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Generative AI in Indian Banking: Operations, Governance and Compliance

Anish Shrimali
Chief Manager
Union Learning Academy- Digital Transformation, Union Bank of India, Mumbai, India

Abstract: *This paper examines the strategic, operational, and governance implications of deploying Generative Artificial Intelligence (GenAI) tools particularly enterprise copilots, Large Language Models (LLMs), and domain-specific AI assistants within the Indian banking ecosystem, supported by global benchmarking. The Indian banking sector, comprising public sector banks, private banks, cooperative institutions, and NBFCs, is at a critical inflection point where increasing regulatory complexity, rising operational costs, and growing expectations for real-time compliance are placing unprecedented pressure on existing systems. Despite GenAI technologies maturing rapidly, meaningful adoption within Indian banks remains limited, with most institutions operating at pilot or proof-of-concept stages. Using a mixed-methods approach combining secondary research, regulatory document analysis, and structured comparative analysis of Indian and global banks, this study evaluates GenAI applicability across three core domains: operations, governance, and compliance. The paper identifies critical success factors for adoption, including robust data governance, human-in-the-loop controls, model risk management, and organizational capability building. Key findings confirm that compliance and governance represent the highest-value, highest-readiness use cases for Indian banks; that Microsoft 365 Copilot offers a low-risk, governance-ready entry point; and that the RBI FREE-AI Framework (August 2025) provides a constructive regulatory foundation for structured adoption. The paper concludes with a three-horizon implementation roadmap and governance architecture tailored to Indian public and private sector banks.*

Keywords: Generative AI, banking operations, compliance automation, RBI FREE-AI framework, Microsoft Copilot, LLM, AI governance, Indian banking, fintech, model risk management

I. INTRODUCTION

The Indian banking sector is undergoing rapid digital transformation driven by regulatory mandates, competitive pressures, and rising customer expectations. Generative Artificial Intelligence (GenAI)encompassing enterprise copilots, Large Language Models (LLMs), and domain-specific AI assistants is emerging as a powerful enabler for enhancing productivity, decision support, and operational efficiency across banking functions including IT operations, compliance, audit, and governance.

According to the Reserve Bank of India (RBI), GenAI could enhance banking operations in India by up to 46% by 2030, with significant implications for operational efficiency, cost reduction, and regulatory compliance. McKinsey's seminal 2023 report estimated that GenAI could add USD 200–340 billion in annual value to global banking, primarily through automation of knowledge work in operations, customer service, coding, risk, and compliance.

However, banks operate within a highly regulated environment where accountability, explainability, data privacy, and auditability are non-negotiable. While private sector banks are experimenting aggressively with GenAI-enabled tools, public sector banks face unique challenges related to legacy systems, scale, risk appetite, and heightened supervisory scrutiny. The RBI FREE-AI Survey (2025) revealed that only 20.8% of RBI-regulated entities had deployed any AI as of early 2025, with usage concentrated among large private banks, while 67% expressed readiness to explore AI use cases pending clearer regulatory guidance.

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This paper examines the strategic implementation of GenAI tools within the Indian banking ecosystem, analysing current adoption patterns, peer bank comparisons, regulatory frameworks, priority use cases, and implementation roadmaps. The central research problem addressed is: how can Indian banks systematically leverage Generative AI tools particularly enterprise copilots and LLM platformsto enhance operational efficiency, governance quality, and compliance rigour, while remaining aligned with RBI regulations, managing AI-specific risks, and building sustainable competitive advantage?

II. METHODOLOGY

This research adopts a mixed-methods approach combining rigorous secondary research with structured comparative analysis. The methodology encompasses four components:

• Literature Review and Regulatory Document Analysis: Systematic review of academic papers, regulatory frameworks (RBI, SEBI, BCBS, EU AI Act, MAS FEAT), and industry reports from McKinsey, KPMG, EY, Gartner, Forrester, and NASSCOM spanning 2022 to March 2026.

• Quantitative Comparative Analysis: Analysis of publicly disclosed data from Indian and global banks, covering technology investment, AI maturity levels, deployment metrics, and quantified outcomes.

