PLANET GANGES

THE CRUCIBLE | RESEARCH PAPER

BFSI in India & the Middle East

From access to depth: what the next five years demand of leaders

Shijo Monichan
Business Consultant . Planet Ganges
Bengaluru, India | Dubai, UAE

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Governing question: *What must a business leader understand about the BFSI sector in India and the Middle East today to make sound decisions, and how should that understanding change over the next three to five years?*

1. Executive summary

BFSI in India and the Gulf has moved past the access problem. The defining challenge of the last decade was getting accounts, payments and basic credit into the hands of more than a billion people. India has largely solved it. The Gulf is solving it by a different route. The frontier has now shifted to something harder. Giving people access to finance is largely done. The job now is to turn that access into depth and profit, and the firms that come out ahead will be the ones that use data well and keep risk under control. The size of a bank's balance sheet counts for less than it used to.

Seven findings frame the argument that follows.

First, India has built the world's largest public digital-finance infrastructure, and the main challenge has changed. UPI processed 23.66 billion transactions worth Rs29.88 trillion in the single month of July 2026, and adult account ownership has risen from 35% in 2011 to roughly 89% in 2025. Reach is no longer the problem. Getting people to actually use their accounts, and to trust them, is. About one in six Indian accounts is inactive.

Second, Indian bank balance sheets are the strongest they have been in more than a decade. At March 2025, gross bad loans stood at 2.2% to 2.3%, capital adequacy at 17.4%, and return on assets at 1.4%. This is a rare window in which the sector can invest through the cycle rather than repair itself.

Third, the next credit risk sits in recently issued unsecured loans and microfinance, the fast-growing consumer lending of the past few years, rather than in the old corporate bad-loan cycle. In late 2023 the Reserve Bank of India raised the risk weights it applies to unsecured consumer credit before any losses had appeared. The signal was clear. This regulator now acts against excess early.

Fourth, the opportunity lies in how little these products are used. Insurance premiums are just 3.7% of GDP. Bank credit is around 50% to 56% of GDP. Household savings are moving visibly into markets. Monthly flows into systematic investment plans, the automated monthly investments many Indians now make into mutual funds, reached Rs31,781 crore in June 2026. Growth will come from deepening these relationships, not from finding new customers.

Fifth, the Gulf is reaching the same destination by a different route. India's transformation is bottom-up, built on shared public payment systems. The Gulf's is directed by the state and funded by abundant capital. Saudi Arabia's Vision 2030 Financial Sector Development Program and the UAE's Financial Infrastructure Transformation programme are converging with India on instant payments, open finance, domestic card schemes and central bank digital currency, even though the forces driving them differ.

Sixth, India and the Gulf Cooperation Council states increasingly form one corridor rather than two separate markets. Remittances, the India-UAE payment links, cross-border

central bank digital currency experiments and GIFT City all give leaders a structural reason to run the two regions as a single strategy.

Seventh, four forces will shape the next three to five years: generative AI, embedded finance, central bank digital currencies and open finance. Each is real. None runs on its own. What decides whether a firm captures their value is its capacity to handle risk and data well. The technology is the easy part.

The same conclusion runs through all seven findings. Compete on trust and data. Build the capacity to manage risk before you chase growth. Treat India and the Gulf as one connected opportunity. Use the current strength of the system as the moment to invest. Capital is cheap now, asset quality is clean, and policy is supportive, but that window will not stay open forever.

2. Scope and definitions

We treat BFSI as three linked domains rather than one. Banking covers institutions that take deposits and make loans. In India that means the public sector banks, private banks, foreign banks, small finance banks, payments banks and regional rural banks. In the Gulf it means the commercial and Islamic banks that dominate each national system. Financial services covers the non-bank layer: non-banking financial companies (NBFCs, lenders that are not banks), capital markets and asset management, payments and fintech, and, most important for this analysis, the digital public infrastructure that now sits beneath all of it. Insurance covers life, general (non-life) and health cover, along with the reinsurers and intermediaries that support them.

The phrase "India and the Middle East" is chosen carefully. We treat India in the greatest depth. For the Middle East we focus on the Gulf Cooperation Council economies. Saudi Arabia and the United Arab Emirates get the most attention, because they are the two largest and most important financial systems in the region. We reference Bahrain where it has led on regulation. This is a choice about scope. It does not mean the rest of the region is unimportant. Qatar, Kuwait and the wider MENA markets appear where relevant, without exhaustive treatment.

A few points about definitions matter here. When a market-size or penetration figure appears, we state its basis (the period, the geography, the currency, and whether it is nominal or real), because financial statistics are easy to misread across sources. When a number is an estimate, a projection or a proxy, we label it as such rather than pass it off as a reported fact. When two credible sources disagree, we show the disagreement instead of quietly picking one. The clearest example, the exact gross-NPA figure for Indian banks, is discussed openly in Section 8.

The time horizon has two parts. "Today" means the most recent reliable data available as of August 2026. In practice that is the financial year ended March 2025 for most Indian regulatory series, and calendar years 2024 to 2025 for Gulf and global data. "The future" means an outlook of three to five years, to roughly 2030. We keep it separate from the current-state analysis, so that inference is never mistaken for evidence.

3. How BFSI works: technical architecture

A leader cannot make sound decisions about BFSI without a clear picture of how money and risk actually move through it. The sector looks complicated. Its underlying architecture comes down to a handful of mechanisms.

The basic job is intermediation. A bank stands between savers and borrowers. It takes short-term deposits and makes longer-term loans, earning the spread between what it pays savers and what it charges borrowers. An insurer takes premiums today against uncertain future claims. It earns an underwriting margin if it prices risk well, plus an investment return on the float, the pool of premiums it holds before claims fall due. An asset manager pools savings and invests them in markets for a fee. Every BFSI business runs on one of these three engines: spread, underwriting float, or fee. Each has its own way of making money and its own way of failing.

Bank economics turn on four numbers. The net interest margin is the spread between lending and funding rates, and it is the main revenue engine. The cost-to-income ratio measures operating efficiency. The credit cost, the money set aside for loans that go bad, is what destroys banks when a cycle turns. Capital adequacy, expressed as the capital-to-risk-weighted-assets ratio (CRAR), sets how much a bank can lend and how much loss it can absorb before it is in trouble. A well-run bank compounds its book value by keeping margins healthy, costs low, credit losses contained and capital sound. A badly run one can look highly profitable right up to the moment the credit costs arrive. That is why experienced analysts look at asset quality first, ahead of headline profit.

Insurance economics turn on the combined ratio and the float. The combined ratio adds claims and expenses together as a percentage of premiums. Below 100%, the underwriting itself makes money. Above 100%, the insurer depends on investment income to turn a profit. Because premiums come in before claims are paid, insurers hold a large pool of other people's money, the float, and the returns on it are central to the economics. Two other measures matter: penetration (premiums as a share of GDP) and density (premium per person). They show how much of a society's risk is actually insured, and how much room a market has to grow.

The value chain has come apart, and this is the biggest structural change of all. A single institution used to own the whole chain. It found the customer, held the relationship, funded the balance sheet, underwrote the risk and serviced the account. Technology has split that chain into layers that different players can own. A fintech or a platform can own customer acquisition and experience. A bank can hold the balance sheet and the regulatory licence. The rails that move money can be a shared public utility. The data that underwrites risk can flow, with the customer's consent, between all of them. Working out who owns which layer, and where the money and the risk actually sit, is now the main analytical task in the sector.

Digital public infrastructure is the layer that changed the game, and India built the model others copy. "India Stack" is the shorthand for a set of shared, open rails: a digital identity (Aadhaar) that makes verification cheap; a real-time payments system (UPI) that any bank or app can plug into; and a consent-based data-sharing framework (the Account

Aggregator system) that lets customers move their own financial data securely between institutions. The economic effect is large. It collapses the cost of finding, verifying and serving a customer. It also turns capabilities that were once a bank's private advantage, such as identity, payments and data, into a public utility that anyone can build on. The Gulf is now building its own versions of each layer by different institutional routes, which is the underlying reason the two regions are converging.

Who governs it matters as much as how it works. BFSI is among the most heavily regulated sectors anywhere, because the failure of one large institution imposes costs on everyone. In India, the Reserve Bank of India supervises banks, NBFCs and the payment system; the Securities and Exchange Board of India regulates capital markets; the Insurance Regulatory and Development Authority of India (IRDAI) regulates insurance; and the Pension Fund Regulatory and Development Authority (PFRDA) oversees pensions. In the Gulf, the central banks (SAMA in Saudi Arabia, the CBUAE in the UAE, the CBB in Bahrain) combine monetary authority with a mandate to develop the financial sector, which makes them unusually powerful shapers of their markets. The regulator's stance is not a background detail. It often decides what is possible in a market, and how fast it can happen.

