



**INDUSTRY- INSIGHTS  
BFSI SECTOR IN INDIA  
NOVEMBER- 2022**

# INDIAN BFSI INDUSTRY – AN OVERVIEW

## INTRODUCTION

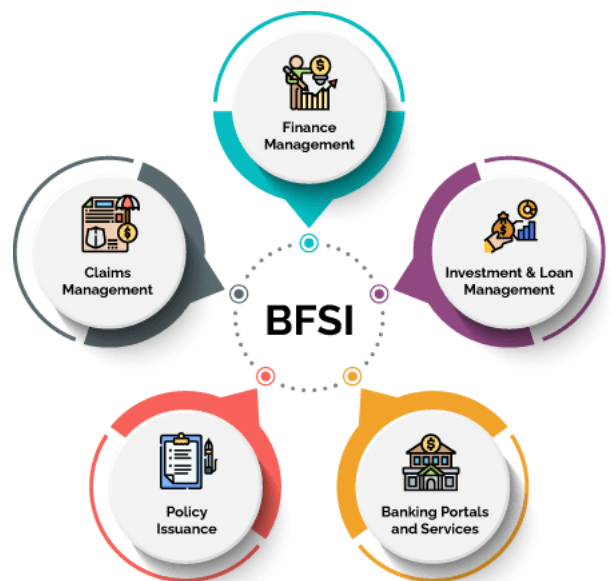
BFSI stands for Banking, Financial Services, and Insurance sector which represents a major portion of the multi-billion dollar Indian economy comprising all Banking, Insurance, and Non-Banking Financial Institutions (NBFCs) including Broking and Asset Management.

India, as a business destination fosters all the positives for the growth of BFSI sector. Total banking assets are expected to cross \$ 28.5 Tn to become the third largest by year 2025. Investment friendly government policy, active public/private involvement, robust regulatory measure and technological evolution have spurred the BFSI sector to register strong numbers in the recent years.

The Indian banking industry has recently witnessed tremendous reforms with the rollout of innovative banking models like payments and small finance banks. India has also focused on increasing its banking sector reach through various schemes like the Pradhan Mantri Jan Dhan Yojana and Post payment banks. Further, major banking sector reforms like digital payments, neo-banking, a rise of Indian NBFCs and fintech have significantly enhanced India's financial inclusion and helped fuel the credit cycle in the country.

The digital payments system in India has evolved the most among 25 countries with India's Immediate Payment Service (IMPS) being the only system at level five in the Faster Payments Innovation Index (FPPII). India's Unified Payments Interface (UPI) has also revolutionized real-time payments.

## Segment of BFSI



## MARKET SIZE

- The Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1485 urban cooperative banks and 96,000 rural cooperative banks in addition to the cooperative credit institutions
- As of September 2021, the total number of ATMs in India reached 213,145 out of which 47.5% are in rural and semi urban areas.
- Total assets across the banking sector (including public and private sector banks) increased to US\$ 2.67 trillion in 2022.
- In 2022, total assets in the public and private banking sectors were US\$ 1,594.51 billion and US\$ 925.05 billion, respectively.





## INDIAN BFSI INDUSTRY - DEVELOPMENT PARADIGMS

India has a diversified BFSI sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The sector comprises of commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities.

The Government of India has introduced several reforms to liberalise, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). These measures include launching Credit Guarantee Fund Scheme for MSMEs, issuing guidelines to banks regarding collateral requirements and setting up a Micro Units Development and Refinance Agency (MUDRA). With a combined push by Government and private sector, India is undoubtedly one of the world's most vibrant capital markets.

India's private wealth management Industry shows huge potential. India is expected to have 6.11 lakh HNWIs by 2025. This will indeed lead India to be the fourth largest private wealth market globally by 2028. India's insurance market is also expected to reach US\$ 250 billion by 2025. This will further offer India an opportunity of US\$ 78 billion of additional life insurance premiums from 2020-30. India is today one of the most vibrant global economies for robust banking and insurance sectors. The relaxation of foreign investment rules has received a positive response from the insurance sector with many companies announcing plans to increase their stakes in joint ventures with Indian companies.

