SECTOR PERSPECTIVE | BFSI

Indian BFSI: Two Decades of Compounding

Market capitalisation, fintech funding and the migration of value beyond traditional banks.

SKG Research | 2026

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BFSI Market Cap Rose 50-Fold in Two Decades

INR 90.7 L Cr
Listed BFSI market cap (2025) vs INR 1.8 L Cr in 2005

22% CAGR
Two-decade compounding; a 50x increase in value

6% to 27%
BFSI share of GDP, 2005 to 2025

INR 22,000 Cr
Fintech funding raised in 2025; 3rd globally

The Structural Re-Rating

- Listed BFSI market capitalisation rose 50-fold over two decades - from INR 1.8 lakh crore in 2005 to INR 90.7 lakh crore in 2025, a 22% CAGR.
- BFSI's share of GDP expanded from 6% to 27%, making the sector a structural weight in Indian equities rather than a cyclical one.
- India's third-place global fintech funding rank confirms private capital is still underwriting the next layer of BFSI growth.

Non-Bank Ascendancy

- Non-bank participants - NBFCs, fintechs, insurers and asset managers - lifted their share of BFSI market cap from 15% (2005) to 43% (2025).
- Banks no longer define the sector: close to half of BFSI value now sits outside the banking system.
- Indian fintechs raised INR 22,000 crore in 2025, ranking India third globally by fintech funding behind only the US and UK.
- The shift widens the investable BFSI universe well beyond large private banks and PSU lenders.

BFSI has compounded at 22% for twenty years and now carries 27% of GDP - but value creation is migrating away from banks toward non-bank and fintech balance sheets.

GLOBAL EQUITY STANDING: DETERIORATING ON TWO FRONTS

India Slips on Index Weight and Market-Cap Rank

FRONT 1 · MSCI EM INDEX WEIGHT

10.9%

India's weight in the MSCI Emerging Markets index at end-May 2026 - a multi-year low since 2021.

- No Indian company ranks among the index's top ten constituents; HDFC Bank and Reliance slipped to 11th and 12th.

FRONT 2 · GLOBAL MARKET-CAP RANK

6th

India's equity market capitalisation rank globally (USD 4.9 trillion) at end-May 2026.

- Just ahead of South Korea and behind Taiwan - a year earlier India was roughly 3x Korea and 2x Taiwan.

Capital Rotation

Global capital rotated into semiconductor and AI-hardware names listed in Korea and Taiwan.

Loss of Anchor Weight

With no top-ten constituent, India loses passive-flow gravity inside EM benchmarks.

Relative, Not Absolute

India's market cap still grew in absolute terms - North Asian peers simply re-rated faster.

India is losing relative ground on both index weight and market-cap rank - a rotation driven by AI and semiconductor re-rating in North Asia rather than by domestic deterioration.

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Mutual Fund AUM Tripled in Six Years to INR 81.6 Lakh Crore

INR 24.83 L Cr
Average AUM, March 2020

INR 80.2 L Cr
Crossed by December 2025

INR 81.6 L Cr
May 2026 - an 18% CAGR

Participation Surge

- SIP AUM compounded at 38.5% to INR 16.85 lakh crore across more than 22.9 crore accounts.
- Unique registered investors on NSE nearly quadrupled over six years to 13 crore by April 2026.
- Demat accounts across NSDL and CDSL rose around 5.5x since the pandemic, with nearly 75% of outstanding accounts added in the last five years.

Demographic Skew

About 48% of mutual fund investors are aged 18 to 30 - the industry's growth is being built on first-time, digitally acquired investors.

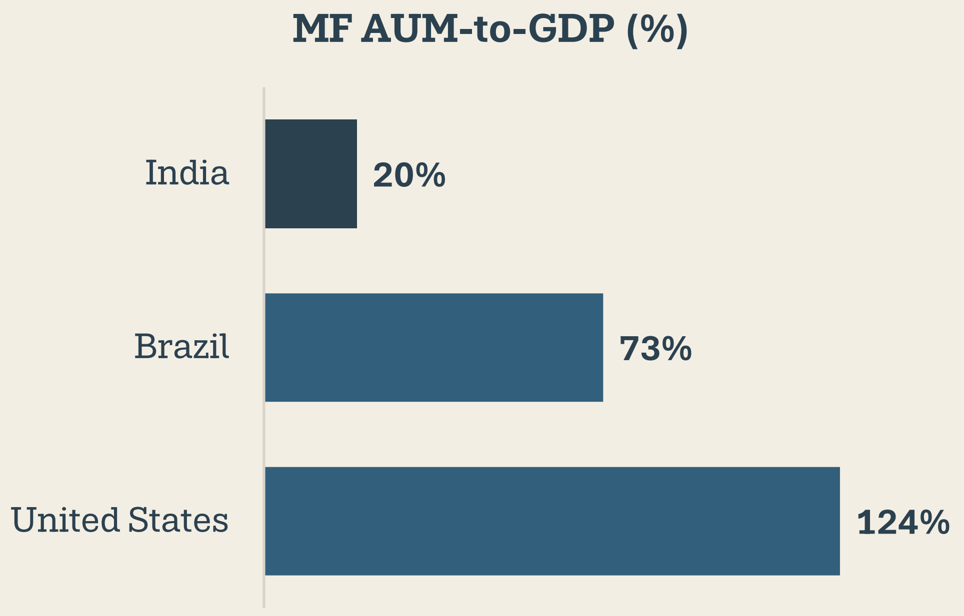
Geographic Spread

Beyond-Top-30 cities lifted AUM share from 16% to 19% and contributed 35% of new SIP registrations as at December 2025.

