

The Indian banking and non-banking financial system remained robust and supportive of growth and financial inclusion. Regulations and macroprudential policies are being aligned to further strengthen resilience and competitiveness of the banking sector, while promoting ease of doing business. Going forward, balancing innovation with stability, supported by prudent regulation and supervision will be crucial for ensuring a resilient financial system.

Introduction

I.1 The global economy displayed significant resilience to shocks that were largely not anticipated in early 2025, even though the outlook continues to be clouded amid heightened uncertainty.¹ Inflation has been hovering above target in many major advanced economies, although global inflation outlook remains benign. Central banks are exercising caution while navigating through the shifting growth-inflation dynamics. Financial markets remain volatile, while risky assets valuation appears stretched amid slowing global growth.² Nonetheless, the global banking system remained resilient, backed by strong capital buffers and profitability. Policy makers, however, remain attentive to concerns related to interconnectedness in the financial system in view of the growing role of non-banking financial institutions and their complex linkages with banks in an environment of global uncertainty.

I.2 In the midst of a rapidly changing global landscape, the Indian economy recorded robust growth, and the near-term outlook remains positive, while inflation softened to a multi-

year low.³ Monetary policy continued with the neutral stance, with a reduction in the policy rate by 25 basis points (bps) on December 5, 2025, on top of the 100 bps cut in the first half of 2025. The Indian banking sector remained resilient, underpinned by a strong balance sheet, sustained profitability, steadily improving asset quality, and high capital buffers. Non-banking financial companies (NBFCs) also recorded robust performance, supported by double-digit credit growth, improved asset quality and comfortable capital buffers. On the back of strong macroeconomic fundamentals and soundness of the financial system, the Reserve Bank undertook various measures to strengthen the resilience and competitiveness of the banking sector, promote ease of doing business, and improve credit flow to meet the financing needs of a growing economy. Efforts to promote financial inclusion, responsible financial innovation, and customer protection continued.

I.3 Against this backdrop, this chapter outlines the key challenges and emerging opportunities for the banking and non-banking financial system, together with the policy priorities of the Reserve

¹ Reserve Bank of India (2025). Governor's Statement, October 1.

² International Monetary Fund (2025). *Global Financial Stability Report*, October.

³ Policy Frameworks for Economic Resilience: The Case of Emerging Markets and India, Address by Dr. Poonam Gupta, October 29, 2025, at the Business Standard BFSI Insight Summit, Mumbai.

Bank. Section 2 presents an outlook on the evolving regulation and supervision, followed by developments in payment and settlement ecosystem in Section 3. Section 4 examines the opportunities and risks arising out of rapid adoption of emerging technologies. The subsequent sections address key thematic areas – financial inclusion, consumer protection, and climate-finance – which are of increasing relevance to inclusive growth and systemic resilience. The chapter concludes with an overall assessment in Section 8.

2. Regulation and Supervision

I.4 The Reserve Bank's regulatory endeavour has been to balance efficiency and stability, while aligning regulations with international standards and adapting to national priorities. The regulatory framework is based on five principles – proportionality, consultation, evidence-driven, principle-based and agility.⁴ The evolution of the financial system and its regulatory framework, however, had resulted in proliferation of numerous circulars and directions over the years. To enhance clarity and applicability of regulatory instructions, reduce compliance costs, and thereby improve convenience and ease of doing business, the Reserve Bank consolidated more than 9,000 existing circulars/ guidelines pertaining to the Department of Regulation into 244⁵ function-wise Master Directions, specific to 11 types of regulated entities (REs). Work is now being undertaken to consolidate the circulars and directions of other departments. Further, in order to make the regulatory process consultative, a Regulatory Review Cell has been operationalised within the Reserve Bank, effective from October 1, 2025. The Cell will

review each regulation in a comprehensive and objective manner, channelising industry feedback into the periodic review. The Reserve Bank has undertaken development of comprehensive supervisory manuals for its senior supervisory managers (SSMs).

