place, the emphasis is shifting from rule-setting to execution. Regulators are operationalising AI within their core supervisory and enforcement systems, signalling the transition of AI from a regulated capability to a foundational tool of modern governance.

Securities and Exchange Board of India (SEBI)	The Reserve Bank of India (RBI)
<p>Sudarshan, an AI-powered system, monitors trading activities, detects anomalies, processes IPO documents and scrutinises investment advisors, research analysts, fake influencers and misleading social media content.</p>	<p>MuleHunter.ai, an AI/ML-based model, proactively detects and prevents digital fraud by identifying mule accounts. The model consistently achieves over 85 per cent accuracy in fraud detection⁹.</p>

IPO: Initial public offering, ML: Machine learning

6. India’s data centre capacity set to surpass 4,500 megawatts (MW) by 2030, backed by Rs. 2,13,550 crore (US\$ 25 billion) investments, IBEF, 29 May 2025

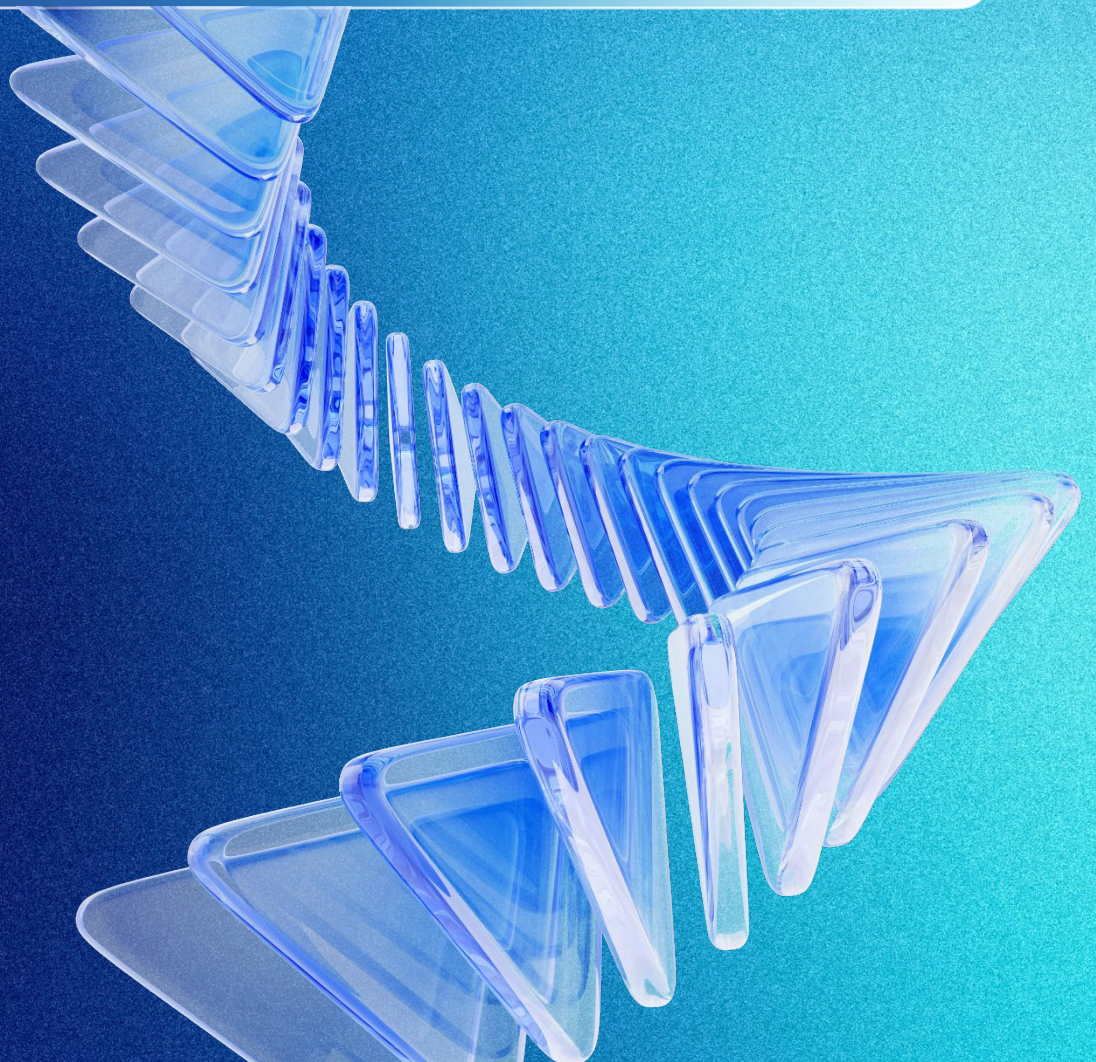
7. Electronics Components Manufacturing Scheme - Union Budget 2026–27 Raises Scheme Outlay to ₹40,000 Crore, PIB, 3 February 2026