Domestic participation is broadening by age and geography at the same time as it deepens - SIP flows at 38.5% CAGR are now the market's most reliable source of liquidity.

STRUCTURAL HEADROOM & REGULATORY RESET

Low Penetration, Large Headroom - and a New Fee Architecture



India's MF AUM-to-GDP ratio of 20% sits far below the US (124%) and Brazil (73%) - substantial headroom, but also proof of how shallow current penetration still is.

Total Expense Ratio → Base Expense Ratio

SEBI's Mutual Funds Regulations, 2026 (effective April 2026) replace the TER with a Base Expense Ratio, excluding statutory charges and passing them through separately - the most consequential change since 1996. Fee transparency improves; distribution economics for mid-sized AMCs compress.

'Significant Index' Classification

From a 5 May 2026 circular: any benchmark tracked by MF schemes with combined daily average AUM above INR 20,000 crore for six consecutive months is a Significant Index; its provider must register with SEBI within six months.

Nomination Norms Standardised

A 29 May 2026 circular standardises nomination, modification, cancellation and opt-out procedures for demat accounts and MF folios.

The growth runway is real - 20% AUM-to-GDP against 124% in the US - but the 2026 regulatory reset shifts economics toward scale players and index-linked providers.

PMS Is Half the Size of the Entire Mutual Fund Industry

INR 42.6

LAKH CRORE

Total AUM in the SEBI-registered portfolio manager industry, May 2026.

≈ Half of mutual fund industry AUM

A pool the earlier briefing never sized

The SOFSI-based briefing did not separately size PMS. At INR 42.6 lakh crore it is roughly half of mutual fund industry AUM - a scale that changes how the domestic asset-management picture should be read.

Competing for the same wallet

This is a materially large discretionary and non-discretionary pool competing directly with mutual funds and AIFs for the same HNI and institutional allocations.

Why it matters for distribution

With the Base Expense Ratio compressing mutual fund distribution economics, PMS mandates become a more attractive shelf for HNI-facing distributors and wealth platforms.

Any view of Indian asset management that stops at mutual funds understates the market by INR 42.6 lakh crore - PMS is now a first-order competitor for HNI and institutional capital.

Record FPI Exit, Absorbed by a Five-Times-Larger Domestic Bid

US$19.6bn **FPI net outflow, FY26**

A record year of selling, with nearly 72% - US$14.2bn - concentrated in the March quarter. FPI equity ownership fell to a 17-year low of 15.8%.

US$95.8bn **net DII buying**

Domestic institutions bought nearly five times the scale of FPI outflows, underscoring the growing domestic offset to foreign selling.

Recurring debt-fund redemption cycles - driven by institutional cash cycles such as advance-tax payments

INR 2.94 L Cr	INR 1.32 L Cr	INR 1.01 L Cr
March 2026	December 2025	September 2025

May 2026: the pattern continued

- FPIs recorded a net outflow of INR 29,484 crore across asset classes, with INR 32,963 crore of net equity selling - a third straight month of outflows - on rupee depreciation, softer earnings and AI-led rotation.
- The mutual fund industry saw a net outflow of INR 64,021 crore, again led by income and debt schemes; funds net-invested INR 60,597 crore into equities while withdrawing INR 65,994 crore from debt.

Domestic flows are absorbing a record foreign exit, but recurring debt redemptions of INR 1-3 lakh crore per quarter remain the system's untested liquidity pressure point - last stress-tested in 2020.

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India Hosts Over Half the World's GCCs - and Now Owns the Mandate

1,800+
GCCs in India - more than 50% of all such centres globally

2.16 mn
Professionals employed in FY25; 11% CAGR over five years

4-5 mn
Projected GCC headcount by FY30, from 2.16 mn today

1.8% → 2.8%
Direct GDP contribution, now to 2030

Financial Services Leads the Vertical

- Financial services is the most active GCC vertical: over 230 FS GCCs employ more than 450,000 professionals - 20-25% of India's entire GCC workforce.
- Expansion into tier-2 and tier-3 cities grew 1.4x between FY19 and FY24, widening the talent catchment beyond the metros.
- At 1.8% of GDP today and 2.2-2.8% projected by 2030, GCCs are an economy-level contributor, not a services niche. With headcount projected to double to 4-5 million by FY30, FS GCCs will compete directly with domestic BFSI for the same specialist talent pool.

From Cost Centre to Strategic Partner

- 27% of surveyed GCC executives report Global Process Owners now sit within the India centre, with embedded global GCC leaders realising 20%+ average cost savings.
- 58% of FS GCC executives have begun or are planning GenAI adoption, led by Finance (46% implementing) and IT (41%).
- 70% report insourcing previously outsourced work while 80% maintain or increase third-party outsourcing spend - a hybrid, not binary, sourcing shift.

GCCs have moved from labour arbitrage to process ownership - financial services leads, GenAI is being embedded, and sourcing is becoming hybrid rather than a swing between insourcing and outsourcing.

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