### POLICY FRAMEWORK

- The government has approved 100% FDI for insurance intermediaries and increased FDI limit in the insurance sector to 74% from 49% under the Union Budget 2021-22. International Financial Services Centres Authority (Banking) Regulations, 2020 are expected to drive and facilitate the constituent operations in the IFSC and help the sector reach its potential.
- In the Union budget of 2022-23, India has announced plans for a central bank digital currency (CBDC) which will be known as Digital Rupee. Adopting the digital rupee is expected to help cross-border remittances and reduce the transaction cost for businesses and the government. The digital rupee would reduce the settlement risk in the financial system.
- Setting up of the **NARCL (National Asset Reconstruction Company Limited)** was announced in the Union Budget 2021-22 to address Bad Loans. NARCL will have a dual structure – it will consist of an asset management company (AMC) and an asset reconstruction company (ARC) to recover and manage stressed assets.
- **National Bank for Financing Infrastructure and Development (NaBFID)** has been set up as a Development Financial Institution (DFI) to aid India in developing long-term infrastructure financing. The NaBFID plans to finance multiple projects that are a part of India's INR 6 trillion (US\$ 75.18 billion) National Monetisation Pipeline.

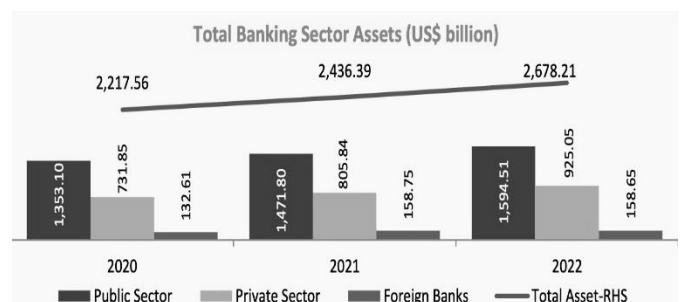
# INDIAN BSFI INDUSTRY – ADVANTAGE AND GROWTH DRIVERS

## ADVANTAGE BSFI INDUSTRY

- India's banking sector is poised for robust growth driven by advancement in technology, enhanced spending on infrastructure and continuation of structural reforms.
- Wide policy support in the form of private sector participation and liquidity infusion.
- RBI launched the 'RBI Retail Direct Scheme' for retail investors to increase retail participation in government securities.
- In 2022, total assets in the public and private banking sectors were US\$ 1,594.51 billion and US\$ 925.05 billion, respectively.
- RBI has decided to set up Public Credit Registry (PCR), an extensive database of credit information, accessible to all stakeholders.
- The Insolvency and Bankruptcy Code (Amendment) Ordinance, 2017 Bill has been passed and is expected to strengthen the banking sector.
- Microfinance industry's gross loan portfolio (GLP) by 10% in FY22 to INR 2.85 trillion (US\$ 36.42 billion).
- In the Union budget of 2022-23, India has announced plans for a central bank digital currency (CBDC) which will be possibly know as Digital Rupee.
- By 2025, India's fintech market is expected to reach INR 6.2 trillion (US\$ 83.48 billion).
- The digital payments revolution is expected to bring in massive changes in the way credit is disbursed in India. In May 2022, Unified Payments Interface (UPI) recorded 5.95 billion transactions worth INR 10.41 trillion (US\$ 133.46 billion).