8. KPMG Global Tech Report, 2026, KPMG International, January 2026

9. Detect and flag mule accounts in near real-time, Reserve Bank Innovation Hub, accessed on 6 February 2026

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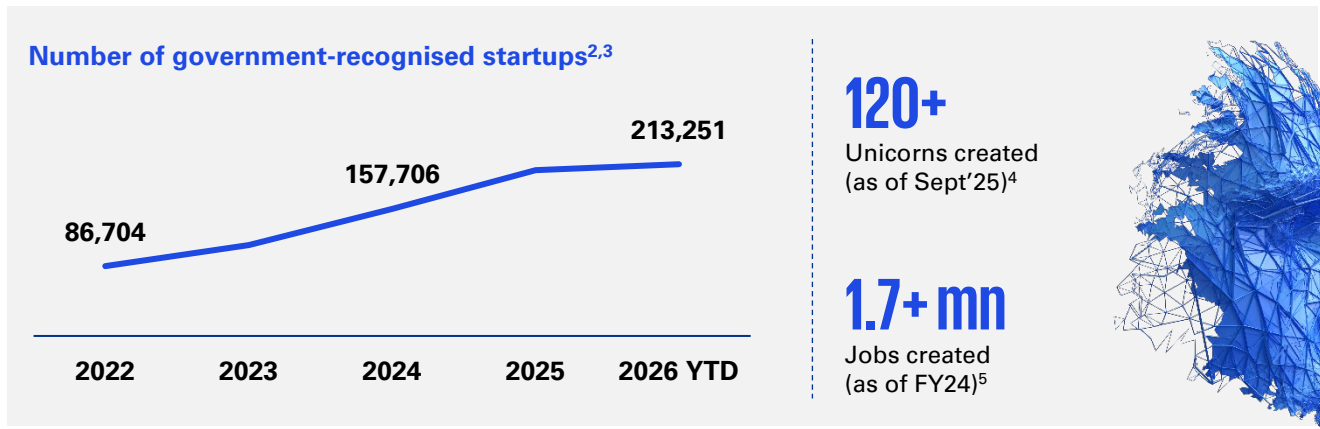
Driving inclusive, innovation-led growth



India’s policy-backed startup ecosystem accelerates innovation, unicorn creation and employment

Startup ecosystem as an AI growth engine

Building on these institutional enablers, India’s fast-growing startup ecosystem is helping drive innovation and wider use of AI. As the world’s third-largest startup hub, the country is creating new business opportunities across sectors, supported by major centres such as Bengaluru, Hyderabad, Mumbai and Delhi-NCR¹. Government initiatives, including Startup India, have further supported this growth by improving access to resources and helping entrepreneurs scale globally.