Guidelines on Assurance Functions

I.5 The Reserve Bank is in the process of consolidating and harmonising the guidelines on Assurance Functions (compliance, risk management and internal audit) for commercial banks, co-operative banks and NBFCs.

Counterparty Credit Risk

I.6 In India, counterparty credit risk capital charge is currently computed using the current exposure method (CEM). However, the CEM does not adequately differentiate between margined and unmargined transactions and does not sufficiently reflect the risk-mitigating impact of collaterals and netting. The existing guidelines are currently being reviewed for replacing with the Standardised Approach for Counterparty Credit Risk (SA-CCR) under the Basel III framework, which is a more risk-sensitive method.

Credit Valuation Adjustment Framework

I.7 Credit valuation adjustment (CVA) risk arises from mark-to-market losses on derivatives and securities financing transactions due to the deterioration of a counterparty's creditworthiness. The current guidelines on CVA, issued in 2012, are being reviewed to reflect the improvements in the CVA framework, issued subsequently by the Basel Committee on Banking Supervision (BCBS) as revisions to the Basel III framework. The revised CVA framework offers

⁴ Inaugural Address by Shri Sanjay Malhotra, August 25, 2025, at the FIBAC 2025 Conference, Mumbai.

⁵ Including seven new Master Directions on digital banking channel authorisation.

granularity on the eligibility of CVA hedges and extent of their recognition, and introduces greater sensitivity on the supervisory risk weights for counterparties, based on the sector and credit quality.

Capital Market Exposure

I.8 Capital market exposures (CME) of the regulated entities, given the relatively higher risk involved in such exposures, have been subjected to various prudential regulations. The Reserve Bank issued Draft Directions on Capital Market Exposures to align the guidelines with evolving market practices and provide a more enabling framework for bank financing of CME, including bank finance for acquisitions by Indian corporates. The proposed measures are expected to promote credit growth while ensuring prudential safeguards and improve the domestic banks' competitiveness.

Expected Credit Loss

I.9 The current incurred loss approach to provisioning results in delayed stress recognition, with potential amplification of procyclicality. In order to address these concerns, the Reserve Bank proposed migration of scheduled commercial banks (SCBs) (excluding small finance banks, payments banks and regional rural banks) and all-India financial institutions (AIFIs) to expected credit loss (ECL) based framework from April 1, 2027, with a five-year transitional arrangement to smoothen the capital impact. This will help strengthen risk management practices, improve pricing of credit, enhance transparency and comparability of banks' financial statements, and foster discipline in credit origination.

Capital Charge for Credit Risks

I.10 The Reserve Bank issued draft directions on the capital charge for credit risk - standardised approach under the Basel III standards on October 7, 2025. The major changes proposed, *vis-à-vis* extant norms under Basel II standards, include: (i) granular risk weight treatment for exposures to corporates, micro, small and medium enterprises (MSMEs) and real estate; (ii) inclusion of 'transactors'⁶ under regulatory retail category; (iii) revision in the credit conversion factors for reckoning the exposure for off-balance sheet exposures; and (iv) suitable adjustments to the risk weights applied to externally rated loans, on the basis of rating grade-wise default history for each credit rating agency, and due diligence by banks. The revisions will help in improving the resilience of the banking sector and align the regulatory framework with the international best practices.

Lending to Related Parties

I.11 The Reserve Bank issued a principle-based related-party lending draft framework on October 3, 2025, to rationalise the existing provisions. The major changes proposed in the draft framework include introduction of scale-based materiality thresholds beyond which lending to related parties of an RE shall need approval of the Board or its Committee and suitable supervisory reporting and disclosure requirements on transaction with related parties.