## GROWTH DRIVERS

- **Large consumption market**  
India will become the 3rd largest consumer economy by 2030, driven by a young population comprising 65% population below the age of 35 years
- **Rural Digitization**  
Digital adoption continues to be propelled by rural India – clocking an 8% YoY growth to 333 Mn internet users (37% of rural population). Rural consumption accounts for 45% of all data consumption in India. Now there are 7 Rural Internet Subscriber, for every 10 Urban Internet Subscribers.
- **Number of Smartphone Users**  
India already has the 2nd highest number of smartphone users globally, and is the 2nd largest Internet user market
- **Digital Push**  
Mobile banking internet banking, neo-banking and rise in digital products and solutions by private and Government of India support: 93% digital payments (by volume) done via mobile (2021) and over 1 Bn cards are in circulation





## BFSI SECTOR – MAJOR INITIATIVES AND INVESTMENT

### MAJOR INITIATIVES AND INVESTMENT

- In April 2022, India's largest private bank HDFC Bank announced a transformational merger with HDFC Limited.
- On November 09, 2021, RBI announced the launch of its first global hackathon 'HARBINGER 2021 – Innovation for Transformation' with the theme 'Smarter Digital Payments'.
- In November 2021, Kotak Mahindra Bank announced that it has completed the acquisition of a 9.98% stake in KFin Technologies for INR 310 crore (US\$ 41.62 million).
- In July 2021, Google Pay for Business has enabled small merchants to access credit through tie-up with the digital lending platform for MSMEs—FlexiLoans.
- On November 6, 2020, WhatsApp started UPI payments service in India on receiving the National Payments Corporation of India (NPCI) approval to 'Go Live' on UPI in a graded manner.
- In October 2020, HDFC Bank and Apollo Hospitals partnered to launch the 'Healthy Life Programme', a holistic healthcare solution that makes healthy living accessible and affordable on Apollo's digital platform.
- In 2019, banking and financial services witnessed 32 M&A (mergers and acquisitions) activities worth US\$ 1.72 billion.
- In September 2021, eight Indian banks announced that they are rolling out—or about to roll out—a system called 'Account Aggregator' to enable consumers to consolidate all their financial data in one place.
- In March 2020, State Bank of India (SBI), India's largest lender, raised US\$ 100 million in green bonds through private placement.
- In February 2020, the Cabinet Committee on Economic Affairs gave its approval for continuation of the process of recapitalization of Regional Rural Banks (RRBs) by providing minimum regulatory capital to RRBs for another year beyond 2019-20 - till 2020-21
- The RBI introduced new auto debit rules with a mandatory additional factor of authentication (AFA), effective from October 01, 2021 to improve the safety and security of card transactions as a part of its risk mitigation measures.
- In September 2021, Central Banks of India and Singapore announced to link their digital payment systems by July 2022 to initiate instant and low-cost fund transfers.

**12**

Public sector banks

**22**

Private sector banks (PSUs)

**12**

Small Finance Bank

**45**

Foreign banks

**43**

Regional rural banks



# INDIAN BFSI INDUSTRY - CHALLENGES

Today, India has a dense web of institutions that provide financial services including banks, non-banking financial companies and FinTech players. The BFSI industry is undergoing a radical shift, one driven by new competition from FinTechs, changing business models, mounting regulation and compliance pressures, and disruptive technologies.

## FINANCIAL INCLUSION OF ECONOMICALLY WEAKER SECTION

Despite the penetration of branches in rural areas and the launch of schemes like Jan Dhan Yojana, a segment of the population is still out of the banking and insurance net. While people have been able to open bank accounts, their access to credit, insurance and mutual funds is still limited. Banks are wary to lend to the poor due to high transaction costs and credit costs and the absence of competition is not leading to desired financial inclusion. Economic inclusion is one area where there is scope for tremendous growth.

## COMPETITIVE MARKET

The threat posed by FinTechs, which typically target some of the most profitable areas in financial services is significant. It is predicted that these start-ups would account for upwards of \$4.7 trillion in annual revenue being diverted from traditional financial services companies. In order to maintain a competitive edge, traditional banks and credit unions adopt newer technology and learn from FinTechs.

## TECHNOLOGY DRIVEN CULTURAL SHIFT

The cultural shift towards a technology-first attitude is reflective of the larger industry-wide acceptance of digital transformation. BFSI sector is still in the process of adopting innovation and leverage technology to optimize existing processes and procedures for maximum efficiency.

## REGULATORY COMPLIANCE

India's BFSI sector is one of the most heavily regulated businesses in the world. Measured deregulation needs to be taken up through RBI to capitalise on the huge potential of BFSI sector.

