

The Future of Indian Banking: Assessing AI's Impact on Operational Efficiency and Customer Experience

Leelawati Pokhrel^{1*}, Deepak Kumar², Saakshi Gupta³, Dr. Rani Pal⁴, Dr. Ashu⁵

^{1*}Associate Professor, SAIMT, Gurugram, Delhi NCR, India

²Assistant Professor, SAIMT, Gurugram, Delhi NCR, India

³Assistant Professor, Asian Law College Nodia, India

⁴Assistant Professor, SDGI, Global University, Ghaziabad, India

⁵Assistant Professor, GD Goenka University, Gurugram, India

***Corresponding Author:** Leelawati Pokhrel

Abstract

This study rigorously scrutinizes the revolutionary impact of artificial intelligence (AI) on banking organizations within India. It definitively analyses the transformative effects of AI on the Indian financial industry by reviewing pertinent literature, compelling case studies, and empirical data. The paper first establishes the major ways AI unequivocally alters the financial sector. It then details how Indian Banking institutions effectively deploy AI across critical areas such as customer service, algorithmic trading, risk management, fraud detection, credit scoring, and regulatory compliance. The integration of AI into India's financial ecosystem is highlighted through examples from major banks, fintech companies, and regulatory agencies, showcasing the methods used and the outcomes achieved. Furthermore, this study explores the impacts and challenges associated with AI implementation in the Indian banking industry [14]. It delves into the cultural factors, current regulations, data availability, talent acquisition, and regulatory frameworks that shape the application of AI in Indian banks. The combination of Decentralized finance and AI offers a revolutionary partnership that might completely change the sector, increase its flexibility, and lay the foundation for long-term viability. In recent years, AI and Decentralized finance have become prominent advances in technology that have attracted a lot of interest and acceptance. In conclusion, this study comprehensively analyses AI's effects on India's banking sector. This research paper is based on secondary data with the help of various journal and websites. Researcher paper benefits to many Policymakers, practitioners, and scholars will find invaluable insights contributing to the growing literature on technology-driven transformations. The recommendations provided will enable stakeholders to effectively harness AI's capabilities while proactively addressing inherent risks and challenges, thereby enhancing the resilience, efficiency, and customer-centric focus of financial institutions in India and ensuring their competitiveness in an increasingly digital landscape. This research highlights the need to adopt a-worthy strategies for the prevention of active fraud, eventually contributes to the integrity of financial systems.

Keywords— Artificial Intelligence, Banking, Financial Institutions, Risk Management. and Cyber security

Introduction

Banks and financial institutions in India are harnessing multiple platforms to deliver exceptional services. The emergence of Internet Banking and Mobile Banking revolutionized digital transactions and led to a noticeable decline in foot traffic at physical branches. In today's digital landscape, customers rightfully expect a seamless experience across all channels, and the demand for highly personalized services has reached an all-time high. While meeting the needs of customers spread across various geographical locations presents challenges, banks are rising to the occasion. Artificial Intelligence and Analytics have become essential tools in this endeavor. The technologies facilitate banks to swiftly access the valuable information from their databases, transforming it into significant benefits for all. The insights presented here empower financial institutions in India to comprehend the consequences of AI adoption, supported by a synthesis of empirical evidence and theoretical frameworks. In

examining the implications for stakeholders, market dynamics, and the regulatory environment, it critically assesses the potential advantages, disadvantages, and social ramifications of AI-driven financial innovations. The strong and successful government reforms that are urging the nation to transition to a digital economy have contributed to the enormous investments made in FinTech across a range of industries in India. Additionally, it has benefited from the increasing use of smartphones and the internet, which has fueled the nation's acceptance of digital technology and the emergence of FinTech. [14] According to a survey published by FIA Global, the FinTech sector in India is expected to reach \$50 billion in 2021 .[15] AI chat systems are always there to answer customer inquiries and fix problems, thus enhancing the speed and efficiency of service. Thus, AI will facilitate various aspects of the Banking Sector.

1. Understanding Customer Knowledge and Types banks must have a deep understanding of their customer base, recognizing the different types of customers, including individual consumers, small businesses, and corporate clients. This understanding helps in tailoring products and services to meet the unique needs of each segment. [19]

2. Targeting, Acquiring, and Retaining Customers successful banks develop targeted marketing strategies to reach potential customers. By leveraging data analytics, they can identify opportunities for acquisition and implement retention strategies to maintain customer loyalty, ensuring long-term relationships and maximizing lifetime value.

3. Spending Patterns of Customers analyzing spending patterns allows banks to advantage understandings into customer behavior, preferences & trends. This information aids in designing targeted promotions and personalized product offerings, enhancing customer engagement and satisfaction.

4. Product Selling and Cross-Selling: Banks can drive growth by effectively selling core products while integrating cross-selling strategies. By offering complementary products and services tailored to customer needs, banks can enhance customer value and increase revenue streams.

5. Maintaining and Growing a Profitable Customer Base:To ensure sustainability, banks focus on maintaining a healthy customer base through continuous engagement and value delivery. Strategies to grow this base include expanding digital services and enhancing customer experience across all touch points.

6. Regulatory Compliance Management: Compliance with regulatory requirements is non-negotiable for banks. A robust compliance management system ensures adherence to laws and regulations, mitigating legal risks and maintaining customer trust.[16]

The evolution of banking operations reflects a significant shift from traditional methods to modern technologies. In the Indian banking sector, the initial adoption of basic AI tools aimed to enhance customer service and convenience, marking the beginning of a transition toward more advanced machine learning applications. The figure below shows how work has changed from 1980 to 2016 and how it continues to evolve today.