Decision rights and the operating model are where strategy meets execution. In a bank, the decisions that matter most are credit sanctioning (who may approve what size of loan, against what policy), asset-liability management (matching the maturity and interest-rate profile of assets and liabilities so the bank is not caught out when rates move), and provisioning judgement (how early and how much to set aside against loans going bad). In an insurer, the equivalents are underwriting authority, reserving and reinsurance. Where these decisions sit, whether with a central board risk committee or with the front line, and whether people or algorithms make them, is being redrawn by data and AI. That redrawing is the operating-model question beneath every "digital transformation" programme in the sector.

A little specialist vocabulary anchors any serious analysis. CASA (the share of low-cost current and savings-account deposits) sets a bank's cost of funds and quietly drives its margin. The credit-deposit ratio shows how much of a bank's deposits are lent out, and so how much liquidity headroom it has. The float, as above, is the pool of premiums an insurer holds before claims fall due. Basis points, provisioning coverage, risk-weighted assets and the cost of funds are the levers management actually pulls. A leader does not need to calculate any of these. But they should know which one a given decision moves, because almost every strategic choice in BFSI eventually shows up as a change in one of them.

Finally, it is worth being clear about why the sector deserves this much attention. BFSI is the circulatory system of the economy. It turns savings into investment, prices and allocates risk, and moves money through every other industry. When it works, it does so invisibly. When it fails, it does so catastrophically. That is why it is regulated so heavily, and why its stability is treated as a public good and its modernisation as a national story rather than a narrow sectoral matter. For leaders outside finance, understanding BFSI

means understanding the cost and availability of the capital, payments and risk protection their own businesses depend on.

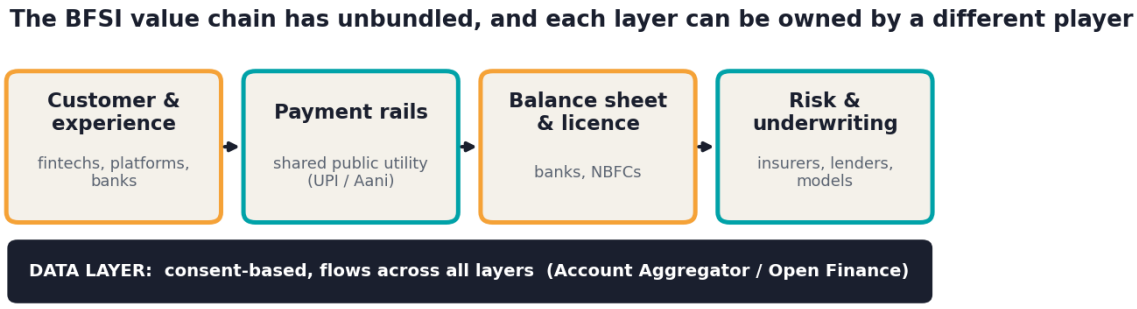


Exhibit 1. Planet Ganges analysis. Identity, payments and data were once a single bank's moat. They are now shared infrastructure.

4. Global context

Global finance sets the weather for India and the Gulf. Three global facts matter for the regional story, though they do not substitute for it.

The global banking industry is highly profitable yet poorly valued, and that tension shapes strategy everywhere. Banks worldwide earned record net income of about US$1.2 trillion in 2024, on revenues after risk cost of roughly US$5.5 trillion. Yet the sector trades at around one times book value, a deep discount to other industries, because investors doubt that those returns will persist and grow. Global capital is sending bank boards a clear message, in Mumbai and Riyadh as much as in New York: scale and current profit are not enough. What earns a reward is durable, capital-light, fee-generating growth of the kind that digital distribution and wealth management can provide. This is part of why Indian and Gulf institutions alike are pushing hard into payments, wealth and platform models rather than simply growing the loan book.

Money is increasingly intermediated outside banks, and supervisors are watching it. The total pool of funds intermediated through the financial system grew by about US$122 trillion, or 40%, between 2019 and 2024, and the fastest-growing part was private capital, expanding at around 17% a year. The private credit market alone is now roughly US$2 trillion and has drawn explicit concern from the IMF about opacity and interconnection. The International Monetary Fund's October 2025 Global Financial Stability Report warned of stretched asset valuations and rising interconnectedness between banks and non-bank financial institutions. For India and the Gulf, where non-bank lenders and sovereign-linked investment vehicles are large and growing, this is no abstract warning. It describes where the next stability risk is most likely to originate.

The rules and the rate environment are turning, but slowly. The Bank for International Settlements described a 2024 to 2025 world of roughly 3% global growth, public debt above peacetime highs and a gradual normalisation of interest rates after the post-pandemic spike. The final tranche of the Basel III capital rules, the so-called "endgame", is being implemented on a delayed and tailored basis, with United States rules pushed to around mid-2026, the United Kingdom's to January 2027 and parts of the European Union's market-risk rules to 2027. Capital requirements are heading higher and becoming

more risk-sensitive, but they are being phased in gently. For well-capitalised Indian and Gulf banks this is a competitive opportunity. They already hold capital well above the emerging global standard, which frees them to grow while others rebuild.

The net of the global picture is that the structural forces all point the same way for our two regions: pressure for capital-light growth, the migration of risk into non-banks and a slow tightening of the rules. They reward institutions that are well-capitalised, data-rich and distribution-led. They penalise those that rely on balance-sheet scale alone. India and the Gulf both happen to be entering this environment from a position of unusual strength.

One further global force is specifically relevant to our two regions: the fragmentation of the geopolitical and monetary order. As trade and finance re-organise around competing blocs, and as questions grow about over-reliance on a single reserve currency and a small number of international payment networks, both India and the Gulf are actively building alternatives. These include domestic card schemes, local-currency trade settlement, cross-border central bank digital currency links and regional payment integration. This is more than defensive plumbing. It is an opportunity for both regions to place themselves at the centre of new financial corridors, India as a connectivity hub for the Global South and the Gulf as a bridge between East and West, and it is a structural reason the India-Gulf financial relationship will deepen regardless of the business cycle. A leader who reads these initiatives as compliance or geopolitics alone will miss what they really are: a contest for the rails of the next era of cross-border finance.

5. Current state: India

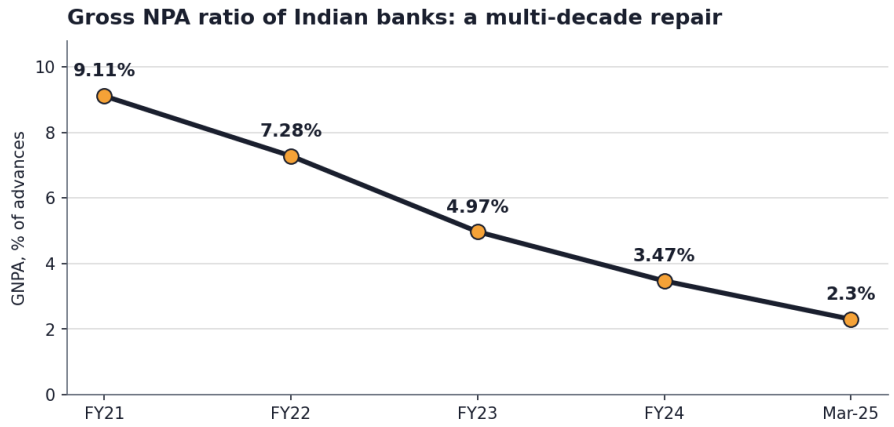
India's BFSI sector is, unusually, strong on every dimension at once. Balance sheets are clean, the digital rails run deep, market participation is rising and the regulator is supportive but vigilant. The task for a leader is to understand which of these strengths is durable, which is cyclical and where the constraints now lie. The sub-sections that follow take each domain in turn, from banking and the credit cycle through digital rails and inclusion, insurance, savings and markets, to the technology-and-talent layer beneath them, before drawing out the leadership agenda they collectively define. The through-line is consistent. India has built extraordinary breadth, and the work of the next five years is to convert that breadth into depth and durable profit.

5.1 Banking: the strongest balance sheets in a decade

The headline is a genuine turnaround, not a data artefact. The gross non-performing asset ratio of scheduled commercial banks fell to 2.2% to 2.3% at March 2025, a multi-decade low, from a peak above 9% in 2018, and eased further towards 2.1% by September 2025. Net NPAs are just 0.5%, capital adequacy is 17.4% against a regulatory minimum of 11.5%, and the provisioning coverage ratio is 76.3%, meaning most bad loans are already provided for. Profitability has followed, with return on assets of 1.4% and return on equity of 13.5% in FY25. The recovery was earned partly through a decade of clean-up and partly through structural reform: the recovery rate on stressed assets roughly doubled from 13.2% in FY18 to 26.2% in FY25 as the Insolvency and Bankruptcy Code and debt-recovery mechanisms matured.

