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THE FUTURE OF BANKING IN INDIA TOWARDS 2047: LAW, TECHNOLOGY, CREDIT ARCHITECTURE AND REGULATORY TRANSFORMATION

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Abstract
The future of banking sector in India extends beyond the adoption of digital technologies and financial innovations. Rather, it reflects a broader legal, regulatory and institutional transformation aimed at supporting the country's long-term developmental aspirations under the vision of Viksit Bharat 2047.As India moves towards 2047, the banking sector is expected to look very different from today as it is likely to function in a highly complex ecosystem composed of traditional licensed banks, digital banking units, fintech intermediaries, algorithmic decision-making systems, platform-embedded financial products and hybrid recovery and enforcement mechanisms. This paper argues that Indian banking law is undergoing a structural transition from a branch-centric, asset-focused regulatory paradigm to a platform-based, data-governed and operational-resilience-oriented legal architecture. The sustainability of this transition depends on whether law can recalibrate accountability, risk allocation and legitimacy in an environment characterised by automation, outsourcing and institutional fragmentation. This paper argues that Indian banking law is undergoing a structural transition from a branch-centric, asset-focused regulatory paradigm to a platform-based, data-governed, and operational-resilience-oriented legal architecture, consistent with the objectives of Viksit Bharat 2047, including inclusive growth, trust in digital public infrastructure and institutional robustness. The sustainability of this transition depends on whether law can recalibrate accountability, risk allocation and legitimacy in an environment characterised by automation, outsourcing and institutional fragmentation. Through doctrinal, institutional and comparative analysis, the paper examines how existing banking regulation, data protection law, technology governance norms, debt recovery statutes, asset reconstruction frameworks and the Negotiable Instruments Act must evolve to support India's aspiration of becoming a developed economy by 2047.

Keywords: Viksit Bharat, Digital Banking, Artificial Intelligence, Sustainable Finance, Banking Regulation, Technology Governance.

Introduction
As the banking sector continues to evolve, attention must be given not only to technological developments but also to the legal and institutional structures that govern financial activities. Indian banking has traditionally been shaped by a distinctive blend of private commercial activity and public regulatory control. From nationalisation and directed credit policies to post-liberalisation prudential supervision, the development of banking in India have always been shaped by the government's objective of maintaining financial stability, ensuring fair access to financial resources and supporting economic growth. This foundational role of banking assumes renewed importance in the context of India's vision of becoming a "Viksit Bharat" by the year 2047, which places sustained economic growth, financial inclusion, digital leadership and institutional credibility at the core of national policy.

Banking today rely more on technology than ever before, with banks using digital platforms, customer data, automated systems for assessing loans, and streamlined processes for recovering dues. Functions once performed internally by banks are now distributed across fintech intermediaries, cloud service

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providers, analytics vendors, recovery agents and digital payment platforms. These structural shifts raise fundamental legal questions that are directly relevant to the Viksit Bharat 2047 agenda: Where does regulatory responsibility lie in a fragmented ecosystem? How should law respond to automated decision-making in credit and recovery? Can existing recovery institutions sustain credit discipline without over-reliance on coercive enforcement?

By 2047, Indian banking is likely to operate through a multi-layered financial ecosystem comprising licensed banks, digital banking units, platform intermediaries, artificial intelligence systems and specialised recovery institutions. The success of this ecosystem measured against the aspirations of Viksit Bharat 2047 will depend not on technological sophistication alone, but on whether Indian banking law can re-allocate accountability, recalibrate enforcement and preserve procedural legitimacy in a highly automated financial environment.

This paper proceeds on the premise that the future of banking in India is fundamentally a legal transformation project. Technology alters delivery mechanisms, but law determines power, risk and responsibility. Accordingly, the paper undertakes a detailed doctrinal analysis of critical legal domains that will shape Indian banking by 2047: technology governance as prudential regulation, the institutional limits of the Debt Recovery Tribunals (DRT)-based recovery, the evolving legitimacy of the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 (SARFAESI) enforcement, the role of the Asset Reconstruction Companies (ARCs) and the Bad Bank in systemic NPA resolution and the contested future of criminal enforcement under the Negotiable Instruments Act, 1881.