State-enabled startup growth with AI as one of the key focus areas

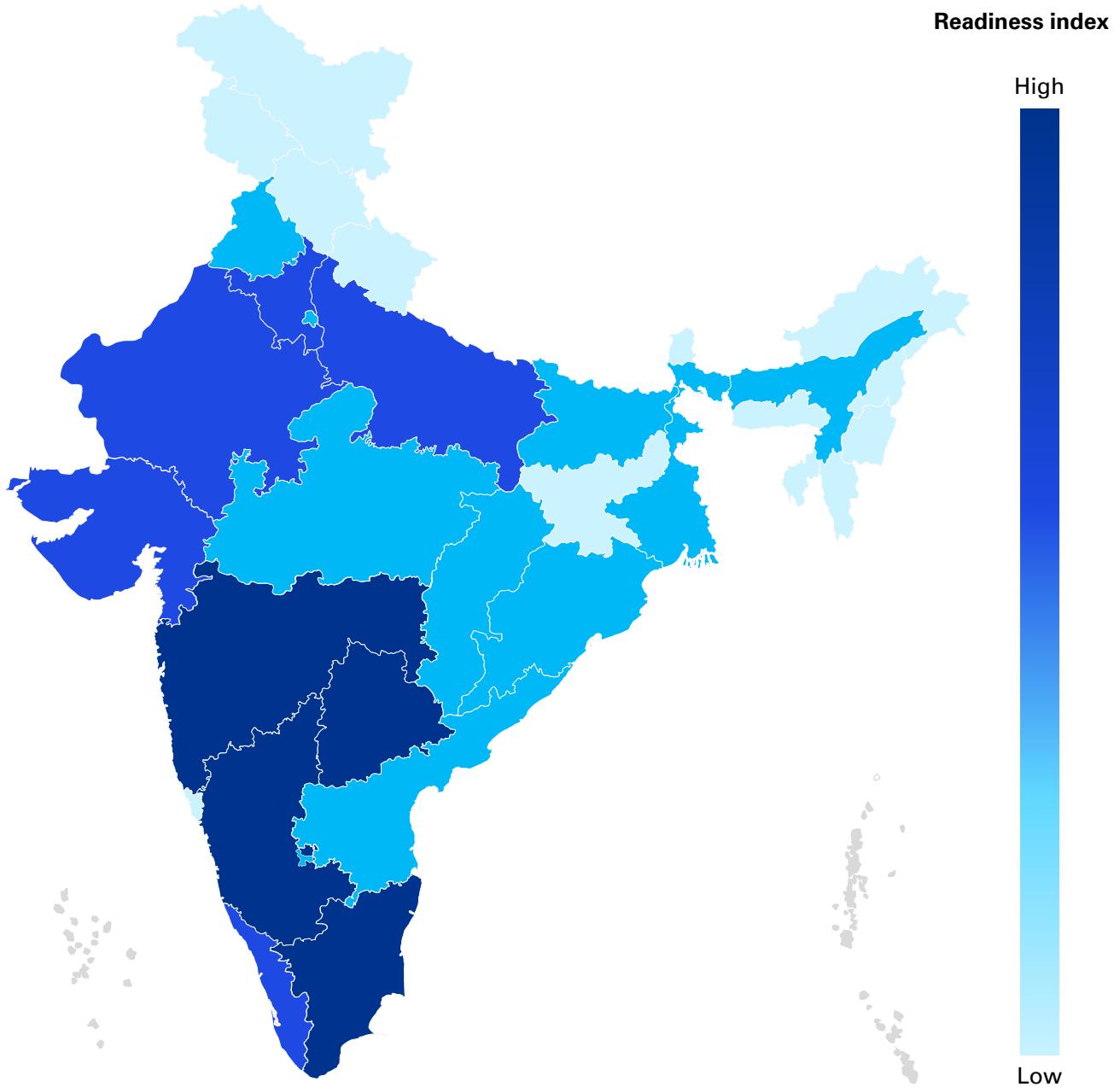
India’s startup ecosystem is increasingly sharpening its AI and deep-tech edge as states shift from intent to execution through targeted financing, AI missions, innovation hubs, dedicated funds, skilling drives and early sectoral deployments, collectively accelerating nationwide competitiveness.

Active participation from key states

- Karnataka** Driving an integrated AI-innovation push by establishing a new AI CoE, advancing an AI-focused IT policy, rolling out a statewide startup policy and strengthening early-stage funding through the ELEVATE 2025 initiative.
- Maharashtra** Scaling its AI and startup ecosystem by drafting a state AI policy, attracting major global AI and global capability centre (GCC) investments to major urban centres and creating a pooling fund for innovations and startups.
- Tamil Nadu** Driving progress in ethical and sovereign AI through the state AI mission and a proposed sovereign AI park, complemented by the rollout of a new Deep Tech Startup Policy and the state’s previously launched Safe and Ethical AI framework.
- Telangana** Advancing its AI landscape through Telangana AI Mission, expanding national supercomputing access, supporting Hyderabad’s rise as an AI startup hub and deploying a dedicated state fund to catalyse startup growth.