• Use Case Benchmarking: Structured analysis of 14 GenAI use cases across banking operations, governance, and compliance, with documented impact metrics from domestic and international implementations.

• Regulatory Framework Comparison: Systematic comparison of AI governance requirements across five jurisdictions - India, European Union, United Kingdom, Singapore, and global BIS standards.

The scope covers Indian scheduled commercial banks (public and private sector), NBFCs and cooperative banks (contextually referenced), global benchmarking against leading banks in the USA, UK, Singapore, and Europe, with specific focus on Microsoft Copilot and comparable GenAI platforms. Limitations include reliance on public disclosures given NDA-protected proprietary data, and the nascent state of longitudinal impact studies given the post-2022 emergence of enterprise GenAI.

III. LITERATURE REVIEW

Generative Artificial Intelligence (GenAI), powered by Large Language Models (LLMs) such as GPT, Gemini, Claude, and Llama, has emerged as a significant technological development with the potential to reshape banking operations. Existing studies indicate that the banking and financial services sector is well positioned to benefit from GenAI due to its dependence on knowledge-intensive and document-driven processes. Goldman Sachs (2023) highlighted the broader economic potential of GenAI, while Vaish, Singh, and Jha (2025) emphasized that effective adoption in financial institutions requires robust governance mechanisms, data quality assurance, human oversight, and regulatory alignment. Enterprise tools such as Microsoft 365 Copilot have further accelerated interest in GenAI by integrating AI capabilities into existing workplace environments to support tasks such as document drafting, summarization, knowledge retrieval, and productivity enhancement. Global banking experiences suggest that these tools can improve operational efficiency; however, concerns relating to data privacy, model transparency, and security remain important considerations.

In the Indian context, the application of AI in banking has evolved from rule-based automation and predictive analytics to the exploration of GenAI-enabled use cases in compliance, risk management, and customer service. Studies by KPMG India (2024) identified governance and compliance as high-potential areas for GenAI deployment, while Raju (2025) observed considerable variation in AI maturity across Indian banks, with private sector institutions progressing faster than public sector counterparts. The evolving regulatory landscape has also gained prominence, with international bodies such as the Basel Committee advocating stronger board oversight of AI-related risks. In India, the Reserve Bank of India's FREE-AI Framework (2025) provides guiding principles for responsible AI adoption in financial services. Despite these developments, limited literature examines GenAI from an integrated perspective encompassing banking operations, governance, and compliance within the Indian context. This study seeks to address

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this gap by exploring the strategic opportunities, implementation considerations, and governance implications of leveraging GenAI tools in Indian banking.

IV. DATA COLLECTION AND ANALYSIS

A. GenAI Adoption Landscape: India vs. Global

Data drawn from the RBI FREE-AI Survey (2025), EY India Report (March 2025), KPMG India (2024), and IDC (2025) reveals a striking adoption gap. The EY India survey of 125+ C-suite executives identifies customer service (68%), banking operations (47%), and underwriting (32%) as the top GenAI priority areas among Indian financial institutions. Projected productivity improvements by 2030 are significant: banking operations (46%), customer-facing banking (40%), overall financial services (38%), compliance and reporting (35%), and insurance operations (32%) .

However, actual deployment significantly lags intent. Table I presents the current AI deployment status across RBI-regulated entities.

TABLE I. Current AI Deployment Status - RBI-Regulated Entities (2025)

AI Adoption Category	% of Entities	Key Insight
Currently deploying AI (any kind)	20.8%	Concentrated in large private banks
Expressed interest in exploring AI	67.0%	Strong latent demand, awaiting regulatory clarity
Urban Cooperative Banks using AI	0%	Significant digital divide across bank categories
Using GenAI specifically	<5%	Most AI use is rule-based or classical ML
Financial firms with GenAI PoC projects	74%	Pilot phase dominant; production deployments rare
Firms with production-level GenAI deployment	11%	Vast gap between piloting and scaling

Sources: RBI FREE-AI Committee Report, August 2025; EY India AIdea of India 2025.