## CYBER-SECURITY

With increased digitisation of their data, processes and remote servers through Digital technologies such as Machine Learning (ML) and Artificial Intelligence (AI), BFSI sector is facing increasing cybersecurity challenges which are getting more and more amplified over the time. To sustain and attract customers, they need to focus on scaling up their infrastructure and cybersecurity to meet new demands and deliver experiences that help gain customer trust.

## UPSCALING OF INFRASTRUCTURE

With newer technologies and increasingly competitive BFSI products particularly from FinTechs, the BFSI sector must build a culture of innovation, cybersecurity and upscale infrastructure at all levels across all verticals, covering all touchpoints to safeguard the customers from frauds and protect the enterprise from cyber attacks.







## **BFSI SECTOR – IMPACT ON REAL ESTATE FINANCING AND SPACE**

BFSI Sector has been a major stakeholder in Project financing and funding of Real Estate Projects and has been one of the major space takers in Indian Real Estate across India

### **PROJECT FINANCING AND FUNDING BY BSFI SECTOR IN REAL ESTATE**

All businesses require funds to implement and finish projects. The realty segment is no different. Real estate finance is at the core of any developer's ability to start, complete and deliver a project, be it residential real estate or commercial real estate.

Banks play a vital role in lending funds for various projects. In some cases, financial institutions, private investors also invest in real estate projects by providing financial support.

Over the years, BFSI sector has played a major role in creating credit accessible market for funding of infrastructure as well as Real estate Projects.

Largest Indian banks have seen an increase in their retail loans market share in the past two years. State Bank of India made up 28.8% of total retail loans in India. SBI, LIC, HDFC and ICICI are some of the major banks that are involved in Infrastructure finance in India.

### **DEMAND FOR COMMERCIAL SPACE BY BFSI SECTOR**

Corporates engaged in the banking, financial services and insurance (BFSI) sector are one of the major demand drivers in leasing in terms of office space since the last few years.

With an increased access to credit lending and Financial inclusion of SMEs and MSMEs in economic sector, BFSI sector has expanded across geographies.

Today, BSFI Sector accounts for 20% - 30% of total space demand in Commercial Real Estate Sector in major cities. The outreach of BSFI sector in Tier II and Ties III cities are increasing with financial inclusion of population into mainstream banking.

With the entry of global players in many geographies in India, demand for commercial office space is rising and expected to continue its sustainable leasing trend in the upcoming years.



# BFSI SECTOR – COMMERCIAL REAL ESTATE DEMAND

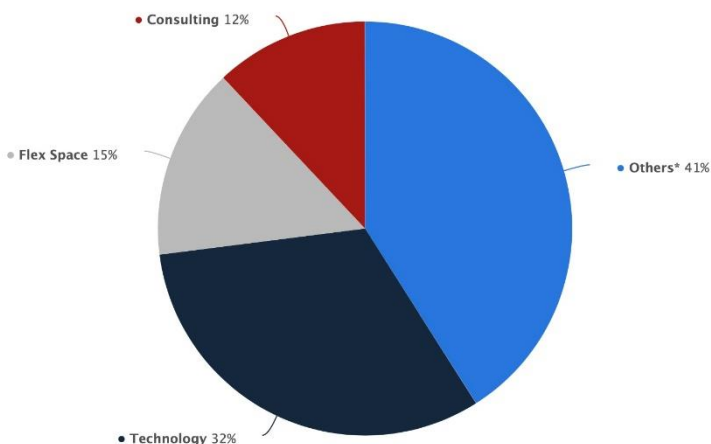
## BFSI SECTOR – DEMAND DRIVERS

Owing to robust performance of the Indian economy post pandemic, the face of India's office sector has seen tremendous increase in space demand driven by IT/ITeS, BFSI, e-commerce and consulting.

From urbanization of Indian cities to the rise of mega structures to the introduction of various new policies favouring the growth of a strong commercial real estate in the country, a number of factors continue to drive the segment's growth. Owing to these factors and rising investor interest in the Indian market, the country has witnessed strong absorption of offices.