The structure of the system is slowly shifting. Twelve public sector banks still hold about 54.9% of banking assets, but that share is edging down each year as 21 private banks (37.1% of assets) grow faster. Below them sits a deliberately tiered system of 11 small finance banks, 6 payments banks, 44 foreign banks and, until their consolidation to 28 on 1 May 2025, 43 regional rural banks, each licensed for a different inclusion or specialisation purpose. Bank credit grew 11.5% and deposits 11.1% in FY25, a healthy but decelerating pace as the unsecured-lending surge of prior years cooled.

Two structural shifts sit underneath these aggregates. Consolidation accelerated when HDFC Ltd merged into HDFC Bank on 1 July 2023, creating one of the world's largest banks by market value, around US$180 billion, and signalling that scale in Indian banking is now built at the private end of the system. The funding side has also become the competitive battleground. As credit outgrew deposits through FY24 to FY25, banks fought hard for deposits, pressuring funding costs and margins even before the rate cycle turned. That turn is now underway: the Reserve Bank lowered the policy repo rate from 6.5% through 2024 to 5.25% by August 2026 as inflation eased. Lower rates support borrowers and asset quality but compress the spread banks earn, a further reason to read the current profitability peak as cyclical rather than permanent.



Source: RBI, Report on Trend and Progress of Banking in India 2024-25, and Financial Stability Report, June 2025. Scheduled commercial banks, year ended March 2025.

CRAR	Net NPA	RoA	RoE	PCR
17.4%	0.5%	1.4%	13.5%	76.3%

Exhibit 2. India banking health at March 2025. Source: RBI Trend and Progress 2024-25 and Financial Stability Report, June 2025.

The interpretation a leader should draw is this. The current strength is a cyclical high, and it should be used, not assumed to be permanent. Asset quality this clean and capital this abundant give banks and their partners a rare ability to invest, lend and take considered risk through the cycle. The FSR's own stress tests project GNPAs edging back up towards 2.5% by March 2027 even in the baseline case. The window is open now. It will not stay this wide.

5.2 The credit cycle has changed shape: from corporate NPAs to consumer froth

The credit story in Indian banking has moved on from the large-corporate default cycle that defined 2014 to 2019. What matters now is the quality of new-vintage retail and non-bank credit. NBFCs, which now supply about a quarter of the credit that banks do, are growing at roughly 19% a year with strong capital of nearly 26%. They have been the fastest channel of household credit, and their AUM is projected to cross Rs50 lakh crore by FY27. That growth outran prudence in unsecured segments. The Reserve Bank acted pre-emptively in November 2023, raising risk weights on unsecured consumer credit and on bank lending to NBFCs by 25 percentage points to slow the froth. It later rolled back the bank-to-NBFC and microfinance portions once growth had cooled, effective April 2025. Microfinance in particular went from boom to stress fast: AUM growth collapsed from 28% in FY24 to around 4% in FY25, and delinquencies rose.

The lesson for a leader is about supervisory posture as much as credit. India's regulator now leans against the cycle before losses appear, and it does so with granular, segment-specific tools. Anyone lending in India, whether a bank, an NBFC or a fintech partner, must assume that fast growth in an unsecured segment will attract a regulatory response, and must price and provision accordingly. The deeper opportunity remains intact. At roughly 50% to 56% of GDP, private credit in India is structurally under-penetrated against peers well above 100%, so the long-run direction of credit is up. The discipline is to grow into that head-room without repeating the froth.

The infrastructure of credit is also being formalised, which changes the competitive game. The Reserve Bank's Digital Lending Guidelines (2022) and Default Loss Guarantee framework (2023) brought fintech-led lending inside a clear regulatory perimeter. The Unified Lending Interface, launched in 2024 and already connecting 64 lenders to more than 130 data services by the end of 2025, aims to do for credit what UPI did for payments: standardise and cheapen the plumbing so a loan can be underwritten from consented data in minutes. Co-lending, which pairs bank funding with NBFC reach, has become a mainstream model. So the future of Indian credit is a partnership between balance sheets, distribution and data, rarely all owned by one institution, which is precisely the unbundling described in Section 3, now playing out in lending.

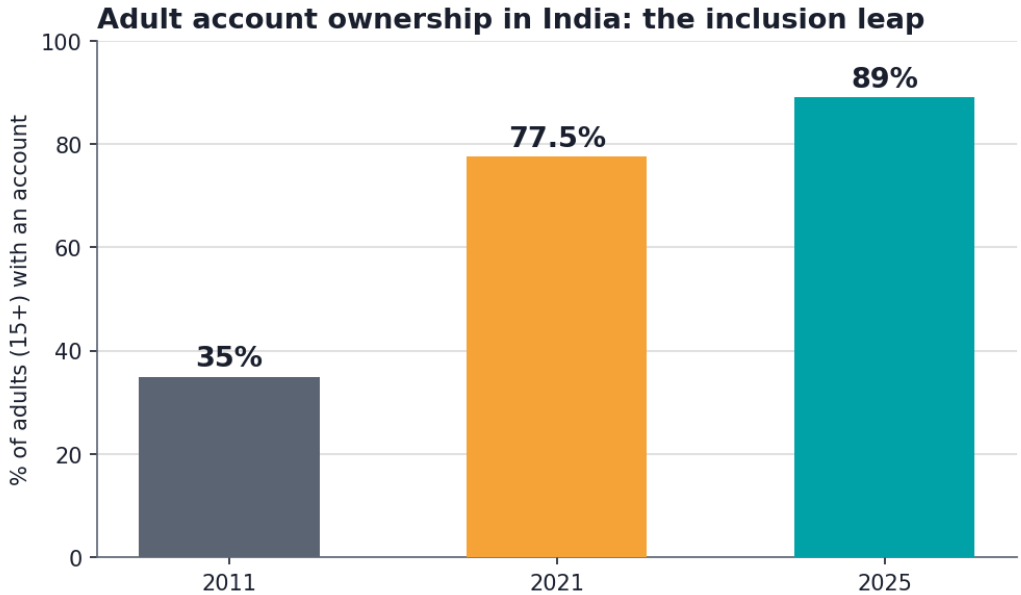
5.3 Digital rails and inclusion: the problem has moved from access to usage

India's most distinctive asset is its digital public infrastructure, and its scale is now genuinely without global parallel. UPI processed 23.66 billion transactions worth Rs29.88 trillion in July 2026 alone, growing over 20% year on year, and accounts for about 85.5% of digital payment volume in the country. Underneath it, financial inclusion has been transformed. 56.16 crore Jan Dhan accounts hold Rs2.68 lakh crore of deposits, Aadhaar covers about 99% of adults, and direct benefit transfers have saved an estimated Rs3.48 lakh crore by removing leakage from welfare payments. The World Bank's Findex shows the result: adult account ownership rose from 35% in 2011 to about 89% in 2025, one of the fastest financial-inclusion gains ever recorded. The Reserve Bank's own Financial Inclusion Index reached 70.0 in March 2026, led by the "usage" sub-index.

The origin of this system explains why it worked, and it is a lesson in sequencing. India combined the "JAM trinity" of near-universal bank accounts (Jan Dhan), digital identity (Aadhaar) and mobile phones into a foundation on which private innovation could build. The state built the rails as an open public good. The market built the products on top. That division of labour is now studied and copied internationally, and India actively exports the model, with versions of its digital-public-infrastructure approach being adopted or explored across Africa, South-East Asia and, increasingly, the Gulf. For a leader, the strategic point is that India's advantage is not any single app but the architecture: shared, open, interoperable public infrastructure that lowers everyone's costs. Competing in India means building on those rails, not around them.

23.66 bn	Rs 29.88 tn	+22%	85.5%
transactions in the month	value in the month	volume, year on year	share of digital payment volume

Exhibit 3. UPI at scale, July 2026. Sources: NPCI (UPI product statistics); RBI Payment Systems Report (share of digital volume, H2 2025).



Source: World Bank Global Findex (2011, 2021, 2025). Note: about 1 in 6 Indian accounts is inactive, vs about 1 in 16 globally.

But the honest reading is that reach is now the easy part. About one in six Indian accounts is inactive, against a global average of one in sixteen. The strategic frontier has moved from opening accounts to driving genuine usage, cross-sell and trust, turning a UPI user into a credit, insurance and investment customer. The Account Aggregator framework, with roughly 45 crore cumulative consents, is the rail intended to do exactly that: let a customer's own data unlock tailored products. The digital rupee, India's retail CBDC, is a more sober story: about 6 million users but circulation of only Rs771.7 crore at March 2026, down 24% year on year as launch incentives normalised. It is an infrastructure bet whose use-case is still being found, and it should be presented as such rather than as a success or a failure.