Review of Investment Fluctuation Reserve

I.12 Banks are required to maintain an investment fluctuation reserve (IFR) to provide them an additional buffer against depreciation in

⁶ Transactors mean obligors in relation to facilities such as credit cards and charge cards where the balance has been repaid in full at each scheduled repayment date for the previous 12 months.

the value of investments. A comprehensive review of the existing instructions on IFR is underway to address certain operational constraints faced by banks in maintaining the IFR.

Non-Banking Financial Companies

I.13 The Reserve Bank has been undertaking several measures to strengthen risk management practices and governance standards, while harmonising regulation and supervision of NBFCs for sustainable growth and financial stability.⁷

I.14 The scale-based regulation framework for NBFCs envisages a differential regulatory treatment to NBFCs not availing public funds and not having customer interface. Towards this initiative, a review of the extant regulations is underway. Further, with a view to aligning the risk weights for infrastructure lending by NBFCs with the actual risk characteristics and to optimise the cost of infrastructure financing, it has been proposed to introduce a principle-based framework. In this direction, a draft framework has been issued for public consultation to promote better risk assessment and capital allocation.

Credit or Investment Concentration Norms—Government NBFCs

I.15 A draft circular issued in January 2024 proposed extending the credit concentration norms applicable to each category of NBFCs to Government-owned NBFCs and withdrawing any existing dispensations granted to them. To ensure a smooth transition, existing breaches would be permitted to run off until maturity. The Reserve

Bank is currently in the process of issuing the final circular on this matter.

Co-operative Banks

I.16 Urban co-operative banks (UCBs) promote financial inclusion, but need stronger governance, professional management, timely oversight, and secure technology adoption for resilience.⁸ Licensing of new UCBs has been paused since 2004. Recognising the positive developments in the sector in the recent period, the Reserve Bank proposes to publish a Discussion Paper on licensing of new UCBs.

I.17 In order to further financial inclusion by expanding the bouquet of financial products available to customers of regional rural banks (RRBs) and rural co-operative banks (RCBs), it is proposed to harmonise the guidelines for RRBs, UCBs and RCBs. In this connection, a comprehensive draft policy is proposed to simplify and update the instructions on parabanking activities for these institutions.

Chief Risk Officer

I.18 Harmonised instructions on appointment of Chief Risk Officer (CRO) in commercial banks, co-operative banks and NBFCs is under process.

Net Open Position

I.19 Capital charge for foreign exchange risk is computed in terms of a regulated entity's net open position in foreign exchange, including gold. The extant guidelines are being reviewed to ensure greater alignment with international standards and consistent implementation across various categories of REs.

⁷ Shared Vision, Shared Responsibility – Strengthening NBFCs, Speech by Shri Swaminathan J., March 28, 2025, at the Conference of Non-Banking Financial Companies, Chennai.

⁸ Working Together, Growing Stronger: Responsible Governance for a Resilient UCB Sector, Valedictory Address by Shri Swaminathan J., July 11, 2025, at the Seminar for Directors of Urban Co-operative Banks, CAB, Pune.

Citizen and Regulatory Services

I.20 The revised Citizen's Charter of the Reserve Bank came into effect from July 1, 2025, which reaffirmed the Reserve Bank's commitment to improving accessibility, responsiveness, and transparency in its service delivery. A comprehensive review of the services offered by the Reserve Bank has been undertaken. The Charter now contains 204 services and the timelines have been rationalised. All regulatory services are available online through PRAVAAH which is a secure, centralised web-based portal for digitising the submission and processing of applications, requests and references from REs and individuals.

3. Payment and Settlement Systems

Digital Payments

I.21 The Reserve Bank adopted a soft-touch regulation approach for FinTech and payment ecosystem⁹ to encourage financial innovation while safeguarding the system from emerging risks. Various measures were undertaken to make the economy digitally inclusive. At end-March 2025, 514 districts across 15 states and 6 union territories (UTs) were fully digitally enabled, with every eligible individual in the district having access to at least one digital payment mode.¹⁰ Digital payments awareness week is being conducted each year in March. For promoting ease of access to digital payments for persons with disability (PwD), all system participants have been advised to review their payment systems/devices in line with accessibility standards issued by the Government of India.

