FINANCIAL SERVICES INTELLIGENCE BRIEF

India Fintech & Digital Banking

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Prepared by FinIntelligence AI

Executive Brief

India's financial-services technology market is moving into a new phase: the emphasis is shifting from simply digitising payments and onboarding customers toward **intelligent finance, tokenisation, AI-enabled operations and globally interoperable financial infrastructure**.

Five developments deserve particular attention this month:

1. UPI continues to operate at extraordinary scale

NPCI reports that UPI processed **24,508.96 million transactions worth ₹29.82 lakh crore in August 2026**, across 752 live banks. August volume was approximately 3.6% higher than July.

Why it matters: Scale is no longer the primary differentiator. The next competitive layer is likely to be built around fraud prevention, credit, merchant services, cross-border payments, personalisation and AI-enabled financial experiences.

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2. Tokenised corporate bonds move from concept toward experimentation

RBI and SEBI launched the **Demat 2.0 pilot** at Global Fintech Fest 2026 to test tokenisation of corporate bonds and faster settlement using CBDC and blockchain technology. The pilot involves market infrastructure institutions, exchanges, banks and NPCI.

The initiative is particularly important because it brings together the **securities settlement and central-bank-money layers** in an operational experiment.

Management question: If tokenised securities become scalable, which parts of today's post-trade infrastructure could eventually be automated?

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3. RBI is pushing financial institutions to prepare for quantum-security risks

At Global Fintech Fest, RBI Deputy Governor Shirish Chandra Murmu called on banks, fintechs and payment-system operators to begin preparing for quantum-computing risks, noting that migration to new cryptographic standards could take years. RBI has also constituted a committee on a Quantum Secure Financial Ecosystem.

Why it matters: Quantum security is no longer purely a long-term technology discussion. For institutions operating systems with long data-retention periods, cryptographic migration can become a strategic infrastructure issue.

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4. Indian fintech infrastructure is becoming increasingly exportable

Government data indicates that India had entered cooperation agreements with 23 countries relating to adoption of elements of India's Digital Public Infrastructure by February 2026. The

broader India Stack ecosystem includes Aadhaar, UPI, DigiLocker and other digital public infrastructure components.

UPI's international footprint is also expanding. Government information states that UPI operated in 11 countries by September 2026.

Strategic implication: Indian fintech companies may increasingly compete not only within India's financial ecosystem but also by exporting products, infrastructure and operating models.

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5. PhonePe's UAE expansion provides a live example

Reuters reported on September 22 that PhonePe received **in-principle approval from the UAE central bank for two financial licences**, covering retail payment services, card schemes and stored-value facilities. Final regulatory approval remains necessary before commercial operations.

Why it matters: Indian fintech expansion into the Gulf could create a broader opportunity around cross-border payments, remittances, merchant acceptance and financial infrastructure.

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1. Regulatory Watch

RBI — Digital lending remains a high-accountability business

RBI's digital-lending framework continues to emphasise transparency, borrower consent, data minimisation, audit trails, disclosure of the annual percentage rate and accountability of regulated entities for their lending-service providers.

For fintechs, the important distinction is that **technology does not remove regulatory responsibility**.

Questions for management

* Are all customer-data permissions demonstrably consent-based?
* Can the company reconstruct the customer journey through an audit trail?
* Are third-party LSP activities adequately monitored?
* Are pricing and fees transparent at the point of borrowing?
* Can compliance evidence be produced quickly?

SEBI — Technology infrastructure is becoming part of market regulation

SEBI's September 2026 releases show a strong technology component in the securities ecosystem.

Recent initiatives include:

* Demat 2.0 tokenised corporate-bond pilot
* technology-based common reporting mechanisms
* Cyber Suraksha Portal
* continued technology-focused market initiatives.

This suggests a broader movement toward **technology-enabled supervision, reporting and market infrastructure**.

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2. Payments Watch

UPI: the scale benchmark has moved again

August 2026

24.51 billion transactions

₹29.82 lakh crore transaction value

752 participating banks

The strategic question is therefore changing.

It is increasingly less about:

> "How do we get customers to use digital payments?"

and more about:

> "What higher-value financial services can be built on top of ubiquitous digital payments?"

Potential layers include:

* merchant credit
* working-capital finance
* insurance
* wealth
* cross-border payments
* fraud prevention
* AI-powered financial management
* embedded finance.