5.4 Insurance and protection: the biggest gap and the biggest opportunity

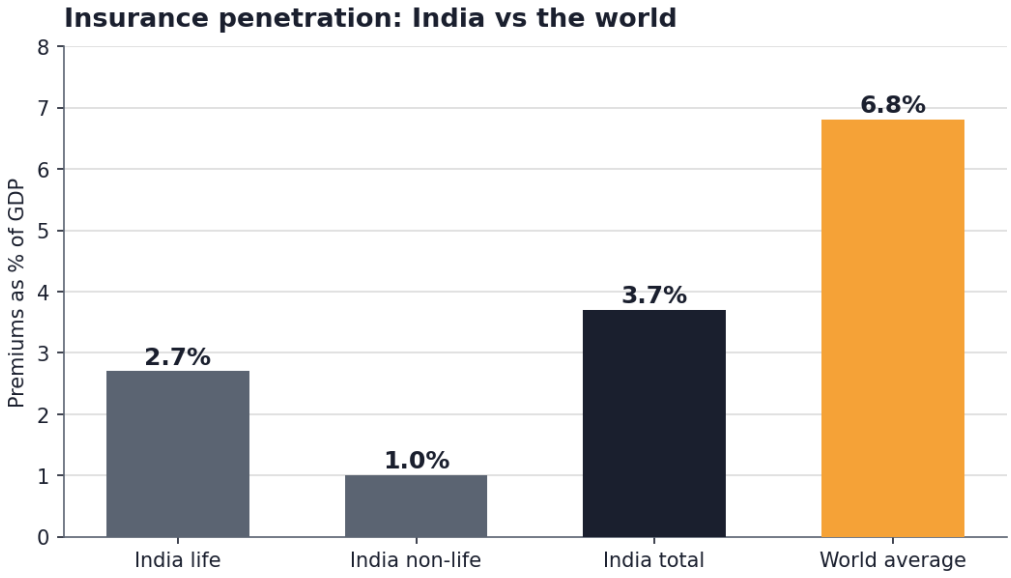
Insurance is where India's financial deepening is most incomplete, and therefore where the structural opportunity is largest. Total insurance penetration is just 3.7% of GDP and has been flat for two years. The life component actually slipped from 2.8% to 2.7%, and density is only US$97 per person against a global life-density many times higher. The total figure is not falling, but nor is it rising, even as the economy grows, which means insurance is losing ground relative to GDP. Against this sits IRDAI's stated ambition of "Insurance for All by 2047", an explicit acknowledgement of how far there is to go.

The internal dynamics are more encouraging than the headline. Health insurance is now the largest non-life line at Rs1.27 lakh crore and growing over 9%, and private life insurers are taking share from the incumbent: private players grew 12% against LIC's 2.75%, though LIC still writes about 57% of new business premium.

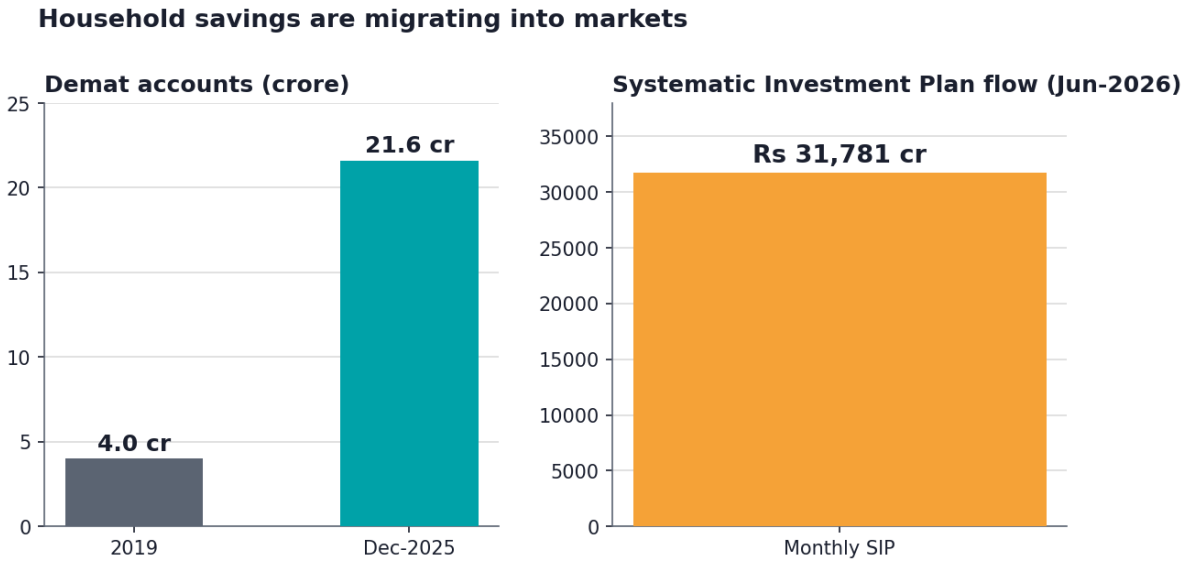
Policy is now pushing directly at these constraints. The Union Budget of February 2025 raised the foreign-direct-investment ceiling in insurance from 74% to 100%, conditional on the entire premium being invested in India, a move designed to pull in capital and expertise to expand the market. In parallel, IRDAI is assembling its "Bima Trinity": Bima Sugam, an open insurance marketplace; Bima Vistaar, an affordable composite cover; and Bima Vahak, a village-level distribution force. This phased rollout is intended to do for insurance what digital public infrastructure did for payments. These are promising but not yet fully commercial, and should be presented as work in progress rather than accomplished fact. For a leader, the read is that the protection gap is the largest untapped pool in Indian BFSI, that distribution and trust rather than product are what hold it back, and that the digital rails described above are precisely what could finally close it.

5.5 Savings, markets and the wealth transition

The most consequential behavioural change in Indian finance is the migration of household savings from physical assets into financial markets, and it is happening at scale. Demat accounts reached 21.6 crore by December 2025, up from about 4 crore in 2019. Mutual fund assets stand at Rs82.22 lakh crore, and, most tellingly, monthly SIP inflows reached Rs31,781 crore in June 2026, a recurring, automated river of retail money into markets that has become a structural feature rather than a cyclical one. Pension assets under the NPS and Atal Pension Yojana have crossed Rs16 lakh crore across 9 crore subscribers. India's equity market capitalisation is around US$5 trillion, the fifth-largest in the world, and its main exchange is the world's largest by number of derivatives contracts traded. Alongside the domestic market, India is building an international financial gateway at GIFT City, whose IFSC banking units have crossed US$100 billion in assets across more than 1,000 registered entities, an offshore-onshore bridge intended to bring home financial activity that once routed through Dubai or Singapore.



Source: IRDAI Annual Report 2024-25 (India, FY25). World average approximate (Swiss Re sigma). India density about US$97 per capita.



Sources: SEBI, NSDL and CDSL (demat, Dec-2025); AMFI (SIP, Jun-2026). Mutual fund industry AUM Rs 82.22 lakh crore.

The strategic significance is that a domestic pool of patient, systematic capital is forming for the first time at this scale, and it changes the character of Indian finance. It deepens markets, cushions them against foreign-flow volatility, and creates a vast new wealth-management and advice opportunity. It also creates a new supervisory and conduct responsibility, because tens of millions of first-time investors are now exposed to market risk they may not fully understand.

This transition carries a demographic and conduct dimension. India's young, rising-income population is entering financial markets for the first time, largely through digital channels and often without advice, which is both the opportunity and the hazard. The advice gap is wide. Tens of millions of new investors and policyholders need guidance the industry has not yet built at scale, and the risk of mis-selling, unsuitable products and speculative behaviour, visible in the explosive growth of retail derivatives trading

that has already drawn SEBI's attention, is real. For a leader, the wealth transition is therefore a trust-and-suitability responsibility as much as a growth story. The institutions that build genuine advice and financial-literacy capability, rather than simply pushing product, will own the most valuable customer relationships of the next decade.

5.6 Technology, talent and the operating model

Beneath the numbers, the operating model of Indian finance is being rebuilt, and this is where execution risk now concentrates. Cloud infrastructure, API-based architecture and AI are moving banks from branch-and-batch operations towards real-time, data-driven ones. What is scarce is increasingly talent and technology rather than capital. Institutions are competing with technology firms for engineers, data scientists and risk modellers, and the winners are those that can pair financial-domain judgement with genuine data capability. India's vast IT-services base is a national advantage, since much of the world's financial technology is already built and run from India, but converting that into institution-level advantage requires deliberate investment in in-house engineering and data governance, not just outsourcing. What to build, what to buy, what to partner for and which decisions to automate is the practical form that strategy takes in the sector today.