Widening Access to Centralised Payment System

I.22 The feasibility of extending direct membership to centralised payment systems, *viz.*, real time gross settlement (RTGS) and national electronic funds transfer (NEFT), to additional categories of non-bank entities engaged in large volume and/or high value payment transactions will be explored. This is expected to reduce settlement timelines, mitigate concentration risks, and foster greater competition and innovation.

Advancing Cross-Border Payment Efficiency

I.23 The Reserve Bank has recently published draft guidelines to enhance efficiency of cross-border inward payments. By streamlining internal workflows, standardising payment intimation protocols, and adopting near real-time reconciliation mechanisms, the guidelines are expected to address the delay in cross-border inward payments through correspondent banking channel.

Internationalisation of Payment Systems

I.24 The Reserve Bank is actively pursuing measures to promote and expand the global acceptance of Indian payment instruments, which include enabling QR-based unified payments interface (UPI) acceptance for cross-border merchant (P2M) payments; interlinking UPI with fast payment systems in other countries for facilitating cross border remittance; and offering deployment of UPI and RuPay technology stack to other countries for development of similar fast payment system and domestic card scheme, respectively.

⁹ Address by Shri Sanjay Malhotra, March 10, 2025, at the Inauguration of Digital Payments Awareness Week 2025, RBI, Mumbai.

¹⁰ Moving the Boundaries of Financial Inclusion - A Regulatory Perspective, Address by Shri M. Rajeshwar Rao, June 9, 2025, at the HSBC's event for Financial Inclusion, Mumbai.

Internationalisation of Rupee¹¹

I.25 The Reserve Bank proposed various measures to enhance use of Indian rupee (INR) for international trade. For cross-border trade transactions, authorised dealer (AD) banks have been allowed to extend rupee loans to non-residents from Bhutan, Nepal and Sri Lanka. Further, the Reserve Bank proposed to establish transparent reference rates for currencies of India's major trading partners to facilitate INR based transactions. Special rupee vostro account balances have been made eligible for investment in corporate bonds and commercial papers.

4. Adoption of Emerging Technologies

I.26 Technological innovations are reshaping the financial services landscape. Over time, the role of technology in finance has shifted from improving operational efficiency to automating and centralising previously manual, fragmented processes and increasingly reshaping how financial services are delivered to customers. The digital public infrastructure (DPI) is providing foundations for rapid financial innovations¹² and playing a critical role in addressing barriers to inclusion. FinTechs are furthering financial innovations and bridging the digital divide, while fostering healthy competition. The Reserve Bank has been endeavouring to create an enabling regulatory environment for promoting innovation and ensuring financial system integrity. Through the HaRBInger initiative, the Reserve Bank invites people and entities from domestic as well as global markets to develop innovative solutions for the existing challenges in specified areas through problem statements.

Unified Lending Interface

I.27 Unified lending interface (ULI) ensures digital access to information from diverse data sources, positioning itself as a pivotal DPI in the lending space. It brings together financial service providers and multiple data providers through a standardised, protocol-driven architecture and an open application programming interface (API) framework. Operating on a plug-and-play model, ULI eliminates the need for complex one-to-one integrations between lenders and data providers, enabling lenders to connect to the platform once and access a broad array of data necessary for efficient credit assessments and decision-making. Through e-KCC platform of National Bank for Agriculture and Rural Development (NABARD), ULI is also expanding its reach to customers banking with district central co-operative banks (DCCBs) and RRBs. As on December 12, 2025, 64 lenders including 41 banks and 23 NBFCs are onboarded to ULI. These lenders are using more than 136 data services through ULI for 12 different type of loan journeys¹³, including, *inter alia*, authentication and verification services, land records data from eight states, satellite service, transliteration, property search services, dairy insights and credit guarantee. Additional data services and data sources are being onboarded on the platform to enable efficient credit assessment and decision making.