B. Indian Banks: AI Maturity and Investment Comparison

A structured analysis of seven Indian banks reveals a clear bifurcation between advanced private sector institutions andearly-stage public sector banks, as summarised in Table II.

TABLE II. Indian Banks - AI Investment and Maturity Benchmarking (2024–25)

Bank	Sector	Est. AI Spend	Maturity Level	Key GenAI Initiatives	Compliance AI
HDFC Bank	Private	~USD 2.5B	Advanced	GenAI Academy (35k staff), 15+ GenAI programs, BharatGPT	KYC automation, fraud detection, compliance copilots
ICICI Bank	Private	~USD 1.1B	Advanced	AI-driven credit (5-min approval), ML for 200+ processes	AML monitoring, RPA in compliance
SBI	Public	~USD 1.5B	Intermediate	SIA chatbot (10M queries/month, 14 languages), YONO AI	AI fraud detection, supervisory analytics

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Axis Bank	Private	~USD 0.6B	Intermediate	Dedicated GenAI Competency Centre, AHA! platform	RPA back-office, AI underwriting analytics
Kotak Bank	Private	~USD 0.4B	Developing	Kotak AI (12-LLM stack), Keya voice AI (3.5M queries)	DPDP-compliant DEX platform, internal process copilots
Bank of Baroda	Public	~USD 0.3B	Early	Aditi (GenAI VRM), GyanSahay.AI (KM), ADI chatbot	GenAI hackathon for ComplianceAI prototype
Punjab National Bank	Public	~USD 0.25B	Early	PIHU chatbot, metaverse virtual branch, BFSI LLM tenders	Tenders for BFSI-specific LLMs for compliance

Sources: Bank Annual Reports FY2024; KPMG India; Klover.ai AI Strategy Analysis 2025; EY India; IDC India.

HDFC Bank leads with approximately USD 2.5 billion in annual IT/AI spend, operating at an 'Advanced' maturity level with 15+ GenAI programmes and a dedicated GenAI Academy targeting 35,000 employees. ICICI Bank's Insta Loan AI delivers loan approvals in five minutes with a 7% lower default rate. In contrast, public sector banks remain at 'Early' maturity stages with limited production-grade compliance AI deployment.

TABLE III. Global Banking AI Deployment Benchmarking (2024–25)

Bank	Country	Annual Tech Budget	Key GenAI Deployment	AI Employees
JPMorgan Chase	USA	USD 18B (2025)	LLM Suite (50,000+ users), 300+ AI use cases; USD 1–1.5B annual AI value contribution	~3,000+ AI roles
DBS Bank	Singapore	SGD 4B	1,500+ AI models across 370 use cases; projected SGD 1B+ AI value in 2025	900+ AI/data roles
Lloyds Banking Group	UK	GBP 4B	M365 Copilot to 30,000 users (93% daily usage), 10,000+ staff trained	500+ AI roles
HSBC	UK/Global	USD 8B	Amy AI (3M research reports processed Q1 2024); GenAI for credit analysis	1,200+ AI roles
Standard Chartered	UK/Global	USD 3B	SC GPT deployed to 70,000 staff across 41 markets	600+ AI roles
Citi	USA	USD 12B	AI tools deployed firmwide to 175,000 employees; leading VC investments in AI	2,000+ AI roles

Sources: Evident AI Index 2025; Microsoft Industry Blog 2025; JPMorgan Annual Report 2024; DBS Group Annual Report 2024.

JPMorgan Chase's LLM Suite serves over 50,000 users across 300+ AI use cases, generating USD 1–1.5 billion in annual AI value. DBS Bank's 1,500+ AI models across 370 use cases project SGD 1 billion in economic value in 2025. Lloyds Banking Group achieved 93% daily usage of Microsoft 365 Copilot among 30,000 users through structured change management — a benchmark for enterprise AI adoption programmes.

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D. Priority Use Cases: Governance and Compliance

The analysis identifies compliance and governance as the highest-value, highest-readiness GenAI deployment zone for Indian banks, given the complexity of India's regulatory landscape and the manual nature of existing compliance workflows. Table IV presents a structured analysis of priority use cases.