Platformisation of Banking and the Doctrine of Non-Delegable Regulatory Responsibility

One of the most significant structural changes in modern banking is the disaggregation of banking functions across multiple entities. Traditional banking involved a vertically integrated institution that accepted deposits, assessed credit, disbursed loans, serviced customers and enforced repayment. Contemporary banking, by contrast, increasingly operates through platform-based arrangements in which these functions are fragmented. Customer acquisition may be handled by a fintech platform; underwriting may rely on third-party analytics; servicing may be outsourced to technology vendors; and recovery may involve specialised agents or automated systems.

This disaggregation creates efficiency gains but also generates legal complexity. When multiple actors participate in the delivery of a single banking product, it becomes difficult to identify where legal responsibility lies. Without a clear doctrinal anchor, platformisation risks producing regulatory arbitrage, where each participant disclaims responsibility by pointing to contractual arrangements.

Indian banking regulation has responded to this challenge through a clear doctrinal position: regulatory responsibility is non-delegable. The RBI's Guidelines on Digital Lending explicitly state that regulated entities remain responsible for all aspects of lending, including customer protection, disclosure, grievance redressals and compliance with law, regardless of the involvement of lending service providers or fintech partners.[1] This principle is not confined to digital lending; it reflects a broader regulatory philosophy that prioritises accountability over contractual form.

[1] Reserve Bank of India, *Guidelines on Digital Lending* (2 September 2022).

The legal significance of this doctrine cannot be overstated. It ensures that the banking licence remains the focal point of regulatory accountability, even in a decentralised ecosystem. Banks may outsource functions, but they cannot outsource obligations.An approach consistent with the long-term institutional stability envisaged under Viksit Bharat 2047. In the United Kingdom, authorised firms remain responsible for outsourced activities under the Financial Services and Markets Act and FCA/PRA outsourcing rules.[2] In the European Union, similar principles are embedded in the EBA Guidelines on outsourcing and reinforced by the Digital Operational Resilience Act (DORA).[3]

By 2047, platformisation will be far more advanced, with AI-driven decision-making, cloud-hosted core systems and embedded finance becoming the norm. The doctrine of non-delegable responsibility will then be critical to preserving regulatory coherence. Without it, banking law risks fragmentation and erosion of public trust. The future legal challenge will be to operationalise this doctrine through enforceable governance standards, audit rights and supervisory access across complex value chains.

Digital Banks, Neo-Banks and India's Licensing Dilemma

Despite rapid digitisation, India has not yet introduced a distinct category of digital-only bank licences. Instead, digitisation has been pursued through mechanisms such as Digital Banking Units and partnerships between licensed banks and fintech entities.[4] This approach reflects regulatory caution. Deposit-taking and payment settlement are systemically critical activities and regulators have been reluctant to dilute licensing standards without robust supervisory capacity.

NITI Aayog's discussion paper on digital banks proposed a phased licensing framework, drawing inspiration from international models.[5] However, the absence of legislative follow-through suggests unresolved concerns about capital adequacy, governance and resolution of digital-only banks.

Singapore's digital banking framework illustrates a calibrated approach. The Monetary Authority of Singapore introduced digital full bank and digital wholesale bank licences with phased capital requirements, activity restrictions and close supervisory oversight.[6] This model seeks to balance innovation with stability by allowing new entrants to scale gradually. The United Kingdom's mobilisation regime similarly allows new banks to operate under restrictions while building operational capability.[7]

These models demonstrate that digital bank licensing is not inherently destabilising, but it requires sophisticated supervision. Whether India adopts a similar model before 2047 remains a policy choice.Regardless of whether India adopts digital bank licensing, the legal core of banking will remain unchanged: deposit protection, payment system integrity and consumer trust demand stringent regulation. The future challenge is not licensing per se, but ensuring that whichever institutional form is adopted operates within a coherent legal framework that preserves accountability and stability.

Digital Payments, UPI and the Expansion of Banking Law

[2] Financial Services and Markets Act 2000 (UK); FCA, *Outsourcing and Third-Party Risk Management*.
[3] Regulation (EU) 2022/2554 (Digital Operational Resilience Act).
[4] Reserve Bank of India, *Guidelines for Establishment of Digital Banking Units* (7 April 2022).
[5] NITI Aayog, *Digital Banks: A Proposal for Licensing & Regulatory Regime for India* (2022).
[6] Monetary Authority of Singapore, *Digital Banking Licences Framework* (2020).
[7] Prudential Regulation Authority (UK), *Authorisation and Mobilisation Regime*.