Central Bank Digital Currency

I.28 India's central bank digital currency (CBDC), the Digital Rupee (e₹) is evolving as an important instrument with unique use cases. In CBDC-retail, multiple pilots under various direct

¹¹ Reserve Bank of India (2025). Statement on Developmental and Regulatory Policies, October 1.

¹² Transformational Technologies and Banking: Key Issues, Keynote Address delivered by Shri T. Rabi Sankar, November 7, 2025, at the 12th SBI Banking & Economics Conclave - 2025, Mumbai.

¹³ Kisan Credit Card, digital cattle, MSME (unsecured), housing, personal, tractor, micro business, vehicle, digital gold, E-Mudra, pension and dairy maintenance loans.

benefit transfer schemes of state governments were tested. In respect of individuals, user level programmability was introduced with select banks, which would empower individuals to transfer programmed digital currency to other individuals. With regard to the cross-border segment, the Reserve Bank engaged bilaterally with the UAE and Singapore, and also recently joined multilateral projects led by the BIS Innovation Hub.

FinTech Sector

I.29 The Reserve Bank has been proactively engaging with the FinTech sector, with nearly 500 interactions during 2024-25. In addition, there are also regular interactions with innovators and entrepreneurs through structured platforms such as *Finteract* and *Finquiry*. During 2024-25, 12 editions of *Finteract* and 10 editions of *Finquiry* were conducted with a total attendance of about 1,100 participants. The Reserve Bank has also established a FinTech Repository to collect key information on activities, products and technology stack, enabling more informed and evidence-based policymaking for the FinTech sector. Acknowledging the diversity in the FinTech sector, the Reserve Bank granted recognition to a self regulatory organisation (SRO) in the sector in 2024 to enable FinTechs to operate with baseline governance standards and industry best practices.

Artificial Intelligence

I.30 In the financial sector, artificial intelligence (AI) can enhance credit risk assessment and scoring using alternative data, enabling lenders to provide credit to customers who lack traditional

credit histories.¹⁴ Through continuous learning, AI can also improve real-time fraud and mule-account detection, while enabling hyper-personalised loan solutions tailored to borrower needs and financial flows. Automation of credit appraisal and know your customer (KYC) through AI reduces cost, accelerates disbursement, and enables small loans in remote regions. Similarly, integrating AI in the grievance redressal lifecycle – from complaint lodging to closure – can result in a seamless, efficient, and data-driven processes, thus reducing the turnaround times.

I.31 AI, however, carries incremental risks including poor model explainability, data/concept drift, automation complacency, and skill gaps in AI oversight, which can lead to systemic errors or errors in credit assessments. REs need to be cognizant of the concomitant challenges such as data privacy, algorithmic bias and ethical considerations.¹⁵

I.32 Recognising these challenges, the Reserve Bank aims to foster an ecosystem wherein financial innovation flourishes without compromising systemic stability. In view of the growing use of models by REs across credit, operational, and other functional areas, the Reserve Bank has proposed to issue a comprehensive Model Risk Management Guidelines applicable to all models. To encourage the responsible and ethical adoption of AI in the financial sector, the FREE-AI (Framework for Responsible and Ethical Enablement of Artificial Intelligence) committee was constituted by the Reserve Bank in December 2024, which submitted its Report in August 2025. Following the examination of the recommendations, the

¹⁴ Balancing Innovation and Prudence - AI's Role in India's Financial Future, Keynote Address by Shri M. Rajeshwar Rao, September 16, 2025, at 3rd edition of the CNBC-TV18 Banking Transformation Summit, Mumbai.

¹⁵ Transforming Grievance Redress: The AI Advantage, Inaugural Address by Shri Sanjay Malhotra, March 17, 2025, at the Annual Conference of the RBI Ombudsmen, Mumbai.