5.7 The current leadership agenda in India

Pulling the Indian picture together, the agenda that occupies bank and BFSI leaders today is disciplined growth rather than survival or repair. It has four recurring items: how to convert a vast base of payment and account relationships into profitable credit, insurance and wealth customers without repeating the unsecured-credit froth; how to compete when identity, payments and data have become shared utilities rather than proprietary moats; how to build the risk, data and talent capacity that the next phase demands; and how to do all of this under a regulator that supports innovation but is quick to lean against emerging risk. That agenda is the lens through which every India-facing decision in the sector should be read.

6. Current state: the Middle East (GCC)

The Gulf is modernising its financial system as fast as India, but through an almost opposite mechanism. India's transformation runs bottom-up. It is led by public rails and driven by the need to include a billion people. The Gulf's runs top-down. It is state-directed and driven by the strategic push to diversify economies away from oil. Grasp that difference in driver and you can read the region correctly.

6.1 Saudi Arabia: financial-sector transformation as national strategy

Saudi Arabia is the clearest example of BFSI development pursued as explicit national policy. The Financial Sector Development Program, one of the flagship programmes of Vision 2030, sets hard, measurable targets for the financial system and reports progress against them every year. On the headline metrics, the results are ahead of plan. Non-cash transactions reached 79% of retail payments in 2024, already past the 70% target set for 2030 and up from a 36% baseline in 2023. The number of licensed fintechs reached 261 in 2024 against a 2025 target of 230, on the way to a 2030 goal of 525, from a base of

just 14 in 2020. Stock-market capitalisation has risen to about 87% of GDP, and total banking assets reached roughly SR 4.94 trillion, around US$1.32 trillion, at record levels in late 2025. One metric is visibly lagging. SME financing sits at 9.4% of bank lending against an 11% target, a reminder that even a state-directed programme cannot mandate credit appetite.

What a leader should take from Saudi Arabia is that the state sets the pace and moves first, and that it will fund and mandate change at a speed private markets rarely achieve. The weakness in the model is its dependence on continued state direction and, beneath that, on the oil revenues that finance the diversification. The opportunity is that a market is being built deliberately and quickly, with published targets that tell any external partner exactly where the government wants private capability to fill gaps. SME lending and capital-market depth are the two clearest invitations.

The scale of change shows up in the loan book. Saudi bank lending reached about SR 3.17 trillion, roughly US$845 billion, by mid-2025, growing over 16% year on year, with corporate credit up more than 21% and real-estate developers the fastest-growing borrower group. Much of that is direct financing of the NEOM, Red Sea and housing giga-projects at the centre of Vision 2030. Behind the banks sits the Public Investment Fund, the sovereign wealth fund that powers the diversification, with assets of about US$941 billion at the end of 2024 and an official target raised in 2025 to US$2.67 trillion by 2030. This is the defining feature of Saudi finance. The state, through PIF and the banks it steers, is at once the largest customer, the largest investor and the pace-setter. That is an opportunity of enormous scale, and a concentration of direction with no parallel in India.

6.2 The UAE: building the region's financial infrastructure and hub

The United Arab Emirates is pursuing a parallel transformation, with a hub strategy layered on top. Its banking system is large and liquid. Gross banking assets reached AED 5,199.9 billion at September 2025, roughly US$1.42 trillion at the currency's dollar peg. More striking is the speed at which the central bank is building modern rails through its Financial Infrastructure Transformation programme. The Aani instant-payments platform reached 12.5 million users by April 2026. Jaywan, the country's first domestic card scheme, launched in 2024 to reduce dependence on international networks. An Open Finance regulation was issued in 2024, and the Digital Dirham CBDC has been moved towards retail launch. A cohort of digital banks is now testing digital-only models at scale: Wio, which reached profitability in its first year with more than 250,000 retail and 120,000 business customers, alongside Liv, Zand and Mashreq Neo [(Fintech News UAE)].

The UAE's distinctive play is to be the region's financial hub as well as a national market. Through the Dubai International Financial Centre and Abu Dhabi Global Market, common-law financial free zones with their own regulators, it has attracted a large share of the region's fintech and asset-management activity. These free zones are central to the model and worth understanding on their own terms. Both operate under English common law with independent regulators and courts, which gives international banks,

asset managers and fintechs a familiar legal environment inside the region. Both have grown fast as hubs for wealth management, private capital and financial technology, and they compete with each other as much as with regional rivals. This dual-hub structure gives the UAE a depth of financial-services infrastructure, legal, regulatory and professional, that no other Gulf state matches. It is the main reason global institutions choose the UAE as their regional headquarters. For a leader, the UAE is the natural regional base and the most sophisticated single Gulf market. It is also the most competitive, and its small domestic population means the prize is regional and cross-border reach rather than scale at home.

The UAE's weight in global finance also rests on its sovereign wealth. Abu Dhabi's funds, ADIA at around US$993 billion, Mubadala at roughly US$302 billion, and ADQ, together command an estimated US$1.7 trillion. None publishes official figures, so these are analyst estimates and should be cited as such. This capital makes the UAE a global allocator whose decisions move asset prices worldwide, and increasingly a major investor into Indian infrastructure and financial assets. That is another strand binding the two regions together.

6.3 Bahrain, Qatar and the smaller markets

Bahrain matters out of proportion to its size because it has repeatedly led the region on regulation. The Central Bank of Bahrain launched a comprehensive Open Banking Framework in November 2020, the first mandated open-banking regime in the GCC and one of the earliest anywhere in the region. Bahrain competes on regulatory clarity and first-mover frameworks rather than balance-sheet size, and its choices are a useful signal of where the rest of the Gulf's rules are heading. Beyond the two giants, the smaller Gulf markets each play a distinct role. Qatar's banking sector, with assets of about US$597 billion, is large relative to its population and internationally active. Kuwait's is deep and conservative. Each is pursuing its own digital and diversification agenda within the shared GCC direction.

6.4 Islamic finance: the Gulf's structural distinctive

No analysis of Gulf BFSI is complete without Islamic finance, which is both a large market and a genuine point of difference from India. Global Islamic finance assets reached about US$5.98 trillion in 2024, growing 21% and projected to reach US$9.7 trillion by 2029, with Islamic banking making up roughly 72% of the total. Saudi Arabia has the highest Islamic-banking penetration in the region, and Islamic finance is growing faster than conventional banking across the GCC. For a leader, Islamic finance is a core operating framework in these markets. It shapes product design, balance-sheet structure and the fast-growing sukuk market. Sukuk are Islamic bonds, and they now reach into green and transition finance too.

The mechanics matter for anyone operating in these markets. Islamic finance prohibits interest, known as riba, and it prohibits excessive uncertainty, so returns must be tied to real assets and shared risk. This is done through structures such as murabaha, a cost-plus sale, and ijara, a form of leasing, alongside sukuk, instruments that behave economically like bonds but represent ownership in underlying assets. Sukuk are now central to how

Gulf governments and companies raise capital. Saudi Arabia is among the largest issuers, and green and sustainability sukuk are a fast-growing segment that ties the region's Islamic-finance depth to its net-zero and transition ambitions. A conventional product cannot simply be relabelled for these markets. It must be structured to be Shariah-compliant from inception, which is why local scholarship and Shariah boards sit inside the operating model rather than off to one side. That is a genuine barrier to entry, and it rewards local partnership.

6.5 The current leadership agenda in the Gulf

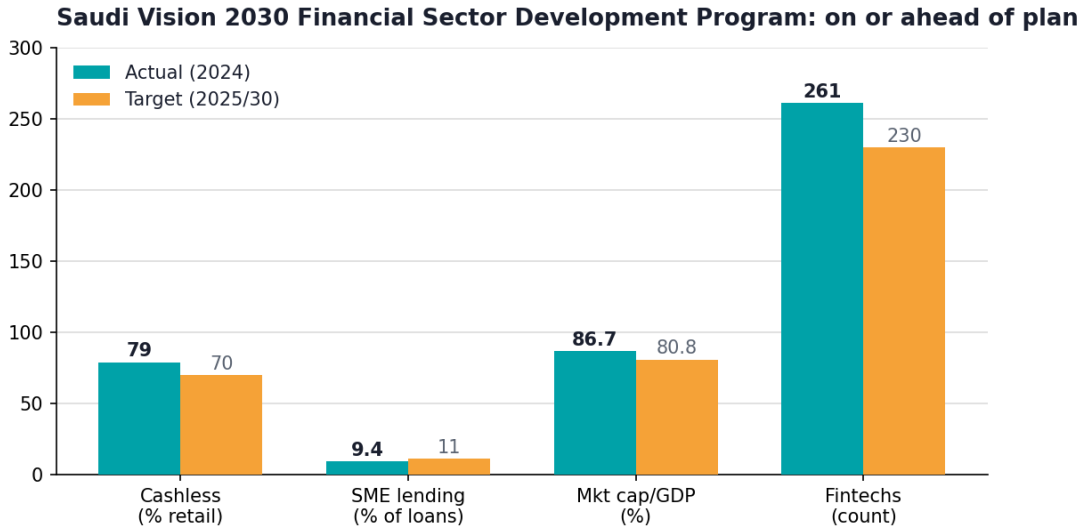
The Gulf leadership agenda differs from India's in emphasis. It centres on executing state-set transformation targets at pace, diversifying financial systems and economies away from hydrocarbons, and competing to be the regional hub for fintech, wealth and cross-border finance. It also means building modern payment and open-finance rails largely from scratch, and doing all of it within an Islamic-finance framework and a young, digitally-native population that still leans partly on cash. The common thread with India is the direction of travel, instant payments, open finance, digital identity and CBDC, even though the institutional route is almost the reverse.