TABLE IV. GenAI Use Cases in Banking Governance and Compliance

Use Case	GenAI Tool/Approach	Indian Context	Expected Benefit
Regulatory Change Management	LLM + RAG over RBI circulars	RBI issues 200+ circulars annually; manual tracking is error-prone	40–60% reduction in time-to-compliance action; significant error reduction
AML & SAR Generation	GenAI + ML anomaly detection	FIU-IND requires SARs for all suspicious transactions; manual process is a bottleneck	30% improvement in AML detection; SAR preparation time reduced 50–70%
KYC Automation	AI document processing + NLP	1.5B+ accounts make manual KYC impractical; Aadhaar-eKYC digitally enabled	Onboarding time: days to hours; KYC costs reduced 30–50%
Compliance Reporting & Regulatory Filing	Microsoft Copilot + data connectors	Dozens of mandatory returns to RBI monthly/quarterly; data reconciliation is manual	Reporting time reduced 40–70%; human effort redirected to analysis
Internal Audit Support	LLM + audit data connectors	RBI emphasises board-level oversight and audit trail quality in FREE-AI Framework	Audit preparation time reduced 30–50%; governance quality strengthened
Board & Management Reporting	Microsoft Copilot Word/PowerPoint	Quarterly/annual board packs are resource-intensive to prepare manually	Board pack preparation time reduced 50–70%; insight quality improved

Sources: KPMG India GenAI in Banking (2024); Microsoft Copilot Financial Institutions Guide (2026); RBI FREE-AI Report (2025).

E. Regulatory Comparative Analysis: RBI FREE-AI vs. Global Frameworks

Table V compares the RBI FREE-AI Framework against major international AI governance frameworks for banking, assessing relative maturity and requirements.

TABLE V. Global AI Regulatory Frameworks for Banking – Comparative Analysis

Framework	Jurisdiction	Approach	Key Requirements for Banks	Maturity Level
RBI FREE-AI (2025)	India	Principles-based, dual-track	Board-approved AI policies, AI disclosures, bias monitoring, data governance, incident reporting, innovation sandbox	Emerging – framework issued Aug 2025

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EU AI Act (2024)	European Union	Risk-based classification (legally binding)	High-risk AI (credit scoring, fraud detection) requires conformity assessments, human oversight, transparency logs	Most advanced globally – phased 2024–2027
MAS FEAT Principles	Singapore	Principles-based: Fairness, Ethics, Accountability, Transparency	Regular audits, clear escalation paths; DBS and Standard Chartered serve as benchmark implementations	High – global benchmark
BCBS Guidance (2024)	Global/BIS	Supervisory guidelines on model risk	Boards must anticipate AI risks; model inventory, validation, ongoing monitoring	Prescriptive – applies to internationally active banks
FCA AI Approach (UK)	United Kingdom	Principles-based with AI Sandbox	Boards responsible under MiFID; FCA AI Sandbox for novel applications; SMCR accountability	Advanced – pragmatic, innovation-friendly

Sources: RBI FREE-AI Report 2025; EU AI Act Official Journal 2024; FCA AI Discussion Paper; MAS FEAT Principles; BCBS Guidance 2024.

The RBI FREE-AI Framework is characterised as 'emerging but constructive.' Its seven foundational Sutras - Trust, Innovation over Restraint, Accountability, Safety and Sustainability, People First, Fairness and Equity, and Understanding by Design provide meaningful directional guidance. However, critical gaps remain: the absence of entity-size-specific guidance leaves smaller banks without tailored implementation direction, and model risk management guidelines are not yet fully formalised, creating implementation uncertainty for banks seeking to proceed.

V. RESULTS AND DISCUSSION

5.1 Key Findings

The analysis yields seventeen significant findings, the most material of which are summarised below.

