

**India Core Banking Software Assessment, By Deployment Mode [On-premises, Cloud-based], By End-user [Banks, Financial Institution, Others], By Component [Solution, Service], Banking Type [Large Banks, Mid-Size Banks, Small Banks, Community Banks, Credit Unions], By Region, Opportunities and Forecast, FY2018-FY2032F**

Market Report | 2024-08-23 | 125 pages | Market Xcel - Markets and Data

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**Report description:**

India core banking software is projected to witness a CAGR of 16.73% during the forecast period FY2024-FY2032, growing from USD 682 million in FY2024 to USD 2350.95 million in FY2032. Factors such as digital transformation, increased financial inclusion, technological advancements, cost efficiency, regulatory compliance, expanding rural and semi urban markets, Indianization, market expansion, security and fraud prevention, and increase in customization and scalability needs aids the requirement of the India core banking software market. On the contrary, the emergence and adoption of AI-based banking system is expected to provide profitable opportunities for market growth during the forecast period.

With the introduction of core banking software, banks started replacing traditional ledgers and paper-based procedures with mainframe-based systems designed to support transaction processing, accounting, and customer information management. The systems were developed product-wise in the COBOL programming language, which led to the siloed architectures associated with spaghetti code.

The core banking software has transformed the banking services available in various banks, facilitating real-time online transactions across many different branches. The software provides a platform for the user to manage their accounts, conduct transactions, and open checking account balances. They are at the center of modern banking activities used in performing core tasks such as journal entries, opening of accounts, and designing architectural framework which makes updates possible. Core banking software is the backbone of any bank as this is the software that enables banks to process transactions efficiently, manage payments, and maintain financial records. It provides an online banking platform with a centralized system to improve

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access to loans and various account management facilities for users.

The continued investment in FinTech technologies and CBS solutions underlines the market demand for ease in customer account management and secure digital experiences in banking. This trend, therefore, brings out the role played by adaptable software solutions in ensuring continuity of service excellence.

#### Increasing Adoption of AI-based Banking Systems Promote Market Growth

The integration of advanced technologies such as cloud computing, big data analytics, and artificial intelligence (AI) is transforming banking operations, making them more efficient and customer centric. AI innovations enable banks to visualize data, respond rapidly to customer enquiries, and turn complex information into actionable insights. A study by Nanjing University of Information Science and Technology highlights that banking professionals rely on AI-driven analytics for robust business analysis and strategic decision-making. AI-powered chatbots and digital assistants are now integral to core banking systems, providing continuous, seamless customer support, and troubleshooting issues in real-time. The real-time support enhances customer experience and elevates overall service quality. AI-based core banking software boosts network security and accelerates digital transformation, leading to improved service delivery and greater consumer satisfaction. As the adoption of these technologies grow, significant opportunities for growth are anticipated. The future of banking is increasingly tied to the effective use of AI, prompting key industry players to form strategic partnerships to develop innovative AI solutions.

In April 2024, Zand Bank (Zand), UAE's first digital-only bank, announced the bank's decision to subscribe to the Infosys Finacle Solutions suite to power its corporate banking services. The deployment of Infosys Finacle's advanced cloud-native solutions on Microsoft Azure is a testament to Zand's commitment to provide a customer-centric, future-ready banking experience, underpinned by the latest in AI and predictive analytics.

#### Rise in FinTech Drives Growth of Market

India is amongst the fastest growing FinTech markets in the world. Large financial markets players have started strengthening their fintech investments, something that could turn out to be strategic with regard to the adoption of advanced solutions into their operations. Investor sentiment remains relatively cautious at the beginning of 2024, particularly due to concerns surrounding sustainable profitability. However, the growth prospects for the fintech sector appear strong. This is especially evident in areas such as community banks, which require innovative core banking software to enhance operational efficiency. The adoption of such technologies across various banking institutions, including midsize banks, small banks, and credit unions, further drive market growth, creating a dynamic environment fueled by innovation and digital transformation.

In March 2024, Nirmala Sitharaman, India's finance minister's interim budget for the FinTech sector unveils a promising landscape with a USD 12 billion (INR 1 lakh crore) fund offering 50-year interest-free loans to fintech for tech-driven growth, fostering innovation and potentially intensifying competition in lending.

#### India's Vision to Drive the India Core Banking Software Market Growth

An array of FinTech startups has sprouted out of the dynamic environment of the emerging regions in India, transforming the banking and financial markets with novel solutions and technologies. They are coming up with new financial products and services, making it easy, efficient, and effective in carrying financial transactions.

Equally, banks have recently been cooperating with other sectors outside the traditional banking space. The inter-sectoral cooperation that is beginning to open up new avenues and prospects for the banking sector in which banks and financial institutions are trying to think of newer ways of integrating their services with other sectors. Ultimately, this would lead to a much more connected and versatile financial ecosystem. These trends identify the country as a financial innovation hub and are striving towards shifting the landscape of financial services.

For instance, The India Stack, introduced by the government, revolutionizes India's banking sector with key components such as Aadhaar for biometric ID, Unified Payments Interface (UPI) for instant transactions, and e-KYC for streamlined customer verification. The India Stack has revolutionized access to financial services, making it easier for banks to verify identities, process transactions, and offer personalized services. The government-supported initiative has significantly contributed to the digital transformation of India's banking sector.

#### Future Market Scenario (FY2024 - FY2032F)

Regulators will adopt a more active role in enforcing policies to enhance the transparency of AI algorithms, eliminate biases, safeguard data privacy, and ensure the equitable use of customer information. In parallel, banks and service providers will

prioritize the ethical application of AI, rather than concentrating solely on the financial benefits derived from this technology. The Reserve Bank of India (RBI) has been actively working on enhancing the regulatory framework to ensure the responsible use of AI in banking. In its latest report, the bank emphasized on the importance of transparency, data privacy, and fairness in AI applications.

Additionally, the RBI has adopted a regulatory sandbox approach, allowing banks to test AI and other emerging technologies under a controlled environment to ensure compliance and mitigate risks. This proactive stance aims to balance innovation with the ethical use of AI, ensuring that customer information is protected, and biases are minimized.

The approach reflects a broader trend where Indian banks are increasingly focusing on the responsible use of AI for economic gains and enhancing customer trust and regulatory compliance.

#### Key Players Landscape and Outlook

Companies are competing with one another in the India core banking software market, along with regional competition. The strategies of these vendors bring empowerment to clients to come up with innovative digital banking services both quickly and at low cost. Key players have been involved in business development, collaboration, diversification of the product portfolio, acquisitions, and merger of companies. This further supports cloud-based solution distribution, thereby bridging the gap between demand and supply within the India core banking software market and improving customer experience across various integral innovations.

In June 2024, PureSoftware wins the Best Banking-as-a-Service Platform of the Year Award at the 14th Africa Bank 4.0 Summit conducted by BII World. The award recognizes PureSoftware's outstanding contribution to the financial industry with its cutting-edge digital banking platform, Arttha.

In April 2024, Fiserv, the USD 19 billion US-based fintech and financial services company, wants to expand its business in India, the biggest market in Asia-Pacific. It plans to launch its payment solution product, Clover, for small businesses.

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\*Companies mentioned above DO NOT hold any order as per market share and can be changed as per information available during research work.

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