7. India and the Middle East: a comparison

Setting the two regions side by side is where the analysis becomes decision-useful. The similarities create transferable capability, and the differences define where a single strategy has to flex.

What is similar is the destination and the toolkit. Both regions are converging on the same modern financial architecture: real-time interoperable payments (UPI in India, Aani in the UAE and the Saudi systems), domestic card schemes to reduce dependence on international networks (RuPay in India, Jaywan in the UAE), open data-sharing frameworks (Account Aggregators in India, Open Finance and Open Banking in the UAE and Bahrain), digital identity as a foundation, and active central bank digital currency programmes. Both are young, digitally-native markets with strong smartphone penetration and governments that treat financial modernisation as a strategic priority. A capability built for one region, in digital onboarding, payments or platform banking, is substantially transferable to the other. That is the most useful practical conclusion of this comparison.

What differs is the driver, the structure and the depth. India's transformation is bottom-up, solving for the inclusion of a vast, price-sensitive population, and it is rich in private-sector competition among banks, NBFCs and fintechs. The Gulf's is top-down, solving for economic diversification, and it is state-directed, with governments and sovereign vehicles as the prime movers. India's scale is its defining feature, with numbers in the billions of transactions and hundreds of millions of customers. The Gulf's defining features are wealth density, a hub ambition and an Islamic-finance framework that has no direct Indian equivalent. India's financial system is broad but shallow in per-capita terms. The Gulf's is deep in per-capita terms but smaller in absolute reach.



Source: SAMA / Vision 2030 — Financial Sector Development Program Annual Report 2024. Fintech 2030 target: 525 (from 14 in 2020).

	INDIA	GCC (Gulf)
Core driver	Financial inclusion of a billion people	Economic diversification away from oil
Prime mover	Private sector plus public digital rails	The state (Vision 2030, FIT, sovereign funds)
Direction	Bottom-up, mass-market	Top-down, state-directed
Defining feature	Scale, billions of transactions	Wealth density and hub ambition
Depth	Broad but shallow per capita	Deep per capita, smaller reach
Distinctive	Digital public infrastructure (India Stack)	Islamic finance framework
Convergence	UPI, RuPay, Account Aggregator, e-rupee	Aani, Jaywan, Open Finance, Digital Dirham

Exhibit 8. India and the GCC: same destination, opposite routes. Planet Ganges analysis.

What transfers, and what does not, is the practical question. Digital capability, payments know-how and platform models transfer well in both directions. Indian engineering and financial-technology talent build and operate a large share of the Gulf's financial modernisation, while Gulf sovereign and institutional capital flows increasingly into Indian banks, fintechs and infrastructure, with GIFT City deliberately positioned to intermediate exactly these flows. The human and capital linkages are, if anything, ahead of the formal market integration. Distribution models and product economics travel less well. A business built on India's razor-thin, high-volume margins has to be re-priced for the Gulf's low-volume, high-value, wealth-oriented market, and the same is true in

reverse. Regulatory and cultural specifics, Islamic finance above all, do not transfer at all and must be built natively. The practical implication, developed in Section 10, is that India and the Gulf should increasingly be run as one connected strategy with deliberate local adaptation, rather than a home market plus a foreign posting. The India-UAE corridor is already turning the two into a single economic space in financial terms. In July 2023 the Reserve Bank of India and the Central Bank of the UAE signed agreements to settle bilateral trade in local currencies, rupee and dirham, and to interlink their payment systems, connecting UPI with the UAE's Aani and RuPay with the UAE card switch, so that remittances, trade finance and everyday payments increasingly run on shared, partly de-dollarised rails. Taken together with GIFT City and Gulf sovereign investment into India, this is one financial space forming across two markets rather than two markets simply trading with each other.

8. Issues, risks and unresolved debates

A credible view of the sector has to be honest about what could go wrong and about where informed people genuinely disagree. Five risk clusters and two open debates deserve a leader's attention.

The first risk is new-vintage credit quality, not the old cycle. With headline NPAs at multi-decade lows, the danger is complacency. The exposure sits in the fast-grown unsecured retail and microfinance books, where microfinance delinquencies have already risen and the RBI has intervened once. The FSR's baseline projects GNPAs drifting back up towards 2.5% by March 2027, and adverse scenarios push higher. The prudent assumption is that the current asset-quality peak is cyclical, and that the next stress will come from consumer credit extended in the recent boom rather than from large corporates.

The second risk is the migration of credit and risk into non-banks. Globally, the IMF has flagged the roughly US$2 trillion private-credit market and rising bank-to-non-bank interconnection as the most likely source of the next stability problem. In India, NBFCs now supply a quarter of bank-equivalent credit and are growing far faster than banks. In the Gulf, sovereign-linked investment vehicles are enormous. The shared danger is that leverage and maturity mismatch build up in less-supervised corners of the system and transmit back to banks when conditions turn. This is a system-level risk that individual institutions cannot fully hedge. They can only monitor it and prepare.

The third risk is the fintech-to-bank economic tension. Digital public infrastructure has been brilliant for inclusion, but it has compressed the economics of payments to near zero. UPI is about 85% of payment volume yet carries almost no direct revenue for the providers who operate it. The open question is who ultimately pays for rails that society now depends on, and whether fintech valuations built on payment volume can convert to durable profit through credit, wealth and cross-sell before capital patience runs out. Globally the same pressure shows up as a persistent valuation discount on banks despite record profits. Leaders should assume that monetisation, rather than user growth, is now the decisive test of every digital-finance business model. We do not leave this as an open question. Section 9 sets out our view that the revenue model is now arriving, through credit on the rails and a newly-legislated large-merchant fee.

The fourth risk is concentration and state dependence, most acute in the Gulf. The Gulf's great strength, decisive state direction and abundant capital, is also its principal vulnerability. The transformation depends on continued government commitment and, beneath that, on oil revenues. A sustained hydrocarbon downturn would test both. Individual Gulf markets are also concentrated in a few large banks, and in the UAE's case they depend on continued regional and cross-border inflows rather than a large domestic base. This is a different risk profile from India's more diversified, competitive, domestically-driven system, and it argues for treating the two regions' risks separately even within one strategy.

The fifth risk is cyber and operational resilience. As finance digitises, the attack surface grows. The IMF estimates financial firms have lost more than US$12 billion to over 20,000 cyberattacks over two decades, with the largest single losses rising sharply. For systems as digitally concentrated as India's UPI and the Gulf's new national rails, operational resilience, the ability to keep critical infrastructure running under attack or failure, is now a first-order strategic and supervisory concern rather than an IT footnote.

Two slower-moving risks belong on the watch-list beyond these five. The first is deposit and liquidity risk in a digital age. When money can move between institutions in seconds through UPI and open finance, deposits become less sticky, and a loss of confidence can drain a bank faster than in any previous era. Global supervisors saw this dynamic in the overseas bank failures of 2023, and liquidity supervision in both regions now takes it more seriously. The second is climate and transition risk. Both regions are exposed, India to physical climate risk across its agricultural and coastal economy, the Gulf to the transition risk of a world moving off hydrocarbons, and banks sit in the middle as the intermediaries of transition finance. Global energy-transition investment reached a record US$2.3 trillion in 2025, and channelling that flow, through green sukuk in the Gulf and green bonds and priority-sector lending in India, is becoming a core banking activity rather than a peripheral one. Neither risk is acute today. Both are structural and building, and a leader who ignores them is optimising for the last cycle rather than the next.

Two debates remain genuinely unresolved, and a leader should hold them open. The first is a data-and-definition debate that is instructive in itself. The exact gross-NPA figure for Indian banks at March 2025 is reported as 2.2% in the RBI's Trend and Progress report and 2.3% in its Financial Stability Report, with a government series showing 2.58% on a different basis (domestic operations, provisional). All three are multi-decade lows, and the difference is one of scope rather than contradiction. It is a clean example of why every financial number needs its definition attached, and why a careful analyst reconciles the figures instead of cherry-picking. The second is the CBDC debate: whether retail central bank digital currencies such as India's e-rupee and the Digital Dirham will find a compelling use-case that private digital payments do not already serve. India's e-rupee circulation actually fell year on year as incentives normalised, and reasonable people disagree on whether retail CBDC is a transformative rail or a solution still seeking its problem. This paper takes no false certainty on either question. It flags them as the places where the evidence is not yet decisive.