1. Union Home Minister and Minister of Cooperation, Shri Amit Shah, inaugurates Startup Conclave 2025 in Gandhinagar, Gujarat, PIB, 23 August 2025
 2. Number of government-recognized startups in India from 2016 to 2024, Department for Promotion of Industry and Internal Trade (India); Statista, February 2025
 3. Startup India website, accessed on 6 February 2026
 4. Union Home Minister and Minister of Cooperation, Shri Amit Shah, inaugurates Startup Conclave 2025 in Gujarat, PIB, 23 September 2025
 5. India adds nearly 17 crore jobs in six years as unemployment dips to 3.2%, Newsonair, 5 October 2025

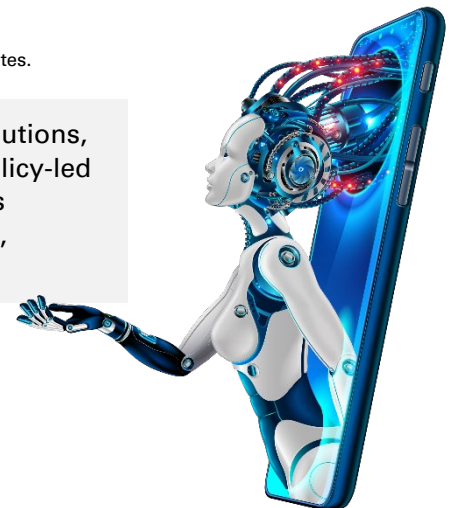
Rising startup momentum driven by enabling reforms and digital advancement



Map is indicative, not to scale

The above map is a representation of KPMG in India's analysis based on the initiatives undertaken across states.

India's startup boom is scaling innovation, talent and deployable digital solutions, creating a partner-ready pipeline for global technology firms. Backed by policy-led programmes and a growing base of recognised ventures and unicorns, this ecosystem enables multinational corporations to co-innovate with startups, accelerating product build cycles and market entry.



Adaptive learning and virtual apprenticeships for tier-II and tier-III cities

AI is expected to potentially drive a shift in skilling and job creation across India's tier-II and tier-III cities by enhancing access to learning and improving workforce alignment. Programmes such as Skilling for AI Readiness (SOAR), powered by adaptive tools, local-language content and virtual apprenticeships, help learners build job-ready skills without moving to metro cities. As micro, small and medium enterprises (MSMEs) adopt AI, smaller cities are rapidly emerging as competitive, nationally connected talent hubs.

Key examples of AI-enabled skilling and employment ecosystems include:

- **Gorakhpur** (Uttar Pradesh) and **Bikaner** (Rajasthan) are expanding access through AI and data labs set up by institutions to democratise hands-on training
- **Indore** (Madhya Pradesh) is seeing the emergence of AI-enabled roles linked to GCCs and enterprise support functions.

27

IndiaAI Data and AI Labs established in tier-II and tier-III cities through NIELIT⁶

~1 Lakh

Students expected to benefit from apprenticeships in AI under the NATS⁷

NIELIT: National Institute of Electronics & Information Technology; NATS: National Apprenticeship Training Scheme

Strengthening inclusion through AI-first solutions

AI is emerging as an inclusion lever by reducing friction in access, comprehension and service delivery, especially for people facing barriers of language, distance and limited local capacity. In parallel, policy and implementation efforts are increasingly prioritising language-mediated interfaces that allow citizens to engage with services in their preferred languages. Building on this momentum, India is driving inclusion by strengthening digital literacy, expanding device access and upgrading connectivity across communities.

Bharat-native operating models

- **BHASHINI** provides a language-AI platform for translation across major Indian languages, enabling wider digital access, with 4 bn+ multilingual AI inferences processed⁸
- **AI4Bharat** builds open-source LLMs and transliteration models in diverse Indian languages using large-scale datasets
- **Bharat-VISTAAR** uses multilingual AI to improve farm productivity by enabling improved decision-making and reducing risk through tailored advisory support
- **BharatGen** delivers generative AI-based multimodal LLMs focused on creating inclusive AI solutions in regional Indian languages.



MSME and informal work productivity

- AI is increasingly boosting inclusion for MSMEs by improving productivity, cutting operating costs and widening access to formal financial tools
- NITI Aayog plans to launch Digital ShramSetu, leveraging AI and secure digital systems to provide skilling for India's 490 mn informal workers⁹.



Rural innovation ecosystems

- The government's Kisan e-Mitra initiative uses a voice-based AI assistant to support farmers with PM-Kisan Samman Nidhi-related information, managing over 20,000 farmer queries daily¹⁰.