India's digital payment ecosystem particularly the rise of UPI has fundamentally altered the nature of banking in India and has become a cornerstone of its digital public infrastructure. Payments are no longer peripheral services; they are the backbone of retail finance. With billions of transactions processed monthly, payment system failures now carry systemic implications.[8]This infrastructure plays a central role in advancing Viksit Bharat 2047 objectives such as financial inclusion, formalisation of the economy and reduction of transaction costs. However, this transformation necessitates a reconceptualisation of payments law as part of core banking regulation.

RBI's response has been to strengthen oversight of payment intermediaries, culminating in comprehensive directions governing payment aggregators.[9] These directions impose governance standards, merchant due diligence obligations; data security requirements and grievance redress mechanisms that resemble prudential regulation.

The European Union's PSD2 and proposed PSD3 similarly expand regulatory oversight of payment institutions, emphasising security, consumer protection and operational resilience.[10] In the United States, payment systems are subject to a combination of federal oversight and private network governance. India's approach, characterised by strong central bank supervision, reflects its emphasis on systemic stability.

By 2047, payment intermediaries may be regulated as critical financial utilities, subject to resilience testing, audit obligations and enhanced supervisory scrutiny. Banking law will thus extend beyond balance sheets to encompass the reliability and integrity of digital rails.

Data Protection, Consent and the Re-Engineering of Banking Compliance

The Digital Personal Data Protection Act, 2023 (DPDP Act) marks a paradigm shift in Indian banking law.[11]Banks are among the largest processors of personal data, relying on data for on boarding, underwriting, fraud prevention, marketing and recovery. The DPDP Act transforms these activities into legally accountable processes grounded in consent, purpose limitation and enforceable rights.

In the context of Viksit Bharat 2047, data governance will be central to banking governance. Consent cannot be treated as a procedural formality, particularly where access to credit or financial services is contingent upon data sharing. The law thus reconfigures the relationship between banks and customers from one of informational asymmetry to one of regulated trust.

The Account Aggregator framework represents an attempt to reconcile data mobility with legal accountability. By enabling consent-based sharing of financial data, it seeks to reduce information asymmetry while preserving user control.[12] However, it also raises concerns about voluntariness, especially for MSMEs and small borrowers who may have limited bargaining power.

The European Union's GDPR, particularly Article 22, restricts automated decision-making that produces legal or similarly significant effects, unless safeguards are in place.[13] While Indian law does not contain an identical provision, similar principles may emerge through judicial interpretation.

[8] National Payments Corporation of India, *UPI Product Statistics*.
[9] Reserve Bank of India, *Reserve Bank of India (Regulation of Payment Aggregators) Directions, 2025*.
[10] Directive (EU) 2015/2366 (PSD2).
[11] Digital Personal Data Protection Act, 2023.
[12] Reserve Bank of India, *NBFC–Account Aggregator (Reserve Bank) Directions*.
[13] Regulation (EU) 2016/679 (GDPR).

Artificial Intelligence, Credit Scoring and Algorithmic Accountability in Banking

The increasing reliance on artificial intelligence in banking operations raises fundamental legal questions concerning fairness, accountability and transparency. AI-driven systems are now routinely used for credit scoring, fraud detection, transaction monitoring, customer segmentation and early-warning systems for loan stress. By 2047, such systems are likely to become central to banking decision-making, particularly in retail and MSME lending. However, the delegation of economically significant decisions to algorithmic systems challenges traditional legal assumptions about discretion, responsibility and reasoned decision-making.

The DPDP Act directly engages with AI-based banking practices, as such systems depend upon extensive processing of personal and financial data. The Act imposes obligations of lawful processing, purpose limitation, data minimisation and accountability upon data fiduciaries, including banks.[14] Where AI systems rely on broad or bundled consent for credit assessment, serious questions arise as to whether such consent is genuinely informed, particularly when refusal effectively results in financial exclusion.

