Next-Generation Banking for a Viksit Bharat

Banking Reform as a National Growth Strategy

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GLOBAL CONTEXT

The Emerging Global Order

Fragmented Globalisation

The era of seamless global integration is giving way to regional blocs and strategic partnerships.

Rise of Protectionism

Industrial policy and national security considerations are reshaping trade relationships.

Trusted Networks

Shift towards secure ecosystems based on geopolitical alignment and shared values.

Strategic Opportunity

India positioned to capitalise on supply chain realignment and trusted partnerships.

India's Structural Opportunity

India stands at a pivotal juncture with converging advantages that create a unique window for accelerated growth and global competitiveness.

Macro Stability

Strong fiscal management and monetary policy credibility

Reform Momentum

Sustained structural reforms across sectors

Supply Chain Diversification

Global manufacturers seeking alternatives

Make in India

Growing manufacturing capabilities and ecosystem

Technology Leadership

Digital infrastructure and logistics strength

Growth Imperative for Viksit Bharat

8-9%

Required GDP Growth

Sustained annual growth rate needed for 25 years to achieve developed nation status

35%

Investment Rate Target

Increase from current 30% of GDP to unlock transformation

Strategic Priorities

- Capitalise on AI and digital technology revolution
- Position India as green transition leader
- Build globally competitive manufacturing base
- Achieve long-term structural economic transformation

This is not incremental growth—it requires fundamental reimagining of our economic architecture.

Asia's Growth Stories: A Transformation in One Generation

Japan	**1950-1980**	
	1950	**1980**
GDP (Constant, $ Bn)	298	2,707
Real Growth (%)	*7.7*	
Per Capita (Constant, $)	3,477	22,878
Real Growth (%)	*6.5*	
Investments (% of GDP)	14	37
Exports (% of GDP)	4	13

South Korea	**1960-1990**	
	1960	**1990**
GDP (Constant, $ Bn)	47.5	643.7
Real Growth (%)	*8.9*	
Per Capita (Constant, $)	1,901	14,602
Real Growth (%)	*6.8*	
Investments (% of GDP)	11.0	41.0
Exports (% of GDP)	2.0	21.0

China	**1980-2010**	
	1980	**2010**
GDP (Constant, $ Bn)	764.2	13,655.2
Real Growth (%)	*10.0*	
Per Capita (Constant, $)	777	10,103
Real Growth (%)	*8.9*	
Investments (% of GDP)	34.6	46.6
Exports (% of GDP)	4.1	17.8

Source: Penn World Tables. **Notes**: Investment = Gross Capital Formation. Ratios calculated at PPP. Real growth rates are average of years. Exports include goods & services.

Scale of the National Ambition

8x	9x	16x
Per Capita Income	GDP	Manufacturing Output

Mobilising Credit: The Foundation for Viksit Bharat

The vision for 2047 demands unprecedented economic expansion across all dimensions. Meeting this ambition requires mobilising credit at scale.

Foundation for Transformation

Credit serves as the fundamental enabler of investment, innovation, and industrial expansion—without deep credit markets, sustained high growth remains unattainable.

The Role of Credit in High-Growth Economies

No high-growth economy has achieved transformation without deep, accessible credit markets that fuel investment and innovation.

China's Model

Rapid credit expansion enabled infrastructure development and manufacturing scale-up during peak growth decades.

Korea's Trajectory

Strategic banking sector support for chaebols and SMEs drove export-led industrialisation.

Japan's Foundation

Post-war banking system channelled savings into productive investment, powering economic miracle.

Banks must function as instruments of national transformation, not merely financial intermediaries.