6. India leading the world in AI talent acquisition, among top countries in AI skill penetration, PIB, 19 December 2025

7. Shri Dharmendra Pradhan inaugurates Akhil Bharatiya Shiksha Samagam 2025 in New Delhi to commemorate 5 years of NEP 2020, PIB, 29 July 2025

8. BHASHINI website, accessed on 12 February 2026

9. AI for Inclusive Societal Development, NITI Aayog, 31 October 2025

10. KISAN E-MITRA and IoT-enabled systems to improve crop productivity, PIB, 1 April 2025

AI momentum builds across key sectors in India

AI adoption across key sectors is entering a phase of efficient scale-up, where organisations are moving beyond pilots to embed AI into core workflows with clearer governance. While this trajectory broadly mirrors global AI adoption trends, India’s approach places stronger emphasis on inclusive growth, using AI to widen access and support diverse user segments, positioning it not only as a productivity lever but also as an enabler of broader economic participation. The next wave is expected to be defined by responsible deployment, with sectors having mature data systems and repeatable use cases scaling the fastest.

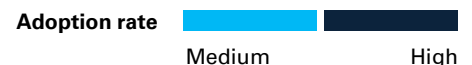
Share of organisations with AI deployed at scale and delivering ROI: India vs global¹¹

Financial services		Healthcare		Industrial manufacturing		Consumer and retail	
26%	38%	17%	67%	23%	33%	42%	67%
Global	India	Global	India*	Global	India	Global	India

*Represents organisations running multiple AI proof-of-concept initiatives, with a limited number of ad hoc use cases deployed in production, but without achieving measurable return on investment (ROI)

AI use cases and adoption maturity across India’s key sectors

	Financial services	Healthcare	Manufacturing	Consumer and retail
Leadership expecting significant AI-led disruption¹²	36%	12%	16%	8%
Automation	Fraud detection, robo-advisors, claims automation	Admin and diagnostics support automation	Predictive maintenance and quality checks (QC)	Price optimisation and automated replenishment
Personalisation	Tailored financial product recommendations	Personalised treatment pathways and care plans	Mass customisation at scale	Real-time product recommendations
Inclusion	Thin-file and no-file credit scoring, micro-insurance pricing, nudges for financial literacy	Multilingual symptom checker, rural tele-care and health access	Automate scheduling, QC and inventory to support MSMEs and upskill blue-collar workers	Multilingual voice bot, AI-powered commerce platform for small retailers
Economic value	Efficiency gains, risk reduction and market growth	Cost savings and care quality enhancements	Productivity enhancements	Stock optimisation and margin improvement
Sustainability and ethics	Ethical finance risk analytics and bias detection systems	Privacy-centric patient data models	Green production optimisation	Automated delivery rerouting