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3. CBDC & Tokenisation Watch

The **Demat 2.0** pilot is arguably one of the most important developments to watch.

The experiment is designed to examine whether distributed-ledger technology can bring securities and settlement closer together, enable faster settlement and automate elements of asset servicing.

Potential long-term implications

If experiments like this prove operationally viable, financial institutions could eventually see greater integration between:

Asset issuance

↓

Trading

↓

Settlement

↓

Corporate actions

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Central-bank money

The immediate commercial opportunity is not necessarily replacing existing market infrastructure.

The near-term opportunity may instead be:

building technology around the new infrastructure.

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4. AI in Financial Services

The 2026 discussion around AI in Indian banking is moving beyond experimentation toward governance and operating-model questions.

RBI Governor Sanjay Malhotra's 2026 address on AI and Indian banking highlighted the need for financial institutions to think about the implications of AI for the banking operating model.

At Global Fintech Fest 2026, the wider industry discussion also focused on an AI-powered future for financial services.

Areas to watch

Customer service

AI agents can increasingly handle routine interactions.

Credit

AI can support underwriting, fraud detection and early-warning systems.

Operations

Document processing and reconciliation are highly automatable.

Compliance

AI can monitor large volumes of regulatory material and internal documentation.

Research

AI can continuously monitor competitors, products, regulations and markets.

The final category is particularly relevant to the **Financial Intelligence Desk** model.

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5. Competitive Watch

PhonePe

Development: UAE regulatory expansion.

Signal: Indian payment platforms are looking beyond domestic scale.

Potential opportunity: Cross-border payments, merchant acceptance and financial infrastructure.

Source: Reuters, September 22, 2026.

India's financial infrastructure ecosystem

India's DPI ecosystem continues to expand beyond individual products toward an interoperable infrastructure model.

Government information highlights UPI, Aadhaar e-KYC, DigiLocker and ONDC as components of a broader digital ecosystem.

Signal: Competitive advantage may increasingly come from combining multiple infrastructure layers rather than owning a single payment product.

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6. Technology Watch

Quantum security

The RBI's recent messaging makes quantum-safe cryptography an issue worth putting onto technology-roadmap agendas now rather than treating it solely as a distant research topic.

Questions CIOs should ask

1. Which cryptographic standards are currently deployed?
2. Which systems contain long-lived sensitive data?
3. How dependent are critical systems on third-party cryptography?
4. What would migration involve?
5. Has the institution begun cryptographic inventory and discovery?

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7. Five Strategic Questions for Financial Institutions

1. What comes after UPI scale?

Payments are becoming infrastructure. The next opportunity is likely to be higher-value services built around that infrastructure.

2. Can tokenisation reduce settlement friction?

Demat 2.0 provides an important real-world experiment to monitor.

3. Is AI being deployed faster than governance?

Financial institutions need both AI capability and explainability, security and accountability.

4. Are Indian fintechs ready for international regulation?

International expansion introduces multiple licensing, compliance and operating requirements.

5. Is quantum security on the technology roadmap?

RBI's recent intervention suggests financial institutions should begin assessing the issue.

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8. Executive Dashboard

Theme	September 2026 signal	Management relevance
UPI	24.51B August transactions	Very high
Tokenisation	Demat 2.0 pilot launched	High
CBDC	Increasing experimentation around settlement	High
AI	Moving toward operating-model transformation	High
Quantum security	RBI calling for preparation	Emerging/high
Cross-border fintech	PhonePe UAE expansion	High
DPI	International adoption expanding	High

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9. Bottom Line

India's fintech opportunity is evolving from **digital transactions to intelligent financial infrastructure**.

Three layers deserve particular attention:

1. Scale

UPI and India Stack provide enormous digital infrastructure.

2. Intelligence

AI can increasingly sit on top of that infrastructure to automate research, service, risk and operations.

3. Programmability

Tokenisation, CBDC and distributed-ledger experiments potentially create new ways to represent, transfer and settle financial assets.

For financial institutions, the strategic challenge is no longer simply becoming digital.

It is determining **which parts of the financial value chain can become intelligent, automated and programmable.**

Sources

RBI / SEBI / NPCI / Government of India / Reuters / BIS and other cited primary or high-quality sources.

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