Asia's Growth Stories: Investments & Credit Move Together

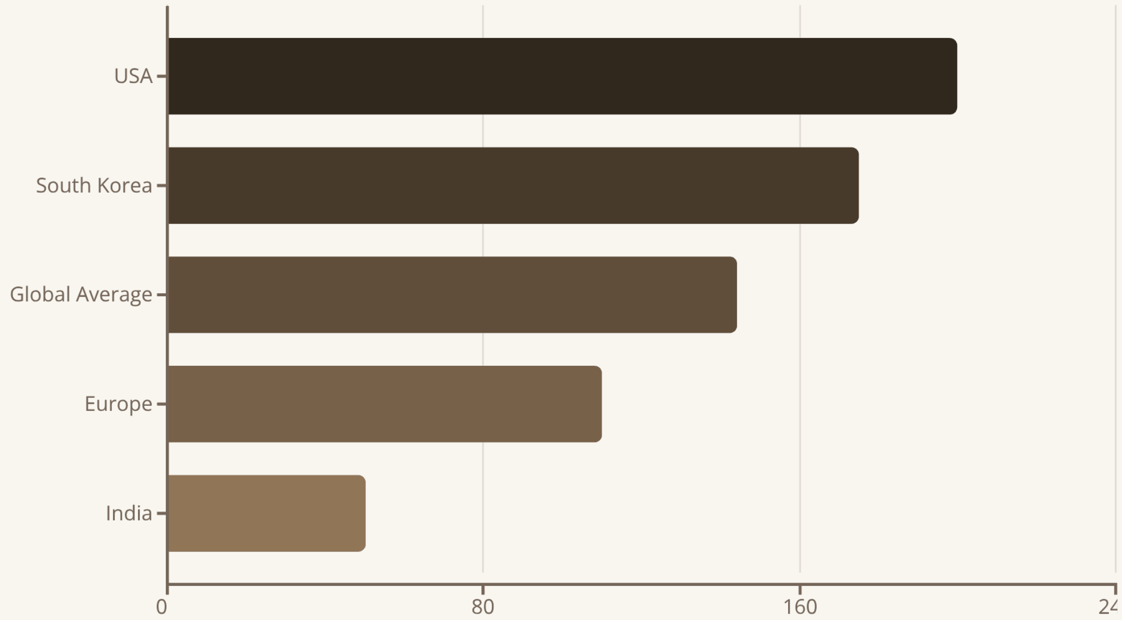
Japan	1950-1980	
	1950	1980
Investments (% of GDP)	14.0	37.0
Savings (% of GDP)	16.5	34.2
Credit to Private Sector (% of GDP)	< 50	124.5

China	1980-2010	
	1980	2010
Investments (% of GDP)	34.6	46.6
Savings (% of GDP)	35.2	50.6
Credit to Private Sector (% of GDP)	52.5	100.4

South Korea	1960-1990	
	1960	1990
Investments (% of GDP)	11.0	41.0
Savings (% of GDP)	1.0	39.3
Credit to Private Sector (% of GDP)	5.7	49.3

Source: Penn World Tables & World Bank. **Notes**: Investment = Gross Capital Formation. Ratios calculated at PPP. Real growth rates are average of years. Exports include goods & services.

India's Credit Gap



Critical Gap Analysis

India's domestic credit to private sector stands at merely 50% of GDP, significantly below both global peers and high-growth economies.

This represents not just a financing gap but a structural constraint on investment capacity, innovation funding, and business expansion.

Policy Implication: Bridging this gap is essential for achieving 8–9% sustained growth and meeting 2047 development goals.

GLOBAL COMPETITIVENESS

Scale of Indian Banks

Current Position

- State Bank of India ranks 43rd among global banks
- Only two Indian banks feature in the global top 100
- Top four banks worldwide: Chinese, state-owned institutions
- Limited global footprint and capital market access

2047 Vision

Ambition: Five Indian banks in the global top 25

This requires not just scale but operational excellence, technology leadership, and regulatory enablement to compete with established global players.

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Structural Bottlenecks in Credit Flow

Cumbersome Processes

Lengthy documentation requirements and manual verification procedures delay credit decisions and increase transaction costs.

Evolving Demand

Lending products are designed based on collateral, salaried status etc; excluding MSMEs, entrepreneurs, self employed & gig-workers

Limited MSME Access

80% of MSMEs access informal credit channels

Process Reform – Corporate Banking

1

Account Opening Process

Current timeline of 2–3 weeks for corporate account opening hampers business agility and creates competitive disadvantage.

2

Physical Documentation Burden

Extensive paper-based requirements increase operational costs and create friction in customer experience.

3

Manual Processing

Labour-intensive verification and approval workflows introduce errors and delay credit decisions.

4

Digitisation Imperative

End-to-end digital transformation needed to match global standards and enable real-time banking services.

Digital Public Infrastructure – The Model

Proven Success

India's Digital Public Infrastructure has revolutionised retail banking through platforms like UPI and integration with GST systems.

These systems process billions of transactions monthly with minimal cost and maximum accessibility, demonstrating the power of digital-first architecture.