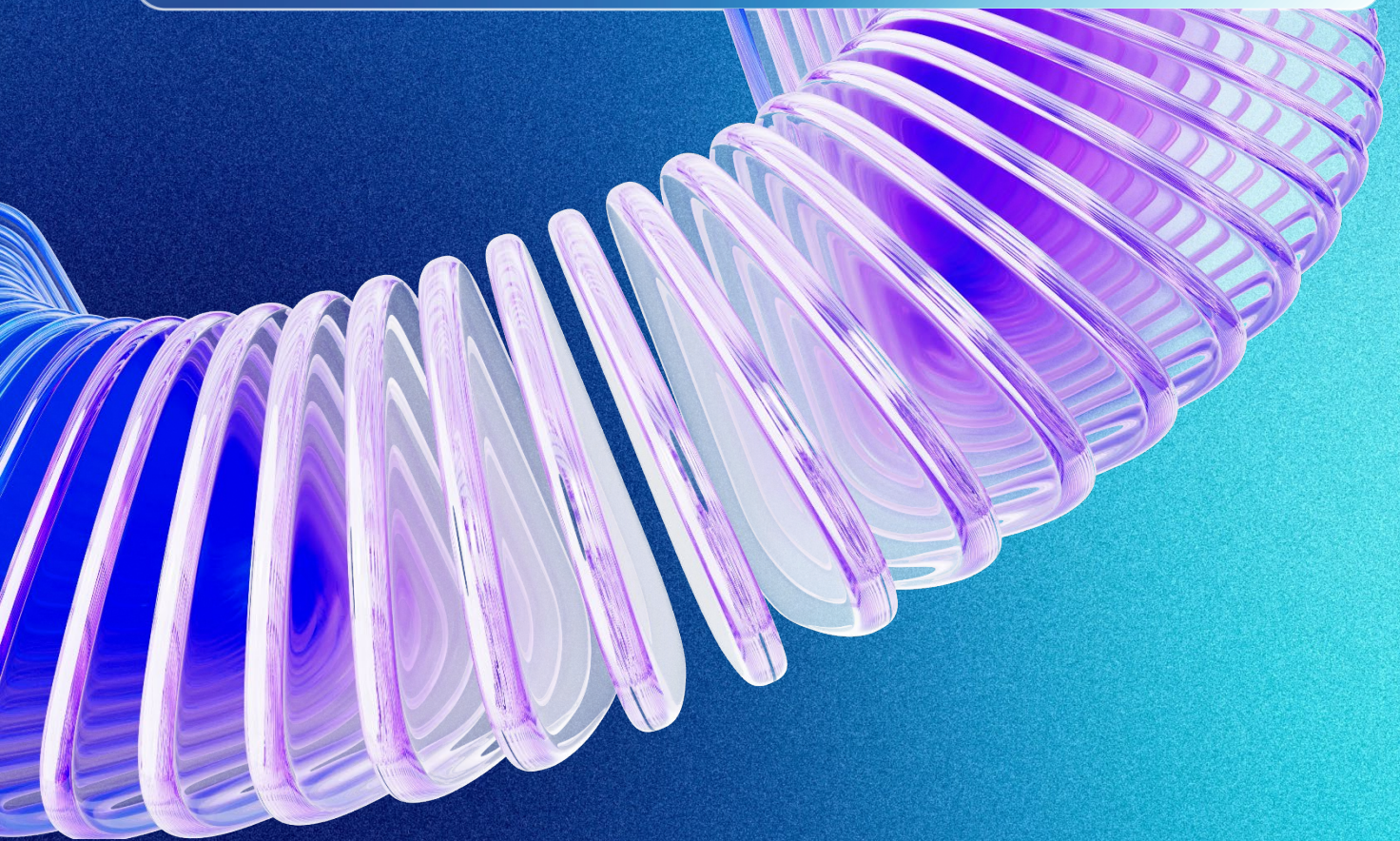


11. KPMG Global Tech Report 2026, KPMG International, 20 January 2026

12. The AI Outlook, KPMG in India, 30 September 2025

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Building AI ecosystem responsibly



Assessing the limitations and impact on AI adoption in India

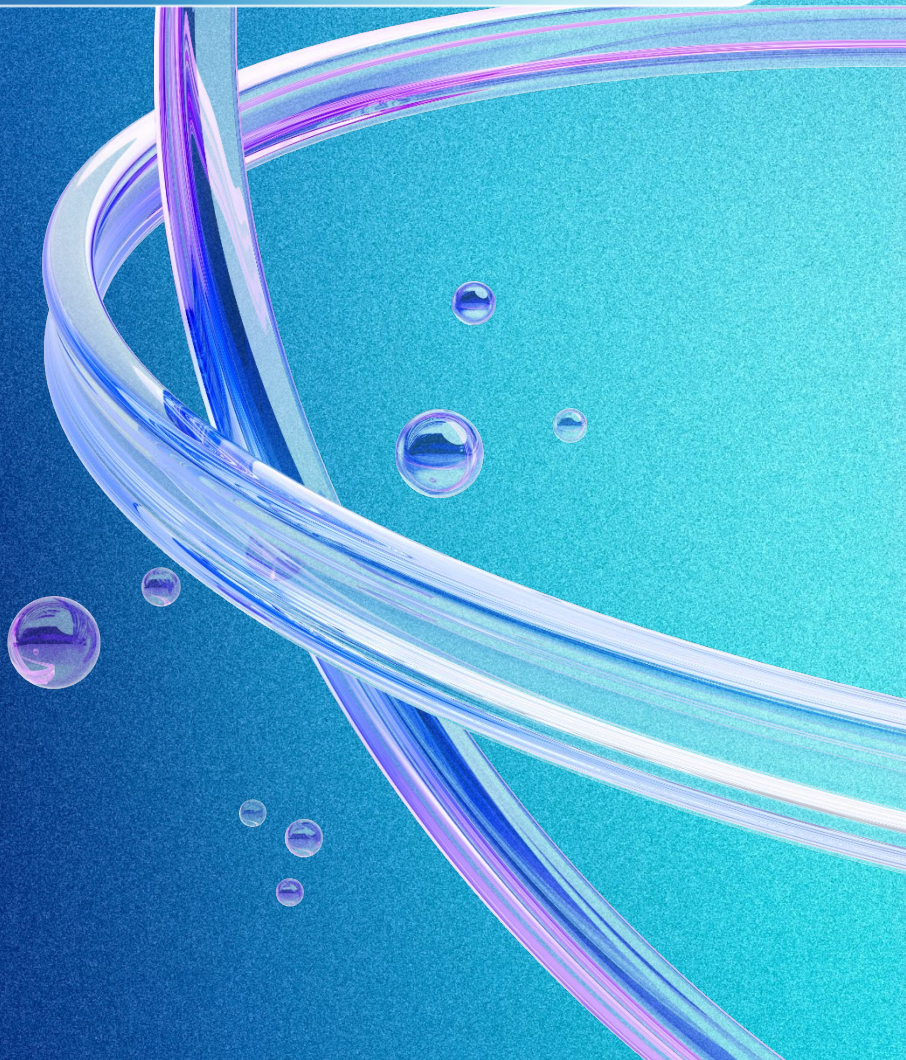
As AI adoption accelerates, the emphasis is shifting from innovation to scaling responsibly across enterprise and public systems. With AI becoming integral to core operations and decision-making, associated complexity and risks, from privacy and security exposure to broader systemic challenges, are intensifying, reinforcing the need for robust governance, resilient technology foundations and a forward-looking approach to responsible deployment.