BSFI along with Engineering & Manufacturing, and e - commerce were the major drivers of office space demand in India in H1 2022 accounting for 41% of total space absorption. The technology sector followed with a 32% share in demand for office space.

## LEADING DEMAND DRIVERS FOR OFFICE SPACE IN INDIA IN 2022



***The demand for office space by BFSI sector is the outcome of Technology Transformation and increasing demand for manpower.***

The banking, financial services and insurance sector (BFSI) has seen maximum adoption of these new-age technologies, making it an attractive proposition for employment. According to the National Skill Development Corporation (NSDC), the BFSI sector in India will require an extra 1.6 million skilled workforce by end of 2022 driven mainly by growth of FinTech Industry.

The FinTech represents a range of financial technologies that banks and financial institutions use for operational efficiencies and superior customer experience. FinTech is largely responsible for transforming the BFSI sector into an attractive proposition for job seekers and investors as well. FinTech in India has also received adequate fillip from the government's pro-digitalisation policies.

As the BFSI sector in India continues on its path of technology adoption and digital transformation, hiring in the sector has increased manifold leading to the demand for commercial space across India particularly in Tier II and Tier III cities. Online recruitment and work from home has pushed for recruitments beyond Tier I cities. As of February 2022, Monster India has seen the highest number of recruitments from Jaipur, with over 56%, followed by Pune with 41% and Mumbai with 37%, added the survey.

IT deployment in the banking, financial services and insurance segment is all set to grow in coming years. From implementing customer relationship management applications to managing and integrating of back-end processes including ensuring network connectivity and quality of services ensuring huge demand for commercial space.





## BFSI SECTOR – SPACE ABSORPTION TREND

### BFSI SECTOR – SPACE ABSORPTION TRENDS ACROSS CITIES

The office sector in India witnessed gross absorption of 42.5 mn sft in last 10 months of 2022, registering a growth of 65% (Y-o-Y) while Supply witnessed an addition of around 35.0 mn sft across the 8 major cities of India. Bangalore, Delhi-NCR, Mumbai, Hyderabad and Chennai led the space absorption, together accounting for 70% of the total transaction activity.

IT/ ITeS and Technology corporates continued to drive leasing with a share of 27%, followed by flexible space operators (20%), BFSI players (20%), Engineering, Manufacturing and Warehousing companies (15%), Research, Consulting & Analytics (5%) and Life Sciences (3%) firms.

BFSI space demand typically ranges between 10,000 sft to 50,000 sft depending on the operational branch and customer services.

BFSI Space absorption is lead by **Mumbai**, being the financial capital of India. Headquarters of major Banking and FinTech corporations are located in Mumbai. Mumbai Commercial Real estate markets have witnessed healthy demand from BFSI Sector with a share of about 40% to total absorption lead by 50% of absorption in the IT space followed flexible space operator (10%).

**Chennai** is another major city wherein BFSI is major segment driving the Commercial space demand with share of 30%. Chennai has been traditionally the major investment hub of South India with major corporate houses having regional offices.

In Delhi-NCR, the share of BSFI is around 18% while in Hyderabad it accounts for around 15% share of total commercial space demand. Pune is also fast emerging as a major financial hub in the west due to availability of skilled manpower. Share of BFSI space demand is around 13% in Pune.



# Our Reach

CIRIL – 26 offices



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**Kochi**

**Anchit Space Solutions**

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Bhagat Singh Road, Nr.KDMC  
office, Dombivili(E) – 421201  
**Navi Mumbai**

**Shakti Property**

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**GFS Realtors**

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**Fidelitus Corp Property Services Pvt. Ltd.**

# 42, Ground Floor 'B' Block, Brigade  
Software Park, 27th Cross, Banashankari  
II Stage- 560 070,  
**Bengaluru**

## - Reach Us -

Email: [info@ciril.in](mailto:info@ciril.in) | Website: [www.ciril.in](http://www.ciril.in)

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