Replication Strategy

Apply the same principles to business banking: open protocols, interoperability, and scale-driven cost reduction.

EMERGING CHALLENGE

The Gig Economy Challenge

30M

Gig Workers by 2030

Projected workforce in flexible employment

Structural Mismatch

Banking products remain designed for traditional salaried individuals with fixed income streams and employer verification.

Gig workers, freelancers, and self-employed professionals—despite contributing significantly to GDP—face systematic credit exclusion due to irregular income patterns.

Reform Priority: Develop alternative underwriting models based on transaction history, digital footprints, and cash-flow analysis.

Rethinking Lending Models

Retail and MSME Focus

Shift emphasis from large corporate lending to retail and small business segments with higher growth potential and risk diversification.

Rule-Based Underwriting

Replace discretionary credit decisions with transparent, algorithm-driven assessments that reduce bias and processing time.

Eliminate Duplication

Streamline verification processes through data sharing and centralised KYC to reduce redundancy and customer friction.

Compete with NBFCs

Match the agility and customer-centricity of non-banking financial companies while leveraging lower cost of funds.

Digital-First Banking Model

Technology Enablers

Transform banking through comprehensive digital architecture that reduces costs, improves access, and enhances customer experience.

AI-Driven Underwriting

Automated credit assessment using machine learning models

Cash-Flow Lending

Real-time analysis of business transactions for credit decisions

OCEN Framework

Open Credit Enablement Network for embedded finance solutions

Account Aggregators

Secure, consent-based data sharing across financial institutions

Leveraging Data and AI

GST Data Integration

Leverage GST filing data for real-time business performance assessment and credit risk evaluation.

UPI Transaction Analytics

Analyse payment patterns and cash flows to build comprehensive credit profiles for underserved segments.

Alternative Credit Scoring

Deploy machine learning models using non-traditional data points including utility payments, digital behaviour, and business networks.

Conversational AI

Implement AI across customer journey—from query resolution to application processing—reducing human intervention and improving efficiency.

Cybersecurity and Trust

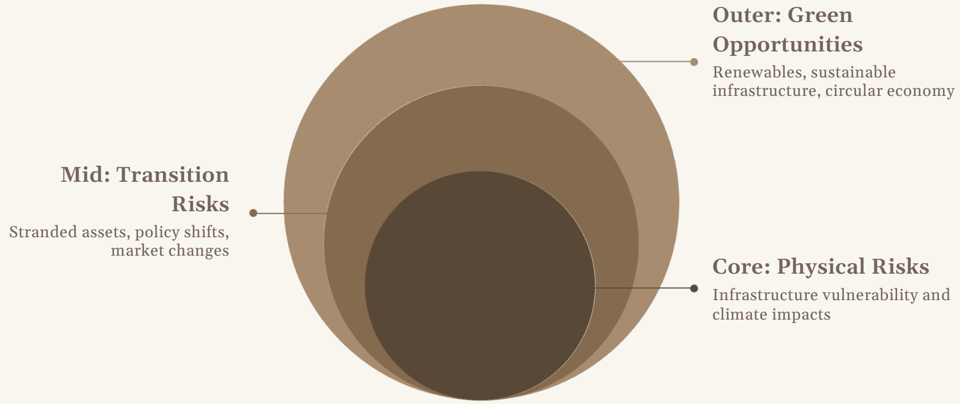
As banking digitises, cybersecurity moves from operational concern to strategic imperative. Trust forms the foundation of financial intermediation.

Investment Priorities

- Deploy advanced threat detection and response systems
- Implement zero-trust architecture across digital infrastructure
- Enhance data protection and privacy frameworks
- Build cyber resilience through continuous monitoring
- Establish sector-wide information sharing mechanisms

Strategic Consideration: Cybersecurity investment is not a cost centre but a competitive differentiator that protects brand equity and enables digital innovation.

Climate and Green Finance



Trillion-Dollar Opportunity

India's Net Zero commitment requires estimated investment of USD 10 trillion by 2070, creating unprecedented financing opportunity for banking sector.