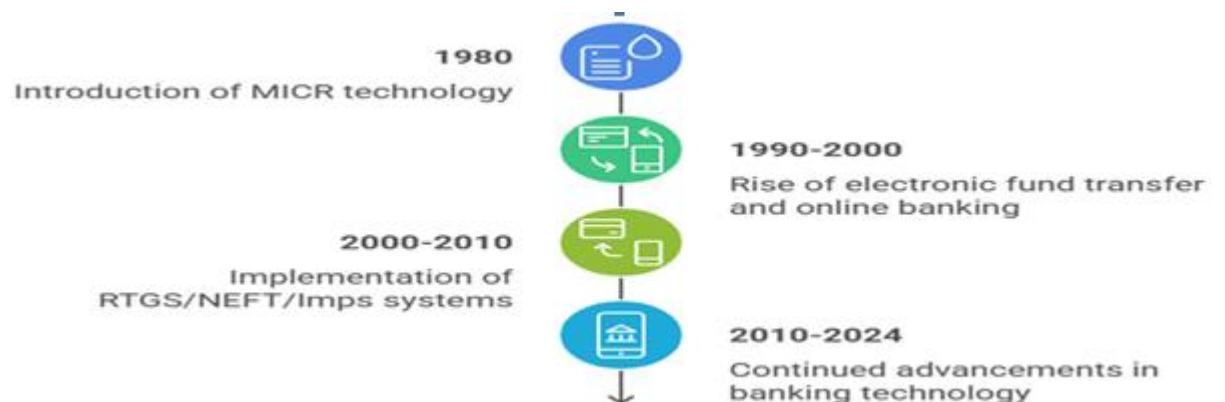


Figure 1: Adoption of Technological Advancement in Indian Banking System

The above figure reflects the development of banking technology since 1980. It shows a time of larger technical implementation starting with MICR (1980), goes through electronic fund transfer and online banking (1990-2000), RTGS/NEFT/Imps systems (2000-2010).

Literature Review

Customer Experience Enhancement

Sharma et al. (2021) note how AI-enabled chatbots have created a revolution in customer service in Indian banks. Statistics show that a good 70% of major banks adopted conversational AI solutions. These systems achieved an average 62% reduction in the time to resolve questions, with more than 85% of routine customer interactions resolved with no human intervention. [5]

In spite of changes brought about by technological behavioral shifts and trends by various indices, the story on applying the advanced personal banking experiences, with HDFC Bank and ICICI Bank adopting respective and reported increased options of 27 and 31% in customer satisfaction score and cross-sell effectiveness versus traditional methods, is now documented by Mehta and Joshi. [6] Risk Management and Fraud Detection

By studying the use of machine learning implementations across State Bank of India branches, Kumar et al. (2022) found that fraud detection's false positives were reduced by 41%, while real fraud detection increased by 36% in comparison with rule-based systems. The study pointed to AI as the most effective tool in adapting in real-time to new fraud patterns. [10]

The research work by Patel and Singh (2021) stated that these AI-based credit scoring models provided improvements in actual predictions of loan default to the extent of 29% compared to traditional models, a huge benefit in passing loans for underserved segments.[12] Mishra and Rao (2021) research presented the result of analyzing effect of voice banking interfaces by AI which NCB of NPCI implemented which became a new way of extending banking services that bridged literacy constraints among the unbanked to banking services in vernacular languages used by over 12 million new users.[11]

Arora and colleagues (2024) via their research showed that AI-based alternative credit scoring methods had been absorbed into the Indian banking sector to the point of providing banking services to people who were not part of the system. The banks, over the stated period, successfully issued 3.2 million new loans to first-time borrowers. [1]

Operational Performance

Gupta as well as Verma (2022) have been done their researches on the introduction of robotic process automation in the back-office operations of Axis Bank and Yes Bank, which has led to the reduction of 43% of the time processing for document verification along with an estimated annualized cost reduction of about ₹120 crores, and with a 67% increase in quality. [9]

From a wide range of angles, Singh et al. (2023) in their case study of 15 Indian banks found out that AI-induced process optimization on average slashed operational costs by around 28%: where the new target points were document processing, reconciliation and compliance monitoring. Financial Inclusion Initiatives. [7] Mishra and Rao (2021) research presented the result of analyzing effect of voice banking interfaces by AI which NCB of NPCI implemented which became a new way of extending banking services that bridged literacy constraints among the unbanked to banking services in vernacular languages used by over 12 million new users. [11]

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Regulatory Technology (RegTech) Das and Kumar (2022) have clearly depicted how AI-powered compliance solutions demonstrated efficiency by helping Indian banks save 31% of compliance costs and boosting regulatory reporting accuracy to approximately 57%, particularly after the RBI guidelines became more stringent in 2021. [8]

Challenges and Limitations

Sharma and Gupta (2023) identify challenges such as issues of data integrity, a talent shortage, and the integration of legacy systems that impede the implementation of AI in the Indian context. Their sample of 28 Indian banks indicates that only about 37% have rolled out AI projects at scale and only about 92% of banks surveyed had commenced work in this sphere. [5] While Jain et al. (2024) have found bias from algorithms with regard to AI banking systems-with models trained predominantly on urban customers performing 23% less satisfactorily when operationalized on rural customer bases [3].

Future Directions

Reddy and Patel, (2024) lean toward viewing the next frontier of Banking in India as AI augmented by Quantum Computing, specifically with regard to modeling complex risks and ultra-secure encryption, while making it clear that an investment in infrastructure will not be insignificant. [2]

Kapoor et al. (2023) prognosticated that by 2026, the integration of AI with blockchain technology would turn interbank settlements in India upside down, with a reduction in transaction costs of up to 68% whilst enhancing security and transparency. [4]

Motives behind the banking sector's embrace of AI:

Artificial intelligence has been used in nations like India since 1990. Communication between customers supports, recruiting, and asset management has improved in a number of ways. For India's banking industry to compete globally, artificial intelligence is the driving force behind the system. Artificial intelligence can analyze vast amounts of data and identify patterns that a human observer might miss. [19] One area where this skill is particularly relevant is fraud protection. Artificial intelligence and machine learning techniques are used by several financial service providers to detect fraud instantly.