Finding 1: Transformational Potential Confirmed - Implementation Gap is Critical. The evidence confirms that GenAI tools can deliver transformational value in banking operations, governance, and compliance. For India specifically, EY and RBI project up to 46% operational productivity improvement by 2030. Yet only 20.8% of RBI-regulated entities have deployed any AI, with production-level GenAI deployment at just 11% - the implementation gap is vast and represents both a competitive risk and a rapid-mover opportunity.

Finding 2: Compliance and Governance Are the Highest-Value Deployment Zone for India. The specific characteristics of Indian banking such as high regulatory complexity, manual compliance processes, and the RBI FREE-AI mandate make compliance and governance AI the single highest-ROI deployment zone. Automation of KYC, AML/SAR workflows, regulatory change management, and reporting can deliver 40–70% time savings with lower AI risk profiles than customer-facing applications.

Finding 3: Microsoft Copilot Represents a Low-Risk, High-Impact Entry Point. For Indian banks already in the Microsoft 365 ecosystem, Microsoft 365 Copilot offers the most accessible and governance-ready GenAI entry point. It operates within existing RBAC, DLP, and compliance infrastructure; does not train models on organisational data; and has validated SEC compliance per the Cohasset Assessment (December 2024). Global evidence demonstrates consistent productivity gains.

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Finding 4: Regulatory Environment is Enablement-Oriented, but Standards Need Firming. The RBI FREE-AI Framework signals regulatory acceptance of AI in Indian banking. However, NIPFP and KPMG India analyses identify critical gaps: lack of entity-size-specific guidance, unresolved model risk management formalisation, and absent minimum standards for DPDP Act application to AI governance. Banks must proceed while anticipating tighter standards.

Finding 5: Private-Public Sector Digital Divide Is a Systemic Risk. A sharp bifurcation exists in Indian banking AI maturity: tier-1 private banks operate at 'Intermediate to Advanced' levels while most public sector banks remain 'Early or Nascent.' Given that public sector banks account for approximately 60% of banking sector assets and serve the majority of rural customers, this divide represents not only a competitive risk but a financial inclusion and systemic stability concern.

Finding 6: Data Governance and AI Security Are Non-Negotiable Prerequisites. Gartner's finding that 40% of organisations delayed Copilot rollout over data exposure concerns, combined with the January 2026 DLP bypass vulnerability that temporarily allowed Copilot to process sensitive emails ignoring sensitivity labels, confirms that data governance must precede GenAI deployment. For Indian banks holding sensitive customer data under the DPDP Act 2023, deploying GenAI without robust data classification, DLP policies, RBAC hygiene, and audit logging represents a regulatory and reputational risk of the highest order.

Finding 7: Talent and Change Management are Underestimated Critical Success Factors. Lloyds Banking Group's success achieving 93% daily usage among 30,000 Copilot users was driven by structured change management: 1,000 volunteer 'flight instructors,' weekly promptathons, and 10,000+ staff trained. HDFC Bank's GenAI Academy targeting 35,000 employees represents India's most advanced equivalent. Technology deployment without culture and capability building consistently fails to realise projected ROI.

Finding 8: Adoption Momentum is Strong but Enterprise-Scale Deployment Remains Limited. While 74% of financial institutions are running proof-of-concept initiatives and 42% have allocated dedicated AI budgets, only 11% have reached production-level deployment. The challenge has shifted from 'why adopt AI' to 'how to scale AI safely within regulatory and governance boundaries' requiring structured enterprise integration frameworks rather than further pilots.

Finding 9: Agentic AI Represents the Next Frontier but Requires Strong Governance Guardrails. Agentic AI systems capable of orchestrating multi-step workflows with minimal human intervention are emerging as the next evolution in banking automation. Their autonomous characteristics significantly increase governance complexity, making human oversight, auditability, and control frameworks non-negotiable prerequisites before deployment in regulated banking contexts.

5.2 Recommendations and Implementation Framework

A. Immediate Recommendations (0–6 Months)

1 . Launch Microsoft 365 Copilot Pilot: Initiate a controlled pilot for 50–200 users across compliance, risk, internal audit, and operations. Prioritise document summarisation, regulatory change tracking, meeting notes, and report drafting. Conduct data loss prevention audit and data classification exercise before activation. Expected outcome: 30–50% reduction in document-intensive compliance tasks within three months.