Physical & Transition Risks

Assess and manage climate-related risks to loan portfolios

Green Finance Leadership

Develop expertise in renewable energy, sustainable infrastructure, and circular economy financing

Competitive Positioning

Establish India as hub for sustainable finance and green technology investment

Macro-Level Reform Agenda

High-Level Committee

Establish comprehensive banking sector review mechanism

Lower Capital Cost

Reduce real cost of capital through policy intervention

Global Capital

Attract international investment and expertise

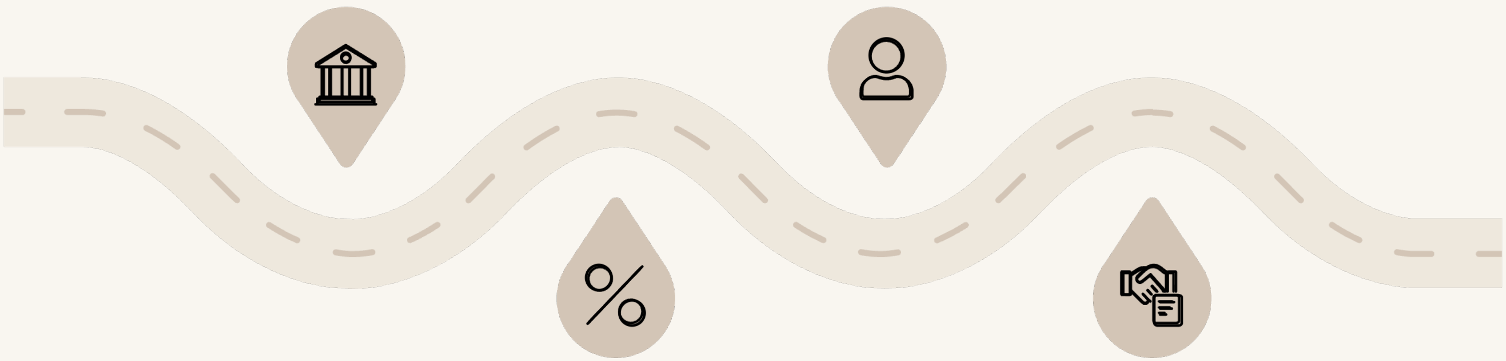
Enhance Competitiveness & Efficiency

Improve capital efficiency

Unlocking Credit Supply

SLR Reduction
Unlock ₹15–18 lakh crore for lending

Voting Alignment
Align voting rights with economic stakes



PSL Recalibration
Adjust target from 40% to 20%

PE Cap Increase
Raise ownership cap from 15% to 20%

Unlocking Credit Supply: Navigating Shifting Savings Patterns

Declining Household Savings

India's household savings have fallen to **30.7% of GDP**, a critical indicator for the availability of domestic capital.

Declining Financial Savings

Net financial savings of households have fallen to 5.2%

Shift Towards Equity Markets

There's a growing financialisation of savings, with a notable portion now being routed into **equity markets** rather than traditional banking channels.

Pressure on Bank Deposits

This shift directly places **stress on bank deposits**, which are fundamental for banks to secure funds for lending activities across the economy.

Improve Capital Efficiency: Do More Growth with Less Capital

Improving capital efficiency is a first-order growth strategy—technology enables higher output with lower capital intensity.

The Challenge

- High growth puts pressure on domestic savings and fiscal resources.
- Without better efficiency, higher investment delivers diminishing returns.

The Solution

To overcome these challenges, we must focus on both execution reforms and leveraging technological advancements.

Execution Reforms

- Faster project approvals
- Clearer contracts
- Predictable regulation
- Faster dispute resolution

Deep Tech Impact

- Start-ups and deep tech can reduce capital intensity
- Raise productivity through better systems and processes
- Improve efficiency across logistics, manufacturing, healthcare, energy, and public services
- Requires patient risk capital and longer investment horizons

Banking as National Strategy

> Banking reform is not a sectoral initiative—it is a national transformation imperative that determines whether India achieves developed nation status by 2047.

Sustained Growth Foundation

8–9% GDP growth for 25 years requires deep, accessible credit markets that fuel investment and innovation at scale.

Global Competitiveness

Five Indian banks in global top 25 by 2047, competing on technology, efficiency, and capital strength.

National Transformation

Reform as catalyst for structural economic change across manufacturing, services, and digital sectors.

Growth Acceleration

Banking reform directly translates to investment capacity, job creation, and prosperity for all Indians.

The path forward is clear: comprehensive banking sector reform is the cornerstone of Viksit Bharat. The time for decisive action is now.

Thank You