1. To increase the effectiveness of Indian banking operations. [18]
2. To identify security and fraud risks during banking transaction.
3. AI helps the complete a significant amount of data for banking purpose.
4. AI helps to take successfully decision in Banking sector like selection of project, loan etc.
5. It helps the client to get solution of their questions in faster manner.
6. AI also play important role to easily determine a person's or a company's creditworthiness.
7. It helps banking sector to create a compliance report for transactions that are fraudulent.

AI technology systems in banking sectors:

According to Jasleen Kaur Sindhu, a financial services analyst at Gartner, 58% of banking CIOs polled in 2024 quantified they had already employed AI projects or planned to do so this year. According to her, that percentage will rise to 77% by 2025.

Features	Banks
Chatbot	SBI.HDFC,ICIC,AXIS BANK OF BAODA,Andhra Ban, Kotak Mahindra Bank, Canara Bank, City Bank, Union Bank, Yes Bank , Indusland Bank
Loan Processing	SBI.HDFC,ICIC,AXIS BANK OF BAODA, , Bank of Maharastha, South Indian Bank, Central Bank,

	Central Bank, IDFC Bank , Indusland Bank
Biometric authentication and e-KYC	SBI.HDFC,ICIC,AXIS BANK OF BAODA, Kotak Mahindra Bank, HDFC
Fraud Detection	Punjab National Bank, IDBI Bank, City Union Bank, HDFC.
Bulk Transaction Process	ICICI Bank, Axis Bank, Allahbad Bank, City Union Bank.
Document Scrutizing & Digitization	ICICI Bank, Axis Bank, Yes Bank, IDBI Bank.
Risk Monitoring	State Bank of India, Axis Bank, IDBI Bank, HDFC Bank
Setiment Analysis	State Bank of India, ICICI Bank, Kotak Mahindra Bank
CRM	State Bank of India, HDFC Bank, IDBI Bank, Allahbad Bank
Customer Segmentation	State Bank of India, HDFC Bank
Sales and cross-selling	State Bank of India, HDFC Bank
Credit Assessment	State Bank of India, HDFC Bank
Business Report	State Bank of India
Marketing	State Bank of India, HDFC Bank

Table1. Banks using AI in India

The above table presents a matrix of bank facilities and their respective bank implementation in India. Various bank functions are listed in the left column, including chatbot, loan treatment, biometric authentication, fraud detection, personal services, risk modeling and others. The right column acknowledges that Indian banks have implemented each function, where the State Bank of India is constantly appearing in most categories. Other large institutions include HDFC Bank, ICICI Bank, Axis Bank and Yes Bank. It provides observation for technical adoption in large Indian bank institutions.

V. Impact of AI in Operational Efficiency and Customer Experience

Several justifications for the banking industry's embrace of artificial intelligence: -

- a. Major competition in banking area.
- b. AI used in banking area because to improve the operational efficiency.
- c. It helps to decrease the fraud risk in banking.
- d. Application of augment Intelligence in banking its work like human though software robotics.
- e. AI can create a lot of data in a short amount of space which is why the banking industry Uses it.
- f. To envision human function being extended through the use of robotics tools
- g. In order to increase functional efficiency. Artificial intelligence is currently being used in several Economic sectors.

AI is strengthening competitiveness of banks through:

AI revolutionizes Indian banking by increasing operating efficiency and increasing the customer experience. Automation processing reduces the time, cuts costs and improves the accuracy of fraud detection and compliance. AI-driven chatbott and personal services accelerate the solution for query and increase satisfaction. While adoption in the subway is more, there are holes in rural areas, which highlight the need for inclusive AI solutions to collect digital division and secure similar bank changes.

Improved customer experience: AI learns more about customers and their behavior from previous interactions. This makes it possible for banks to offer individualized features and user-friendly interactions to financial goods and services in order to provide significant customer engagement and foster enduring relationships with their clientele. Artificial intelligence technology have made customers happy by eliminating long lines and making machines, chat bots, and robots available around-the-clock. Chat bots are also being used by banks to enhance customer service inquiries and exchanges pertaining to certain transactions.

AI Powered fraud detection & credit scoring process

1. Fraud and Cyber security (Financing & Loan)

In order to give quick and simple loans without examining credit scores or history, scammers develop dishonest loan applications. Users are asked to allow several permissions, including remote access, when they download the program. Fraudsters can commit fraudulent acts by taking complete control of the user's gadget.

In order to manage fraud, AI can identify questionable trends in immense amounts of data. Additionally, Chat bots are also being used by banks to enhance customer service inquiries and exchanges pertaining to certain transactions. [17]

Characteristics of Effective Fraud Detection Systems



Figure 2. Fraud Detection Alert.

The above figure shows Reliability, risk reduction, and regulatory friendliness characterizes effective fraud detection systems. Additionally, they are customer/manager-friendly and scalable for future requirements, guaranteeing reliable, flexible, and efficient fraud prevention.

Fraud deduction can be done by avoiding duplicity of transaction in banking sector, as from above figure it is easily demonstrated that AI if using properly will easily detect the fraud and help to simplify it.

Machines are far more adept than humans at spotting fraud. In the banking industry, regulatory compliance is at its highest level. To use, banks must adhere to rules set down by the nation's central bank, which comes at a significant expense. Artificial intelligence can be used as a virtual assistant to audit different parts and monitor transactions to keep an eye out for client behavior. AI-based technologies support banks in their proactive regulatory compliance and fraud risk reduction efforts.

2 Reduction in operational Costs – Even though digital technology is widely used in the banking sector, manual processes that need paper work are still common. This technology performed tasks equivalent to those done by humans, eliminating a large portion of labor-intensive and error-prone work. AI is capable of handling an increasing number of financial operations that are currently performed by humans.