Reserve Bank intends to formulate/update its policy guidance as necessary.

5. Financial Inclusion

I.33 In pursuit of the goal of sustainable financial inclusion, the Reserve Bank has undertaken various initiatives, such as framing the National Strategy for Financial Inclusion, rolling out Centres for Financial Literacy project, and implementing the Expanding and Deepening of Digital Payments Ecosystem programme. Reflecting policy efforts across the financial system, the Reserve Bank's financial inclusion index improved to 67.0 in March 2025 from 43.4 in March 2017. A review of the Index is being undertaken to improve its coverage and parameters.

National Strategy for Financial Inclusion 2025-30

I.34 The National Strategy for Financial Inclusion (NSFI): 2025-30 was released on December 1, 2025. The vision of NSFI: 2025-30 is to strengthen the financial inclusion ecosystem with the synergised efforts of stakeholders towards well-being of people by ensuring delivery of equitable, responsible, suitable, and affordable financial services duly supported by livelihood enablers, effective financial literacy, digital public infrastructure, and robust customer protection.

I.35 As part of financial inclusion initiatives, the Reserve Bank is in the process of reviewing the Business Correspondent (BC) model and the Kisan Credit Card (KCC) scheme. The Reserve Bank is also reviewing the Lead Bank Scheme (LBS) and working on a unified portal for data reporting under LBS.

I.36 The Reserve Bank was actively involved in a country-wide campaign for re-KYC of bank accounts, at *Gram Panchayat* level from July

to October 2025. The Reserve Bank was also associated with a campaign for settlement of unclaimed deposits of account holders during the year.

UDGAM Portal

I.37 The UDGAM portal facilitates the search of unclaimed deposits/accounts across multiple banks at one place; and provides information on claim/settlement process of each bank. The Reserve Bank is working with the Ministry of Finance to develop a unified portal to enable savers and retail investors to claim all unclaimed assets across all asset classes such as bank deposits, pension fund, shares, and dividends. The integrated portal would make it easier for citizens to locate their unclaimed funds.

6. Consumer Protection

I.38 Consumer protection is fundamental to strengthening trust and confidence in the financial system. This, in turn, rests on fair treatment of customers and an efficient grievance redressal mechanism. While substantial progress has been made in improving consumer services, rising grievances continue to be a matter of concern. In this regard, consumer education and protection remains a policy priority of the Reserve Bank.

Internal Ombudsman

I.39 With a view to enhancing the effectiveness of the Internal Ombudsman (IO) mechanism in REs, the Reserve Bank issued Draft Master Direction in October 2025. It proposes a two-tier grievance redress structure within REs before escalating complaints to the IO, and empowerment of the IOs with compensation powers and access to the complainants. These measures will help in timely and meaningful resolution of customer grievances, improve service standards and consumer confidence.

Ombudsman Scheme

I.40 The Reserve Bank - Integrated Ombudsman Scheme (RB-IOS), 2021 provides customers of REs with a speedy, cost-free and expeditious alternate grievance redress mechanism. This Scheme was reviewed comprehensively, and a Draft Scheme was released in October 2025, based on operational experience, stakeholder feedback and global best practices. Further, the scope of the Scheme was extended to state co-operative banks and central co-operative banks, previously under NABARD, effective November 1, 2025. By allowing access to customers of rural co-operative banks, this Scheme will strengthen grievance redressal and boost customer confidence.

I.41 As part of customer centric measure, the Reserve Bank is conducting a special two-month campaign starting from January 1, 2026, with an aim to resolve all grievances pending for more than a month with the RBI Ombudsman.

Complaint Management System (CMS) 2.0

I.42 The Reserve Bank has undertaken development of the Complaint Management System (CMS) 2.0 for upgradation of the current system with improved customer user interface.