9. Future direction: the next three to five years

Looking to 2030, the current-state evidence points to a clear set of drivers and signposts. We separate those below from the more speculative judgements about how they resolve.

The evidence-based drivers are five. First, artificial intelligence moves from pilot to production in finance. The modelled value for banking is large: an estimated US$200 to 340 billion a year globally, with the possibility of cutting cost bases by 15% to 20% and lifting returns for leaders. That figure is an estimate, not a booked result. Second, embedded finance and platform models keep blurring the line between financial and non-financial businesses, so credit, insurance and payments are increasingly delivered inside other journeys. Third, open finance extends the data-sharing logic of open banking across the whole financial system in both regions, making customer-permissioned data the raw material of competition. Fourth, the deepening of under-penetrated pools such as insurance, credit, pensions and wealth continues structurally, driven by demographics and rising incomes rather than by any single policy. Fifth, the India-Gulf corridor thickens, as cross-border payments, remittances, trade finance and capital flows link the two regions more tightly, supported by initiatives such as cross-border CBDC experiments, the India-UAE payment and local-currency linkages, and GIFT City. Sixth, the interest-rate cycle normalises: with the Reserve Bank having eased to 5.25% by mid-2026, India moves into a lower-rate environment that supports credit demand and asset quality while pressuring the deposit-funded margins banks have enjoyed, pushing the whole system further towards fee, wealth and platform income.

The signposts worth watching tell you which way the future is resolving. Watch the trajectory of unsecured-credit delinquencies and the RBI's response, the lead indicator of the Indian credit cycle. Watch whether insurance penetration finally breaks above its stubborn 3.7% of GDP. Watch whether digital-finance businesses convert payment scale into lending and wealth profit. Watch the real adoption curve of CBDCs and open finance against the announcements. Watch Saudi Arabia's progress on its lagging SME-financing and capital-market-depth targets. And watch the oil price and its effect on the pace of Gulf transformation.

Three scenarios bracket the range of outcomes. In the base case, the most likely, both regions continue steady deepening. India converts inclusion into profitable depth while managing a mild, contained consumer-credit cycle, and the Gulf executes its transformation programmes broadly on plan. Growth is healthy, returns are good, and the winners are the institutions that invested through the current strong window. In the upside case, AI-driven productivity, successful monetisation of digital rails, a genuine break-out in insurance and wealth penetration, and a thickening India-Gulf corridor combine to produce a step-change in both profitability and reach. In the downside case, a sharper-than-expected consumer-credit cycle in India, a stress event transmitted from non-bank or private-credit leverage, a sustained oil downturn slowing the Gulf, or a major cyber or operational-resilience failure knocks the trajectory off course. The asymmetry worth noting is this: the base and upside cases reward institutions that build capability and invest now, while the downside case punishes those that grew without building risk

and resilience. The same action, investing in risk-and-data capability during the strong window, is the right move under all three.

The base case is the most probable by a wide margin. The structural forces of deepening penetration and digitisation are slow and powerful, while the downside triggers are possible but not imminent. The point of scenario thinking here is to expose a robust decision. Across all three futures, the institutions that use the current window to build their risk and data capability are advantaged: they capture more of the upside and absorb more of the downside. Strategy under genuine uncertainty means choosing the actions that are right across the range of plausible outcomes, and in this sector that action is unusually clear.

Scenario	What happens
Base (most likely)	Steady deepening. India converts inclusion into profitable depth while managing a mild, contained consumer-credit cycle, and the Gulf executes its transformation broadly on plan. Growth is healthy and returns are good.
Upside	AI-driven productivity, successful monetisation of digital rails, a break-out in insurance and wealth penetration, and a thickening India-Gulf corridor combine to lift both profit and reach.
Downside	A sharper consumer-credit cycle, a stress event from non-bank or private-credit leverage, a sustained oil downturn, or a major cyber or resilience failure knocks the trajectory off course.
The robust decision across all three: use the current strong window to build risk, data and resilience capability.	

Exhibit 9. Three-to-five-year scenarios for BFSI in India and the Gulf. Planet Ganges analysis.

9.1 Five predictions for 2030

Scenarios describe the range. A consultant is also paid to take a position. Here are our five best-supported predictions for BFSI in India and the Gulf by 2030. We state each one as a conviction call, with its evidence and its underlying assumption made explicit.

Prediction 1: digital payments will finally acquire a revenue model, built on credit and a thin large-merchant fee. For six years India ran the world's largest payment system for free. The merchant discount rate (MDR), the fee a merchant pays to accept a digital payment, has been zero on UPI and RuPay debit since January 2020, and the government has covered banks' costs through an incentive scheme that grew from Rs957 crore in FY22 to Rs3,268 crore in FY24. That model is now turning. In August 2026 Parliament amended the Payment and Settlement Systems Act to let the government notify MDR on large merchants, after a parliamentary committee called zero-MDR "financially unsustainable", and the industry is pressing for roughly 0.3% on merchants above Rs20 lakh of turnover. The real monetisation is already visible. Credit on UPI, meaning RuPay

credit cards and credit lines that run on the rails, more than doubled year on year to over 750 million transactions worth Rs63,826 crore, and about half of all RuPay spend is now credit routed through UPI. The platforms' own accounts show it: PhonePe reached an adjusted operating profit in FY25 and Paytm turned its first profitable quarter in FY26. Our call: by 2030, as UPI approaches PwC's projected 1.6 billion transactions a day, the winners will monetise the rails through lending and a modest, regulated large-merchant fee, and the claim that payments has no revenue model will read as a period artefact. This is the kind of prediction a client will test you on, so we state it plainly. Signpost: the first MDR notification on large merchants, and credit-on-UPI's rising share of platform revenue.

Prediction 2: credit will deepen materially, driven by data and partnership rather than balance sheet alone. India's private-credit-to-GDP ratio is roughly half that of developed peers, and the plumbing to close the gap is now in place: the Unified Lending Interface, co-lending and the Account Aggregator data layer. We expect credit to GDP to rise meaningfully by 2030, led by data-underwritten, digitally-originated lending in which banks supply the balance sheet while fintechs and NBFCs supply reach. The hard part will be disciplined underwriting through the consumer-credit cycle, since demand is not the constraint. Signpost: whether unsecured delinquency stays contained as volumes rise.

Prediction 3: insurance will begin to break its 3.7%-of-GDP ceiling. Penetration has been flat for years. Now several forces push the trajectory up together: the opening to 100% foreign capital in 2025, IRDAI's Bima Sugam marketplace going live from December 2025, and health insurance compounding at speed. Swiss Re projects India to be the fastest-growing major insurance market in the world, at 6.9% real growth a year to 2030. Our call: penetration inflects upward before 2030, moving decisively off its plateau even if it stays well below rich-world levels. Distribution, more than product, decides the winners. Signpost: the first sustained rise in total penetration above 3.7% of GDP.

Prediction 4: in the Gulf, the capital-markets story runs through sukuk, and Saudi Arabia leads it. Global sukuk outstanding passed US$1 trillion in late 2024, Saudi Arabia already accounts for around 60% of GCC issuance, and global Islamic finance assets are projected to exceed US$7.5 trillion by 2028. As Vision 2030's giga-projects and the energy transition both demand enormous financing, we expect green and transition sukuk to become the Gulf's defining capital-markets instrument, with Saudi Arabia as the issuance engine. Signpost: green and transition sukuk as a rising share of GCC issuance.

Prediction 5: AI moves the cost base, and the gap between leaders and laggards widens. The modelled value of generative AI in banking is US$200 to 340 billion a year globally, with the potential to cut cost-to-income by 15% to 20% for institutions that industrialise it. Our call: by 2030 a clear tier of AI-native institutions in both regions will run at a structurally lower cost-to-income than their peers, and the differentiator will be data and governance capacity, since the models themselves will be available to everyone. Signpost: a widening cost-to-income spread between the top quartile and the rest.

These are predictions, not facts, and we have kept them separate from the evidence behind them. A consultant is paid to take a reasoned position from the data and stand behind it. These are ours.

10. Consulting perspective

The evidence converges on a clear view of what leaders should do, in what order, and with what trade-offs. We organise it as a sequence, because sequencing is where most BFSI strategies fail. The right moves made in the wrong order waste the current window.

First, invest through the window while it is open. The most urgent decision is to use the current strength to invest in capability now, rather than waiting for conditions that will not improve. That strength is real: clean balance sheets, abundant capital, supportive policy and cheap risk. Asset quality this good and capital this abundant are cyclical, and the FSR's own projections show the cycle turning by 2027. The institutions that emerge strongest from the next five years will be the ones that spent the current strong period building rather than harvesting.