3. Decision Making: - Banks usually have to use the available customer data to assess a customer's credit score and creditworthiness before granting a loan. A customer's credit score and creditworthiness can be accessed via artificial intelligence-based loan decision systems and machine learning algorithms. The most significant aspect is that, in contrast to most individuals, decisions made with this technology are made freely. Based on the available data, real-time cognitive algorithms that behave and think like human experts provide the optimal responses. These systems keep track of expert information in a knowledge database. These mental operations support bankers' strategic decision-making. [3]

4. Real-time cognitive systems: - That thinks and acts like human experts offer the best answers based on the information at hand. These systems maintain a knowledge database, which is a store of expert information. These cognitive processes help bankers make strategic choices.

5 Prediction of future outcomes and trends: - AI assists banks in forecasting future trends and results by utilizing its ability to forecast future scenarios through the analysis of historical actions. This aids banks in spotting fraud, spotting patterns of anti-money laundering, and recommending products to customers. Money launderers pretend that the source of their illicit funds is legitimate via a number of their actions. AI's machine learning and cognitive capabilities enable it to identify these illicit activities and save banks millions of dollars.

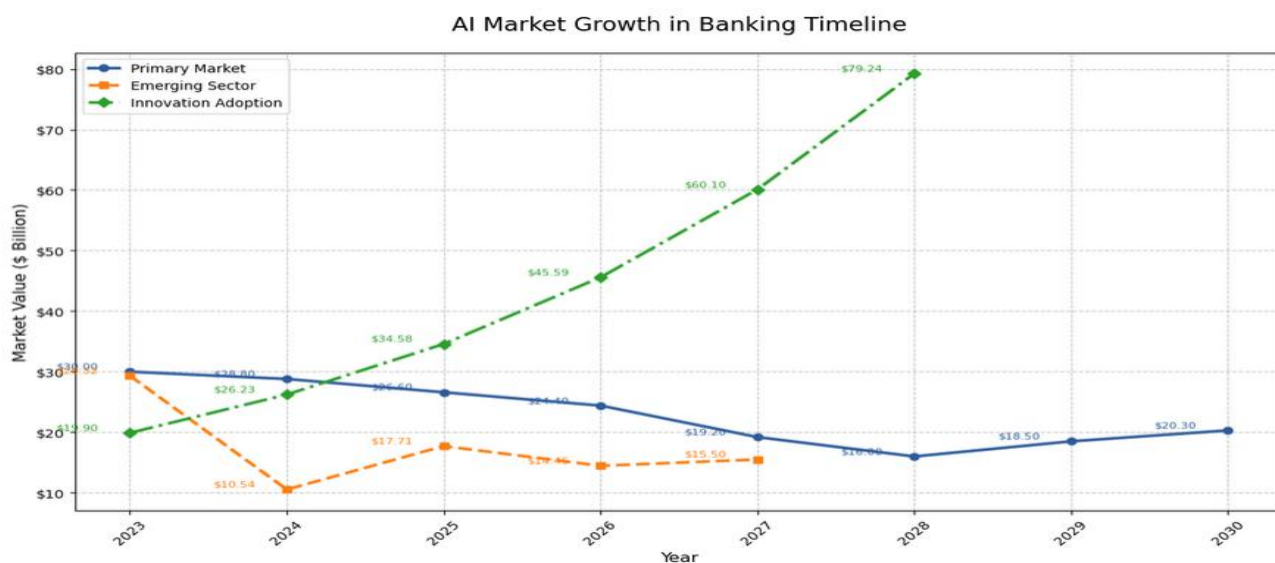


Figure 3. AI Timeline with Market Growth

The above figure shows the journey of AI in the following year from 2023.

By 2024, the global AI banking industry was worth \$26.2 billion, up from \$19.9 billion in 2023. It is anticipated to reach \$315.50 billion by 2033. From 2024 to 2033, that translates to a robust yearly growth rate of 31.83%. As more and more banks and financial institutions use modern, digital technologies, this trend will only intensify.