Digital Frauds

I.43 Building on several customer protection measures implemented so far, the Reserve Bank announced a principle-based framework on authentication of digital transactions, while exclusive internet domains and designated numbering series were introduced for REs to reduce cyber security threats. The Reserve Bank continues to work with stakeholders, including the Ministry of Home Affairs, to develop and operationalise measures to curb digital and

cyber-enabled fraud and strengthen customer protection. REs need to put in place robust internal controls, ensure sufficient grievance redress officers at all levels, and enhance digital financial literacy to address digital frauds.

I.44 Recent initiatives by the Reserve Bank include development of MuleHunter.ai™ to facilitate system-wide learning to identify and flag potential mule accounts, which has been implemented in 23 banks as on December 17, 2025; and a digital payments intelligence platform (DPIP) to leverage AI to flag risky transactions and share intelligence for fraud detection and prevention.

Limiting Liability of Customers in Unauthorised Electronic Banking Transactions

I.45 Instructions related to limited liability of customers in unauthorised electronic banking transactions, issued in 2017, are being reviewed in view of major shifts in the banking landscape, including emergence of new payment channels, higher volumes of digital transactions, and evolving fraud patterns. This is expected to improve customer safeguards.

Guidelines on Mis-selling and Recovery of Loans

I.46 Mis-selling of financial products and services by REs has significant consequences for both customers as well as the financial sector. Hence, it is proposed to issue comprehensive instructions to different categories of REs on advertising, marketing and sales of financial products/ services, including aspects related to prevention of mis-selling. Further, it is proposed to review the extant instructions on conduct related matters associated with engagement of recovery agents and recovery of loans, and issue harmonised instructions in this regard.

Deposit Insurance

I.47 Deposit insurance is a key element of the financial safety net. To reduce moral hazard problem and to align with global best practices, the Reserve Bank, in December 2025, approved the framework to move away from the existing flat rate premium system to a risk-based deposit insurance premium, with the existing flat rate premium of 12 paise per ₹100 of assessable deposits per annum serving as the ceiling. The framework seeks to incentivise sound risk management by linking premium rates to the risk profile of banks and thereby enhancing the resilience of the banking system.

7. Climate Finance

I.48 Climate risks – both physical and transition – may affect credit, market, liquidity, and operational risks and pose material threats to financial stability. To strengthen resilience, comprehensive climate risk assessment underpinned by robust data infrastructure and information flow mechanisms are required. Initiatives such as the proposed Reserve Bank – Climate Risk Information System (RB-CRIS) and ongoing work for evolving climate-risk related disclosure reflect a systematic shift towards integrating climate considerations into financial risk assessment and management. Alongside, technology is being positioned as an enabler, with proposals for ‘on-tap’ applications under theme neutral cohort on climate change risks,

and sustainable finance under the regulatory sandbox as an initiative to foster sustainable innovation in this field. The REs are also required to invest in structured upskilling and focus on board-level orientation and ‘tone from the top’ leadership to integrate physical and transition risks, and sustainable finance into core strategy. Climate finance is both a national imperative and a collective responsibility and it requires coordination across regulators, institutions, governments, and global actors.¹⁶

8. Overall Assessment

I.49 Banks and NBFCs remain resilient backed by strong capital buffers, improved asset quality, and robust earnings, ensuring credit flow to productive sectors and underserved population. The Reserve Bank continues to drive secure and interoperable digital payments domestically and their integration with global payments systems. It is also enabling responsible adoption of technology and use of alternative data to expand financial inclusion. The Reserve Bank’s regulatory and supervisory policies remain focused on reinforcing cybersecurity, mitigating frauds, enhancing customer protection, integrating climate risk awareness, and preserving financial stability as an overarching goal. Balancing financial innovations with stability, strengthening public trust, and supporting sustainable development will continue to guide the Reserve Bank’s policies going forward.

¹⁶ Keynote Address by Shri Sanjay Malhotra, March 13, 2025, at the Policy Seminar on Climate Change Risks and Finance organised by the Reserve Bank of India, New Delhi.