Second, compete on trust and data, because the old moats are now public utilities. Identity, payments and, increasingly, data have become shared infrastructure in both regions. That commoditises what used to set a bank apart. It shifts advantage to two things the infrastructure cannot supply: customer trust, and the ability to turn permissioned data into sharper products and risk decisions. So the priority investments are twofold. One is data capability, analytics and the AI tooling to use them. The other is the brand and conduct that earn the right to a customer's data in the first place.

Third, build risk and governance capacity ahead of growth. Every major risk identified in Section 8, from consumer-credit quality to non-bank interconnection and cyber resilience, is a governance and capability question before it is a capital question. The lesson of India's own last cycle, and of the RBI's current pre-emptive posture, is that the regulator will reward institutions that lean against their own froth and penalise those that do not. Treat risk, data and operational-resilience capacity as an enabler of growth, and build it first. It is not a compliance cost to be trimmed.

Fourth, run India and the Gulf as one connected strategy with deliberate local adaptation. The capability overlap is high, the corridor between them is thickening, and the two markets increasingly share a toolkit. The trade-off to manage is standardisation versus localisation. Build shared digital, payments and platform capability once. Then adapt distribution and product economics in each market, and treat the Islamic-finance and regulatory specifics as non-negotiably local. Treating the Gulf as a mere export market, or India as a mere back-office, leaves value on the table either way.

Fifth, choose a deliberate position in the unbundled value chain. The chain has split into customer, rails, balance-sheet, risk and data layers, so every player must decide, consciously, which layers it will own and where it will partner. A bank should decide whether it is principally a balance-sheet-and-trust provider, a full-stack competitor, or a platform for others. A fintech should decide whether it is heading for a licence and a balance sheet, or for a durable position as a distribution and data layer on top of banks.

The error to avoid is drifting: owning an unprofitable middle of the chain by default rather than by choice.

Sixth, treat capital allocation as a strategic weapon while capital is abundant. Several signals point to an active market for assets, partnerships and licences over the next five years: the consolidation flagged by the HDFC merger, the opening of insurance to 100% foreign capital, and the sheer abundance of Gulf sovereign capital. Institutions with strong capital positions should deploy it deliberately, to acquire capability, enter the India-Gulf corridor or buy distribution, rather than let a rare period of balance-sheet strength pass in caution. Capital merely conserved through a strong cycle is capital wasted.

	Do now	Build next	Watch
Incumbent banks	Invest through the strong window	Platform or full-stack digital; buy capability	Deposit stickiness; margin as rates fall
NBFCs	Co-lending and data-led niches	Funding diversification	Unsecured asset quality; RBI risk weights
Insurers	Digital distribution and health	Use 100% FDI to scale; Bima rails	Penetration break-out versus stall
Fintechs	Prove profit beyond payments	Licence versus data-layer choice	Regulation; runway to monetise
New entrants, Gulf and Indian capital	Enter via partnership and shared rails	Play the India-Gulf corridor	Localisation; Islamic-finance rules

Exhibit 10. The leadership action map, by institution type. Planet Ganges point of view.

The priorities land differently by institution type, and each should read this agenda through its own position. Incumbent banks should use their capital and trust to become platforms and full-stack digital competitors, buying capability where building is too slow. NBFCs should lean into the co-lending and data-led niches where they out-manoeuvre banks, while holding the funding and asset-quality discipline the last cycle taught. Insurers should treat the protection gap and the new 100%-FDI capital as the opening to build digital distribution and health capability at scale. Fintechs should decide deliberately whether they are heading towards a licence and a balance sheet or towards a durable data-and-distribution layer, and should prove a path to profit beyond payment volume. New entrants and foreign capital, whether Gulf investors looking at India or Indian institutions looking at the corridor, should enter through partnership and the shared rails, rather than try to rebuild infrastructure that already exists.

The trade-offs are real, and we will state them plainly. Investing through the window costs near-term returns for long-term position. Building risk capacity ahead of growth slows the top line in the short run. Running one connected India-Gulf strategy adds coordination cost against the efficiency of standardisation. In each case the evidence in this paper argues that the long-horizon choice is the sounder one. The structural direction is clear even where the timing is not: deepening, digitisation, convergence and a turning cycle.

11. Conclusion

The short, memorable answer to the governing question is this. In India and the Gulf, giving people access to finance is largely done. The harder job now is turning that access into depth and profit, and the winners will be the firms that use data well and keep risk under control. India reached this frontier from the bottom up, by building public digital rails that brought in a billion people. The Gulf is reaching it from the top down, by directing state capital and policy at economic diversification. The routes are opposite, yet the destination is the same, a modern and deeper digital financial system, and the two are converging into a single connected opportunity.

For a leader, the thing that must change over the next five years is the definition of advantage itself. For a generation, advantage in BFSI came from scale, licences and proprietary reach. In the system now taking shape, those assets are increasingly shared or commoditised. Durable advantage will instead come from trust and from the intelligent use of permissioned data, backed by risk and governance capacity built ahead of the cycle rather than after it. The current strength of both systems is the window in which that capability can be built cheaply. The central recommendation of this paper is simply to use it. This paper does not stop at describing the shift. Section 9 takes an explicit position, setting out five data-grounded predictions for where BFSI in the two regions will be by 2030.

A final word on posture. In a sector this strong and this fast-moving, the temptation is either complacency, assuming the good times persist, or breathless technology-chasing. The evidence supports neither. It supports disciplined ambition: an honest reading of where the cycle sits and the confidence to invest in capability and in the India-Gulf opportunity while conditions allow. Leaders who hold that posture will find the next five years the most rewarding in a generation of BFSI. Those who wait for certainty will find the window has already closed.

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Appendix A: method and research log

The paper was built brief-first. The governing question and sub-questions were fixed before searching. A source hierarchy was defined that prioritised regulators and official data. Evidence was gathered against each sub-question and logged with its source, date, geography, basis and reliability. Every headline figure was then put through an independent verification pass. Figures that could not be verified from a credible source, for example an aggregate all-bank net interest margin for India, were dropped rather than estimated. Where a figure was read via a reputable digest of a primary report because the underlying regulator PDF was not machine-accessible, this was recorded and the figure was cross-checked against at least two independent sources before use.

Appendix B: source-standard check against the evidence bar

- Distinct sources catalogued: 66 (requirement: minimum 30). Met.
- Primary or official share: about 68% (requirement: at least 40%). Met.
- India-specific and Middle-East-specific official sources are both present, supporting independent regional conclusions. Met.
- Every market-size, growth and forecast figure carries its period, geography, currency and basis. Conflicting estimates, for example the gross-NPA series, are reconciled openly rather than quietly resolved. Met.
- Estimates, projections and proxies (generative-AI value, embedded-finance sizing, fintech funding, credit-to-GDP) are labelled as such throughout. Met.

Appendix C: glossary of key metrics

GNPA and NNPA: gross and net non-performing assets as a share of loans, the core asset-quality measures. CRAR: capital-to-risk-weighted-assets ratio, the solvency buffer (Indian minimum 11.5%). RoA and RoE: return on assets and return on equity, the profitability measures. PCR: provisioning coverage ratio, the share of bad loans already provided for. NIM: net interest margin, the lending-minus-funding spread. Penetration and density: insurance premium as a share of GDP, and premium per person. Combined ratio: insurer claims plus expenses over premiums, where below 100% is an underwriting profit. UPI: Unified Payments Interface, India's real-time retail payment system. AA: Account Aggregator, India's consent-based financial-data-sharing framework. CBDC: central bank digital currency (India's e-rupee, the UAE's Digital Dirham). FSDP: Saudi Arabia's Financial Sector Development Program under Vision 2030. Sukuk: a Shariah-compliant bond.

Appendix D: data-reconciliation notes

The gross-NPA ratio for Indian scheduled commercial banks at March 2025 appears as 2.2% (Trend and Progress), 2.3% (Financial Stability Report) and 2.58% (government series, domestic operations, provisional). The differences are of sample and scope, and all represent multi-decade lows. The UAE banking-asset figure of about US$1.42 trillion is a conversion of the official AED 5,199.9 billion at the dirham's dollar peg, not a figure stated in dollars by the central bank. India's digital-rupee circulation fell year on year to

March 2026 as early-phase incentives normalised, and is presented as an infrastructure bet whose use-case is still developing rather than as a success or a failure.

Full disclosure. Planet Ganges uses artificial intelligence tools to support secondary research, data synthesis and the drafting of text and exhibits. The research questions, analytical direction, source selection, review and conclusions are the firm's own. Material figures have been traced to the sources listed. Where a statement rests on general industry reporting rather than a specific disclosure, the text says so.