AI's Impact on Banking

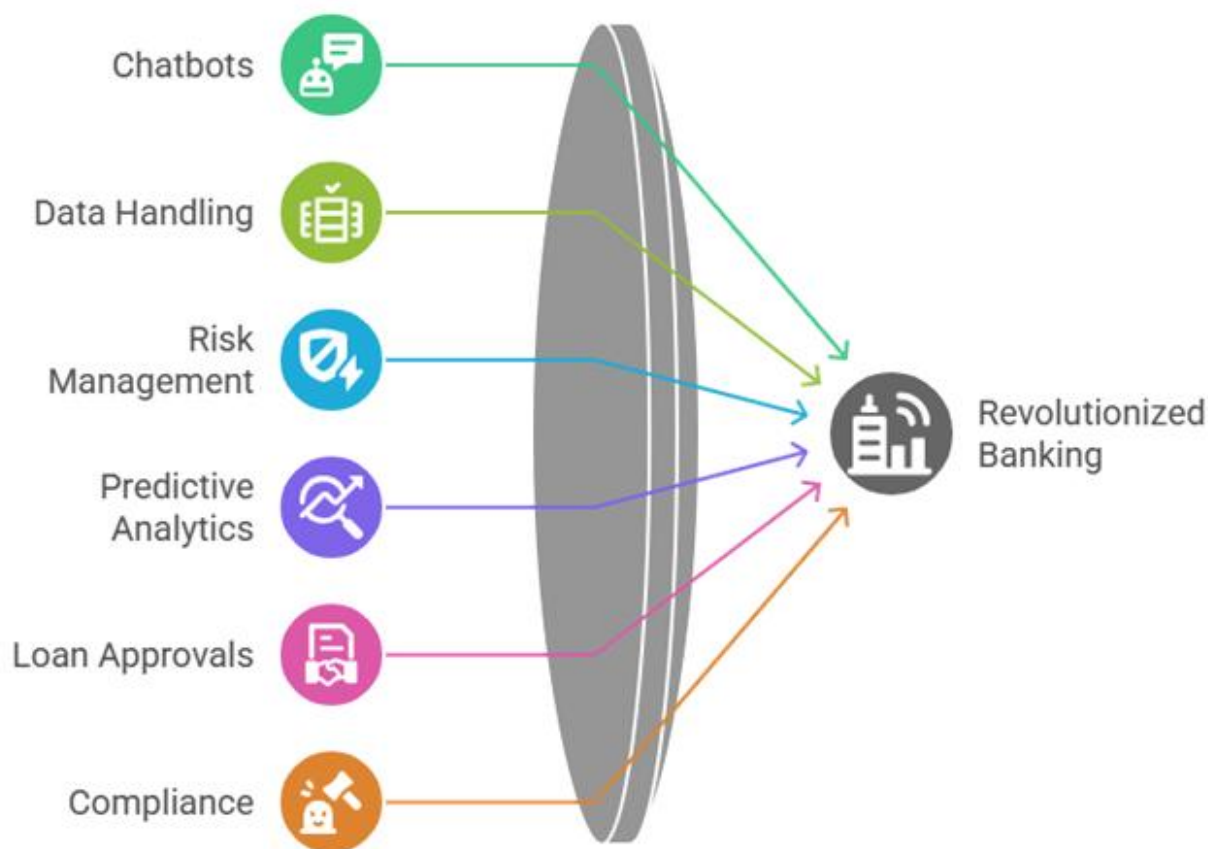


Figure 4. AI Trends in Banking Sector. [54]

The above picture shows a Chatbots, data handling, risk management, predictive analytics, loan approvals; compliance, market trends, customer experience, and automation are all improved by artificial intelligence (AI) in banking. By increasing productivity, precision, and customization across a range of banking operations, it revolutionizes the financial industry.

6. Claims management: - Is one of the many information-intensive, expensive, and error-prone financial activities that can be automated thanks to cognitive process automation. This guarantees ROI, lowers expenses, and guarantees precise and efficient service processing at every stage. In essence, cognitive process automation automates a series of processes that continuously learn from their past iterations.

7. Realistic interactive interfaces: The emotions and context of a text discussion are recognized by chat bots, which then respond appropriately. These cognitive machines not only increase productivity and save time, but they also help banks save millions of dollars due to the cumulative cost reductions.

V Research Methodology

Design of Research: With an emphasis on operational effectiveness, customer experience, and financial inclusion, this study uses a descriptive research design to examine how artificial intelligence (AI) is affecting the Indian banking industry. The study's foundation is secondary data gathered from government, academic, banking, and industry reports. Gathering Information from Secondary Sources like Banking & Fintech Reports:

From Private and Public bank, Payment Banks, NBFCs and Small Finance Banks and Publications from international and national

Objective of Study

Primary Objective:

To examine the impact and uptake of artificial intelligence (AI) in various banking sectors in India, with an emphasis on financial inclusion, customer experience, and operational efficiency.

Secondary Objective:

1. To know what is AI Adoption Rates across Indian Banking Segments.
2. To understand how to reduce cost by AI Implementation.
3. To analyze the role of AI in enhancing accessibility and convenience for diverse customer segments.
4. Compare spending patterns between traditional banks and digital-native financial institutions.
5. Investigate how AI bridges gaps in financial inclusion, particularly in under banked regions.
6. To know how AI-driven solutions (e.g., vernacular chatbots, credit scoring for the unbanked) expand access to banking services.

VII Data Analysis and Interpretation

Table2. AI Adoption Rates Across Indian Banking Segments (2023-24)

Banking Segment	AI Adoption Rate (%)	YoY Growth (%)	Primary AI Application Areas
Public Sector Banks	68.4	14.2	Fraud Detection, Customer Service
Private Banks	87.3	18.7	Risk Assessment, Personalization
Payment Banks	76.9	22.4	Transaction Processing, Authentication
NBFCs	58.2	16.8	Credit Scoring, Collections
Small Finance Banks	42.5	19.3	Process Automation, Basic Analytics

Source : Reserve Bank of India. (2023). *Report on Trend and Progress of Banking in India*. (<https://rbi.org.in>)

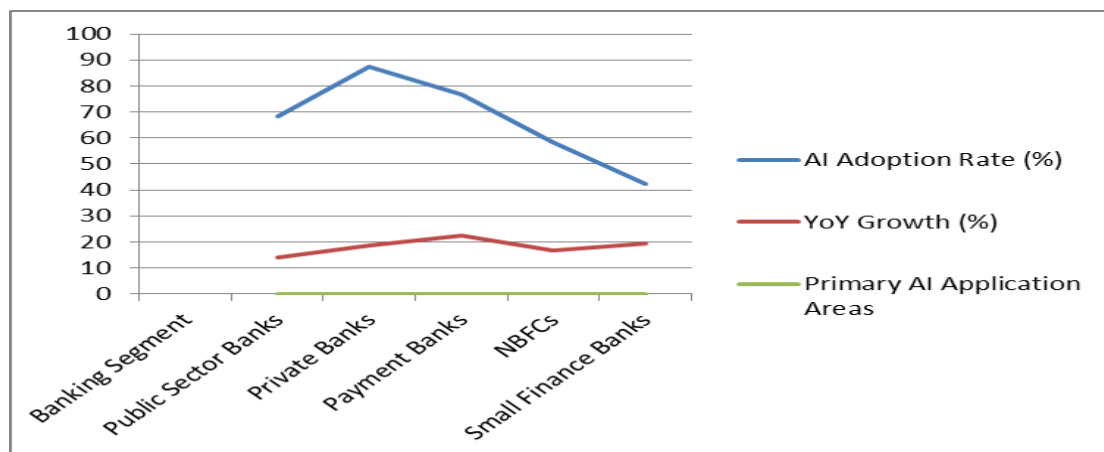


Figure 5: AI Adoption rates by Banking Segment

Private Banks lead AI adoption (87.3%), which focuses on risk assessment and privatization. Payments show the highest growth (22.4%), using AI for transactions and authentication. Public sector banks (68.4%) prefer fraud detection. NBFCs (58.2%) benefit from AI for credit scoring, while small financial banks (42.5%) intervals mainly use AI for automation and analysis.