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2. Conduct AI Readiness Assessment: Commission a formal assessment covering data quality and lineage, data classification status, access control hygiene, regulatory compliance posture, technology infrastructure, and talent baseline, aligned with RBI FREE-AI's six pillars.

3. Establish AI Governance Committee: Constitute a board-level AI Governance Committee (or sub-committee of the Risk Committee) as directed by RBI FREE-AI. Develop a formal AI Policy covering use-case approval, model risk, data governance, vendor management, and incident reporting.

B. Short-Term Recommendations (6–18 Months)

4. Deploy GenAI for Compliance Document Automation: Implement Retrieval-Augmented Generation (RAG)-based AI systems over the bank's regulatory document library, enabling compliance officers to query regulations in natural language and generate compliance checklists. Integrate with RBI circular feeds for real-time regulatory change monitoring.

5. Scale AML/KYC AI with Human-in-the-Loop Architecture: Deploy or upgrade AI-powered AML transaction monitoring and KYC document processing with mandatory human review for all high-risk decisions, ensuring model outputs are explainable and auditable per RBI FREE-AI's 'Understanding by Design' principle.

6. Launch GenAI Employee Upskilling Programme: Design a structured GenAI literacy programme targeting compliance, risk, audit, and operations teams analogous to HDFC Bank's GenAI Academy and Lloyds' 'flight instructor' model with role-specific use-case playbooks and a 70% workforce coverage target within 18 months.

C. Medium-Term Recommendations (18–36 Months)

7. Develop Proprietary Banking-Domain AI Models: For large PSBs and tier-1 private banks, consider co-investing in or developing domain-specific LLMs trained on Indian banking data, regulatory documents, and financial products analogous to HDFC Bank's BharatGPT investment to reduce dependency on US-based hyperscaler models and address data sovereignty concerns.

8. Build Sector-Wide AI Interoperability Standards: Indian banks should collectively (through IBA or FIDC) develop interoperability standards for AI model sharing in AML typologies, fraud patterns, and KYC data, enabling collective intelligence against financial crime while protecting competitive data mirroring the FCA's collaborative UK approach.

D. Three-Horizon Implementation Roadmap

Table VI presents a structured implementation blueprint for Indian banks, tiered by time horizon with differentiated guidance for public and private sector institutions.

TABLE VI. Three-Horizon GenAI Implementation Roadmap for Indian Banks

Horizon	Timeframe	Focus	Key Milestones	Investment Level
Horizon 1: Foundation	Months 1–6	Governance, data readiness, pilot deployment	AI Governance Committee; data governance audit; M365 Copilot pilot (50–200 users); AI Readiness Report	Low–Medium (INR 5–20 Cr)
Horizon 2: Scale	Months 7–18	Scale pilots; expand compliance & ops AI	Compliance AI for regulatory reporting; AML AI upgrade; 1,000+ Copilot users; GenAI Academy	Medium (INR 20–100 Cr)

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			live; Board-approved AI Policy	
Horizon 3: Transformation	Months 19–36	Enterprise-wide AI, proprietary models, agentic AI	Bank-domain LLM deployed; AI-augmented board reporting; measurable cost savings; RBI sandbox outcomes	High (INR 100–500 Cr)

Source: Adapted from RBI FREE-AI Framework (2025); Microsoft Financial Services AI guidance; Deloitte India AI governance frameworks.

For large private sector banks, Horizon 1 can be compressed to three months given existing technology infrastructure, with investment in proprietary banking LLMs and AI platforms in Horizons 2 and 3. For public sector banks, the recommended approach begins with Microsoft 365 Copilot for internal productivity - the lowest risk, fastest ROI option leveraging RBI's proposed AI infrastructure fund for shared computing resources and engaging the Department of Financial Services for coordination on shared AML/fraud AI models across PSBs. Smaller institutions should adopt a fast-follower strategy using cloud-based SaaS compliance tools and IBA/IDRBT shared services rather than building proprietary models.