Key considerations	Impact	Regulatory guardrails for trusted control	Possible approaches
Limited access to the compute infrastructure	Dependence on global hardware supply chains may lead to extended lead times for AI data centres.	IndiaAI Mission has created a formal empanelment process that diversifies GPU suppliers and reduces reliance	Localise data centre hardware assembly and support to cut import dependence, reduce lead times and improve resilience.
Physical challenges with data centres	<ul style="list-style-type: none"> Constraints related to power supply, cooling water and climatic conditions may influence the pace of data centre growth Software or third-party outages may affect uptime and sustainability goals. 	National Data Centre Policy (draft) promotes green DCs, encouraging solar and wind power integration	<ul style="list-style-type: none"> Secure long-term PPAs for AI compute clusters with guaranteed renewable energy and storage coverage Commission green data parks and energy storage assets on schedule.
Funding constraints for model training	Training LLMs may require substantial capital investment, which could pose challenges for some startups seeking to pursue frontier-scale development	IndiaAI Compute expands affordable access to cloud AI compute by offering high-performance GPUs at lower than market costs for researchers, startups and MSMEs	Prioritise SLMs over LLMs to lower training and deployment costs
Malicious AI use and content risk	Generative AI may lower barriers to fraudulent activity and deepfake creation, potentially enabling the faster spread of misinformation and scam campaigns	MeitY proposed amendments to the IT Rules, 2021, requiring labelling and metadata disclosure for synthetically generated or modified content	Mandate labelling and embedded metadata to clearly distinguish synthetic or modified content from authentic information
Bias, discrimination and exclusion	Biases in backend data may be amplified through automation, potentially leading to discrimination, distrust, legal exposure	MeitY unveiled the India AI Governance Guidelines to promote safe, inclusive and responsible AI adoption	Enforce data governance, independent audits for regulated and public sector AI

PPA: Power purchase agreement; MeitY: Ministry of Electronics and Information Technology

5

Catalysing India's AI-led growth path



Strategic focus on scaling compute, nurturing talent and advancing sovereign AI capabilities

As India moves into the next phase of its AI transformation, the future presents both complex challenges and far-reaching opportunities. Advancing towards an inclusive and innovation-driven AI landscape will require a forward-looking approach that strengthens current systems, addresses persistent gaps and fosters greater coordination across stakeholders. With thoughtful policy direction, sustained investment and collaborative action among government, industry and academia, the country can build a resilient, secure and scalable AI ecosystem that serves the diverse needs of Bharat.



Expanding AI compute capacity and access

- Initiate a national effort to build sovereign computing capacity, enabling researchers, enterprises and institutions to access advanced AI-grade computing
- Create a public compute exchange providing on-demand GPU access for domestic firms and academia, alongside targeted incentives to attract global chip design and fabrication players to establish compute-focused operations.



Advancing AI talent pipeline

- Expand access to advanced AI learning pathways through industry-linked, hands-on programmes and create specialised AI learning hubs across tier-I and tier-II cities where universities, startups and enterprises collaborate on training and real-world AI problem-solving
- Develop a unified national curriculum for frontier AI skills, ensuring consistent training standards for areas such as compute optimisation and responsible AI practices.



Strengthening AI research leadership

- Develop specialised research centres for key AI domains, focusing on areas such as computational linguistics, robotics, trustworthy AI and model interpretability
- Build a global AI research consortium, partnering with international universities and labs to co-author studies and accelerate discovery.