Table3. Cost Reduction through AI Implementation (2023-24)

Operational Area	Average Cost Reduction (%)	Implementation-Cost Recovery Period (months)
Customer Service	32.7	14.3
Risk Management	28.4	18.7
Compliance	41.2	11.5
Transaction Processing	36.8	9.2
Fraud Detection	43.5	7.6

Source code : PwC India. *AI and Automation in Indian Banking: 2024 Benchmark*. PwC, 2024.

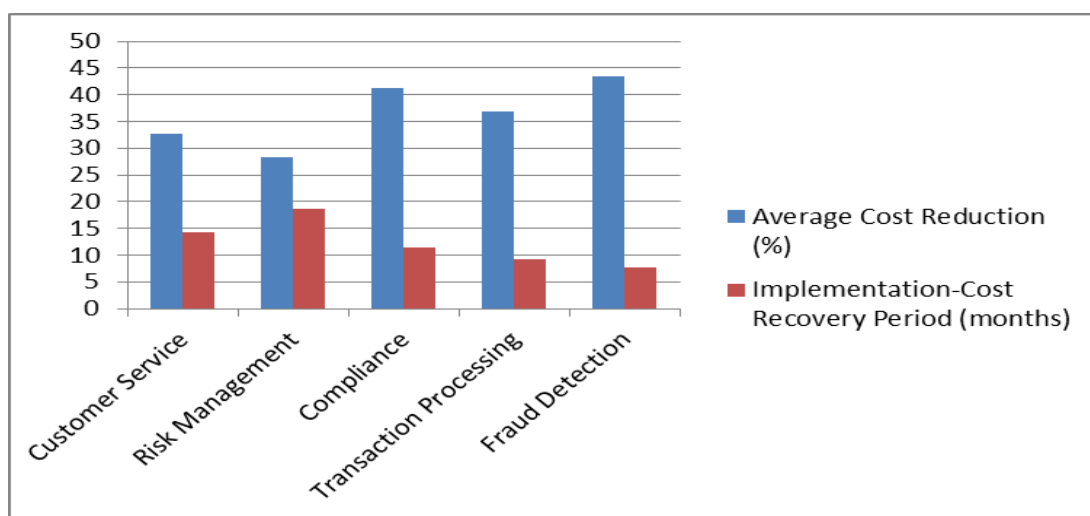


Figure 6: Cost reduction by Operational area

AI provides significant cost savings in banks. Detection of fraud leads to a reduction of 43.5% and the fastest peback (7.6 months). Compliance (41.2%) and transaction processing (36.8%) also show high efficiency benefits. Customer service costs 32.7% cost, but it takes longer to resume investment (14.3 months). Risk management (28.4%) is the slowest return (18.7 months).

Table4. AI Impact on Customer Experience Metrics (2023-24)

Metric	Pre-AI Implementation	Post-AI Implementation	Improvement (%)
Query Resolution Time (mins)	24.6	8.3	66.3
Customer Satisfaction Score (1-10)	6.8	8.4	23.5
Digital Transaction Success Rate (%)	94.2	98.7	4.8
Fraud Detection Accuracy (%)	87.6	96.3	9.9
Loan Processing Time (days)	5.2	1.7	67.3

Source code: McKinsey & Company. (2024). *AI-powered productivity in Indian banking*.

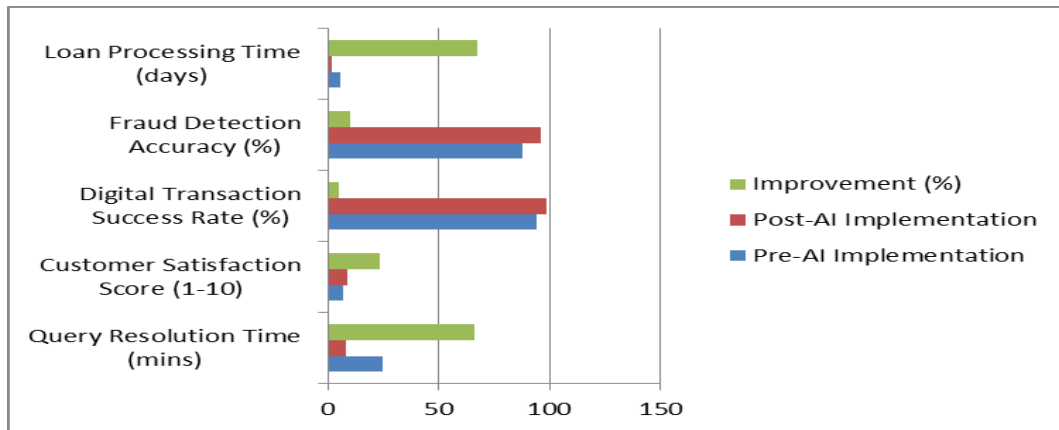


Figure 7:: Improvement Percentage

AI improves the bank's efficiency: query resolution time falls 66.3% (24.6 → 8.3 minutes), while debt treatment speeds up to 67.3% (5.2 → 1.7 days). Fraud detection increases 9.9% (87.6 → 96.3%), and customer satisfaction jumps 23.5% (6.8 → 8.4). Even the success rate for the transaction receives 4.8% (94.2 → 98.7%), reflecting the transformation effects of AI.