5.3 Discussion

The evidence gathered from this study presents a coherent and compelling picture of the GenAI opportunity in Indian banking, alongside the structural challenges that must be addressed to realise it.

The most significant insight is the inversion of the typical global GenAI priority sequence for Indian banks. Globally, customer-facing AI dominates priority lists, with 68% of financial institutions prioritising customer service applications. However, the Indian banking context presents a different imperative: the complexity of RBI's regulatory framework, the manual and fragmented nature of existing compliance processes, and the RBI FREE-AI Framework's explicit mandate for governance-led adoption all point to compliance and governance as the most appropriate and highest-value initial deployment zone. This is further reinforced by the risk profile differential . Compliance automation carries lower AI risk than customer-facing decision-making applications such as credit underwriting.

The private-public sector bifurcation represents a systemic risk that extends beyond competitive dynamics. Public sector banks collectively serve the majority of India's 1.5 billion bank account holders, particularly in rural and semi-urban areas. If the current AI maturity gap is allowed to widen, the consequences extend to financial inclusion quality, systemic resilience, and the government's broader digital India objectives. The recommended approach of leveraging shared infrastructure through RBI's proposed AI fund and cross-PSB collaboration is therefore not merely an efficiency consideration but a policy imperative.

Data governance emerges as the most critical prerequisite and the most commonly underestimated. The January 2026 DLP bypass vulnerability serves as a cautionary note: even enterprise-grade GenAI platforms from major technology vendors can exhibit security gaps, and the consequences in a banking context such as exposure of sensitive customer data under the DPDP Act 2023 are severe. Banks that deploy GenAI without first achieving data classification maturity, RBAC hygiene, and comprehensive DLP policies are accepting risks that outweigh the productivity benefits.

The talent and change management dimension is equally critical and systematically underestimated in technology transformation programmes. The contrast between Lloyds Banking Group's 93% daily Copilot usage and the average enterprise AI programme's failure to reach sustained adoption is instructive: structured change management, role-specific training, and visible leadership sponsorship are as determinative of programme success as the underlying technology quality.

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VI. CONCLUSION

The global banking industry is undergoing a structural shift driven by Generative AI, and India stands at a decisive moment in this transformation. This study establishes that enterprise GenAI tools including platforms such as Microsoft Copilot, advanced Large Language Models, and domain-specific banking AI systems offer a compelling opportunity to streamline compliance-intensive processes, enhance governance quality, strengthen fraud detection capabilities, and improve operational efficiency. The value proposition is clear, measurable, and validated by leading global institutions.

The issuance of the FREE-AI Framework by the Reserve Bank of India marks a critical inflection point. By outlining principles of accountability, transparency, and responsible deployment, it provides Indian banks with both regulatory direction and strategic confidence to move beyond experimentation toward structured adoption. However, the gap between potential and execution remains significant: while global banks have transitioned from pilots to enterprise-scale value realisation, a majority of Indian institutions continue to operate at initial adoption stages.

The defining factor for success will not be access to technology, but the ability to operationalise it responsibly. Banks that succeed will be those that invest early in governance frameworks, data readiness, human oversight mechanisms, and workforce capability embedding GenAI within the bank's control architecture rather than layering it on top. For public sector banks in particular, GenAI has the potential to significantly advance financial inclusion by enabling scalable, multilingual, and efficient banking services for underserved segments, making adoption not merely a strategic priority but a systemic necessity.

The discussion on Generative AI in Indian banking has moved beyond the question of adoption to one of effective and responsible implementation. The potential benefits in terms of operational efficiency, governance enhancement, and compliance effectiveness are substantial, while the evolving regulatory landscape provides increasing clarity on expectations for its use. The institutions that derive the greatest value from GenAI will be those that combine technological innovation with robust governance frameworks, strong data management practices, and sustained investment in workforce capabilities. As the banking sector progresses towards an AI-enabled future, timely and disciplined adoption will be critical in strengthening competitiveness, improving customer outcomes, and supporting the continued evolution of India's financial system.

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