Building sovereign AI models

- Encourage open source LLM development communities, enabling researchers and startups to co-create national models under permissive licences
- Create specialised centres for AI evaluation and certification, helping domestic models meet global performance and safety standards
- Build an independent council for AI ethics and cultural integrity, responsible for reviewing how sovereign models handle sensitive topics and context-specific reasoning.

Budget 2026-27 vision for the AI future



Boosting digital infrastructure through tax incentives

- Announced tax exemption till 2047 for foreign cloud providers operating India-based data centres, aiming to draw global capital and accelerate digital infrastructure growth
- Introduced a 15 per cent safe harbour on related-party data centre services to enhance transfer-pricing certainty¹.



Scaling semiconductor and electronics value chains

- Strengthening domestic hardware capabilities through ISM 2.0, which advances semiconductor equipment and materials production, full-stack Indian IP design and supply-chain resilience, supported by a USD109 mn provisions made for FY27²
- The ECMS budget has been proposed to increase to over USD4 bn, aiming to build on the scheme's current momentum².



Strengthening India's AI and data centre ecosystem

- Allocated approximately USD109 mn to the IndiaAI Mission, signalling a strategic shift in treating data centres as a core business sector rather than back-end infrastructure³
- Projected to boost private investment and establish India as a regional hub for data and computing.



Accelerating AI upskilling and literacy

- Announced fourth CoE in AI for education with an allocation of nearly USD11 mn⁴
- Proposed creation of a high-level Education to Employment and Enterprise standing committee to strengthen AI and emerging technology upskilling and reskilling of engineers, indicating one of the core drivers of Viksit Bharat.

IP: Intellectual property

The strategic role of AI in India's 2047 vision

Looking ahead, India's progress in AI is expected to play a crucial role in shaping the nation's future economic and social development. Estimates indicate that **AI could unlock close to USD1.7 tn** in additional economic value by 2035, underscoring its potential to accelerate productivity, competitiveness and innovation across sectors⁵. As the country expands its digital capabilities and strengthens institutional capacity, AI is becoming central to efforts aimed at broad-based development and improved public service delivery. These advancements are closely aligned with India's long-term ambition of **achieving Viksit Bharat by 2047**, a vision that calls for sustained growth, technological leadership and inclusive progress.

Realising this aspiration will depend on continued commitment to responsible deployment, strategic investment and effective collaboration among the nation's key stakeholders. Together, these elements can ensure that AI acts as a powerful catalyst for national transformation in the decades to come.

1. Summary of Union Budget 2026-27, PIB, 1 February 2026

2. Budget 2026-27 announces the launch of India Semiconductor Mission (ISM) 2.0, PIB, 1 February 2026

3. Budget at a Glance 2026-2027, Ministry of Finance, 1 February 2026

4. Union Education Minister lauds historic budget 2026-27, calling it a yuva shakti driven budget-a budget for human capital for Viksit Bharat, PIB, 01 February 2026

5. Transforming India with AI, PIB, 30 December 2025

What can leaders do next?

Sovereign capacity and budget allocation

Anchor domestic AI infrastructure by committing baseline GPU demand to India-based AI clouds, while also unlocking shared national compute pools. Reserve budgets for AI-specific compute such as GPUs and edge devices, not bundled under generic IT spend

Talent pathways and upskilling

Build an AI-ready workforce with a clear operating model, role-based pathways and scaled upskilling via domain-to-AI programmes and apprenticeships, partnering with ITIs, state universities and polytechnics for applied programmes. Leverage national programmes such as FutureSkills Prime to widen access to certifications and hands-on training for AI and data roles.

Consent-led data governance

Enable scalable, consent-led data use by establishing a governance foundation. Institutionalise pre-scale assurance through risk committees that assess models for bias, explainability and misuse before they are deployed in mission-critical workflows. Establishing an AI data council that connects every use case to the India AI Governance Guidelines.

SLM-first strategy for scale and control

Adopt an SLM-first approach by allocating a dedicated budget tied to outcomes such as cost, latency, privacy and enabling fast, risk-tiered governance with clear autonomy vs human-approval guardrails. In parallel, prioritise Indian language support, code-mixing and voice-first interfaces.

Institutionalising partnerships for AI at scale

Strengthen India's AI growth path with partnerships across CoEs, startups and academia to accelerate research, testing and benchmarking. Build domestic capability through shared assets/IP and live sandbox environments for AI startups.



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