Table5. AI Investment in Indian Banking Sector (2020-2024)

Year	Total Investment (₹ Crores)	YoY Growth (%)	Investment Focus Areas
2020	3,248	-	Basic Automation, Chatbots
2021	4,872	50.0	Voice Recognition, ML Models
2022	7,156	46.9	Advanced Analytics, Predictive Models
2023	11,287	57.7	Computer Vision, NLP Solutions
2024	18,436	63.3	Generative AI, Quantum Computing Research

Source code: India Brand Equity Foundation. *Fintech and AI adoption in Indian banking*. 2024.

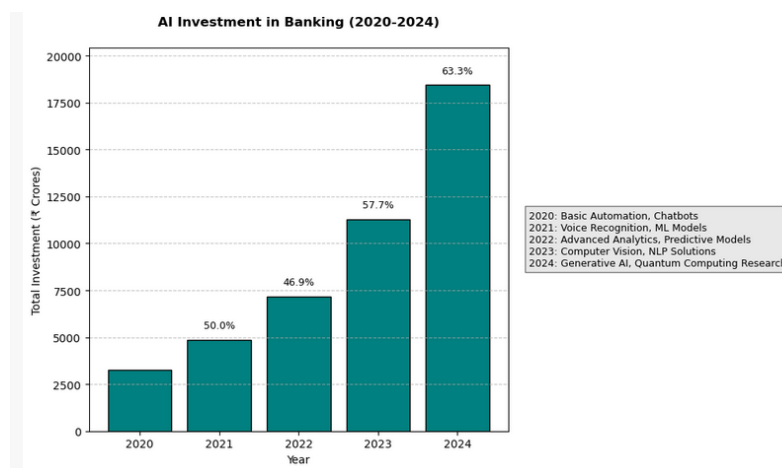


Figure 8:: AI Investment Growth

Banking the AI investment increased from ₹ 3,248 Crore (2020) to ₹ 18,436 Crore (2024), which increases by 63.3% Yoy. The first focus on Chatbots (2020) transferred to the ML model (2021), Predictive Analytics (2022) and NLP (2023). By 2024, invested for generative AI and quantum computer, which depicts rapid adoption of state-of-the-art technologies for competitive advantage.

Table 6. Regional Distribution of AI Banking Solutions in India (2024)

Region	Adoption Rate (%)	Investment Proportion (%)	Dominant AI Technology
Metro Cities	86.3	56.7	Advanced Analytics, Generative AI
Tier-2 Cities	64.8	28.4	Chatbots, Process Automation
Tier-3 Cities	43.2	12.3	Basic ML Models, Mobile Banking AI
Rural Areas	26.7	2.6	SMS Banking AI, Simple Voice Solutions

Source code: NITI Aayog. (2024). *Artificial intelligence adoption across Indian regions*. Government of India.

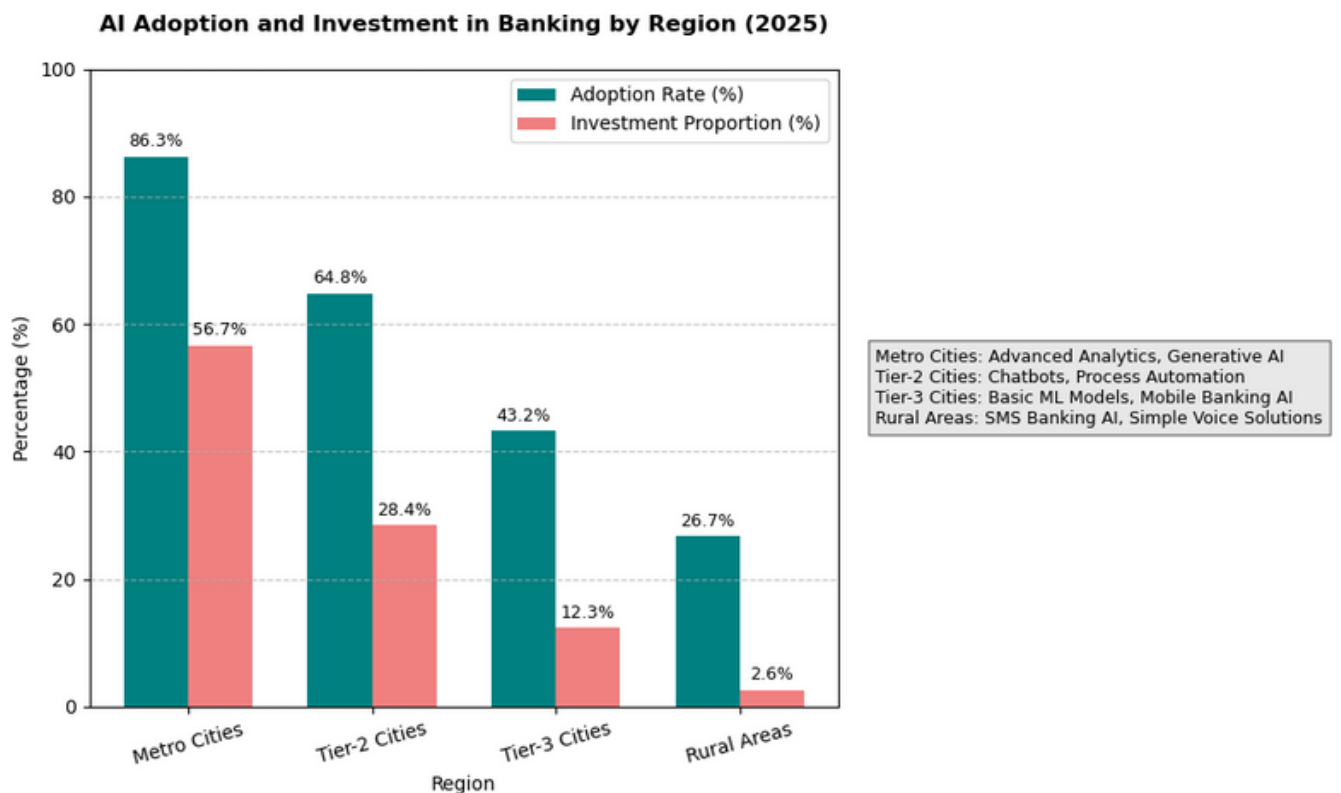


Figure 9: Regional AI Adoption Rates

AI adoption in banking varies sharply by region: **Metro cities** lead (86.3%) with **Generative AI** and analytics, attracting **56.7% of investments**. **Tier-2 cities** (64.8%) focus on **chatbots**, while **Tier-3** (43.2%) uses **basic ML**. **Rural areas** lag (26.7%), relying on **SMS/voice AI** due to infrastructure gaps. Urban-rural disparity remains stark.

VIII Findings

1. Indian banking sector experiences rapid change through AI implementation, and reveals several important trends with analysis:

2. Private banks lead by 87.3% AI adoption, followed by payment banks (76.9%) and public banks (68.4%), adoption in this sector shows 18.3% annual growth rate in adoption. This indicates strong speed against technical integration in all bank segments.
3. The AI implementation has provided adequate operating capacity, especially fraud detection (43.5% cost reduction) and in accordance (41.2%), with implementation costs usually extracted within 12.3 months. This shows a compelling trade for AI investments.
4. Customer experiences show dramatic reforms after Metrics AI integration, and grow 66.3% in query resolution time and satisfaction score increases by 23.5%. Demonstrates the specific effects of AI on service distribution, reducing the loan processing time by 67.3%.
5. The AI investment of the sector increased from £ 3248 crore in 2020 to 54.3% CAGR in 2024 to £ 18,436 crore in 2024. In cases of use indicates from basic automation to advanced applications such as generative AI and quantum calculation research indicates technical maturity.
6. There is a remarkable digital division between metro cities (86.3% adoption) and rural areas (26.7%), and highlights infrastructure and access challenges that must be addressed for inclusive digital bank changes.
7. Banks that implement AI solutions report an average of 34.7% reduction in operating costs and 42.3% improvement in process efficiency, and strengthen the case for continuous investment.
8. The sector is estimated to use 93% AI among all bank institutions by 2028, with an estimated annual invitation.

IX. Compare AI Banking adoption in India Vs. Global Trends

Artificial Intelligence (AI) has emerged as a disruptive force in the quickly changing economic and technological world, changing conventional corporate structures and tactics.[51] The substantial impact AI has on the business environment is thoroughly examined in this study, especially in the dynamic context of India. India, the largest democracy in the world and a rising economic force offers a fascinating context for comprehending the intricate relationships between cutting-edge technologies and the many nuances of different industries. The business sector is now experiencing a new era of creativity, efficiency, and competition due to the development of AI technology. Organizations need to transition from conventional approaches to smart, data-driven decision-making procedures to thrive in today's economy. This shift has become crucial for businesses looking to prosper in a setting that is changing quickly.[48]

X. Challenges faced by the bank using artificial intelligence

1. Many banks struggle with a reluctance to advance or adopt new practices it's very difficult task for banking sector.
2. As Research shows if banking needs commitment which required abolishing knowledge of their existing labour force and human resources skills.
3. The banking industry appears to be struggling with a gap between consumer needs and responses, and the absence of supporting data to undertake operational improvements is sometimes perplexing.
4. The current workforce's lack of training and development in relation to the sophisticated tools and uses of artificial intelligence in banking is evident.
5. Ignorance regarding the AI in front of the clients.
6. Insufficient labour expertise to manage AI tools.
7. Not being able to comprehend the customer's speech or texting style.

XI. Future of AI in Banking Sector

AI will enable banks to automate their knowledge workers and make the process clever enough to eradicate FinTech competition and cyber dangers. The bank's operations and procedures depend heavily on artificial intelligence (AI), which keeps evolving and innovating over time with minimal human input. [49]

AI will make it possible for banks to provide individualized services and maximize the use of both human and machine skills to increase operational and cost efficiencies. The development of AI is likely to be the most

significant endeavor in human history. Something deeper than electricity, fire, a computer, or a mobile device. [50]

AI makes it feasible to provide all customers with excellent service, something that banks are now unable to do. A virtual agent evaluates data, forecasts the client's needs, and suggests services tailored to meet those needs in place of the customer submitting a service request

Conclusion

To sum up, the development of AI in the Indian banking industry is a remarkable example of how technical innovation may transform the established banking system. As we approach a digital revolution, artificial intelligence (AI) has become more than simply a tool for efficiency and expansion; it is also a sign of a future banking industry that is more customer-focused, resilient, and inclusive. Even though the road ahead is full of obstacles, banks have a lot of chances to rethink their place in a tech-driven society. Adopting AI is now essential rather than optional, and it's a step toward integrating technology with services that are focused on people. AI promises to open up new avenues of opportunity as it continues to seep into Indian banking, establishing a worldwide standard for how technology may be used to propel the financial industry to previously unheard-of levels of innovation and service quality.

Therefore, the goal of AI is to deliver efficient and time-saving services together with individualized, high-quality customer fulfilment. In actuality, every innovative technology has benefits and drawbacks. Artificial intelligence is not an anomaly in a country like India, where a significant portion of the populace frequently visits banks for any type of transaction. Due to psychological and technological barriers, all of these things are difficult to accept.

The Indian banking sector develops rapidly through AI integration, changes operations and customer interactions. Private banks are at the forefront, while public and payment banks are constantly prisoners. AI streamlined processes, cuts costs and increases efficiency, especially in detection and compliance. Customers benefit from fast service, fast loan approval and better satisfaction. Investments in AI are growing rapidly, banks have detected advanced techniques such as generic AI. However, adoption is uneven, far beyond rural areas with urban areas. Since AI becomes ubiquitous in banking, this digital distinction should be focused on bridges, and secures quickly in the automatic economic landscape to ensure the inclusive growth and at the same time maintain security and customer confidence.

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