Beyond data protection, RBI's prudential framework implicitly treats AI as a technology and model risk. The Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices requires banks to identify, assess and mitigate risks arising from automated systems and third-party technologies.[15] Algorithmic credit models hence fall squarely within the scope of governance, auditability and board-level oversight. Banks cannot disclaim responsibility by attributing decisions to proprietary algorithms or external vendors.

Comparative regulatory experience reinforces this approach. The European Union's proposed Artificial Intelligence Act classifies creditworthiness assessment as a "high-risk AI system", subjecting it to stringent obligations relating to transparency, human oversight and governance.[16] In the United States, banking regulators have long required rigorous model validation and governance under supervisory guidance on model risk management.[17] These developments suggest that by 2047, Indian banking regulation is likely to converge towards a requirement of explain ability and human review in AI-mediated credit decisions.

One major problem with algorithms is that people often do not know how decisions are being made. Indian law considers reasoned decision-making to be an essential requirement of fairness and accountability. As AI-generated outcomes increasingly affect access to credit and financial services, courts may be compelled to adapt these principles, requiring banks to provide intelligible explanations and meaningful avenues for review. Failure to do so may invite judicial scrutiny under both statutory and constitutional grounds.

Technology Governance and Operational Resilience as Core Prudential Regulation

With banks relying more on digital systems, technology governance has become a central aspect of banking regulation. Historically, information technology was treated as an internal operational matter.

[14] Digital Personal Data Protection Act 2023.
[15] Reserve Bank of India, *Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices* (7 November 2023).
[16] European Commission, *Proposal for a Regulation Laying Down Harmonized Rules on Artificial Intelligence (Artificial Intelligence Act)*COM(2021) 206 final.
[17] Board of Governors of the Federal Reserve System, *SR 11-7: Guidance on Model Risk Management* (2011).

Therefore, now this traditional approach is no longer tenable in a financial system where core banking, payments, settlement and customer interfaces depend almost entirely on digital infrastructure.

The Reserve Bank of India's Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices marks a decisive regulatory shift by explicitly assigning responsibility for technology governance to the board of directors and senior management.[18]This integration of technology governance into prudential oversight reflects the recognition that cyber incidents, system outages and data breaches can pose systemic risks comparable to capital or liquidity shocks.

A central concern for future banking law is third-party and concentration risk. Banks increasingly rely on a limited number of cloud service providers and technology vendors for critical operations. RBI's outsourcing and IT governance frameworks emphasise audit rights, exit strategies and continuous monitoring, highlighting that outsourcing does not dilute regulatory accountability.[19]

Developments in other countries also show a similar trend. The European Union's Digital Operational Resilience Act establishes a harmonised framework for ICT risk management, including oversight of critical third-party service providers.[20] Similarly, the United Kingdom's operational resilience regime requires firms to identify important business services, define impact tolerances and test their ability to remain within those tolerances during severe disruptions.[21]

By 2047, operational resilience is likely to function as a continuous supervisory metric within Indian banking regulation. Supervisory assessments may increasingly focus on a bank's ability to prevent, absorb and recover from technology-related disruptions, rather than mere compliance with prescribed controls. This development has significant legal implications for director responsibility, supervisory enforcement and the standard of care expected in banking governance.

Climate Finance, Green Banking and ESG Regulation in India Towards 2047

A developed India by 2047 cannot be achieved through economic growth alone; it must also include environmental protection and climate resilience. In this context, banking institutions occupy a central position as the principal conduits through which capital is allocated across the economy. The legal and regulatory framework governing banking must internalise climate and environmental risks not merely as matters of corporate social responsibility, but as prudential, financial and systemic risks capable of affecting asset quality, financial stability and long-term economic development.

Conventionally, Indian banking law has treated environmental considerations as external to core prudential regulation. Credit decisions were assessed primarily through the lens of borrower solvency, collateral adequacy and sectoral exposure. This approach is increasingly untenable. Climate change manifests financial risks through multiple channels: physical risks arising from climate-induced disasters; transition risks associated with policy shifts towards decarbonisation; and liability risks linked to environmental harm. These risks directly affect the valuation of assets, the viability of business models and the stability of financial institutions.

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[18] Reserve Bank of India, *Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices* (7 November 2023).
[19] Reserve Bank of India, *Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services* (as amended).
[20] Regulation (EU) 2022/2554 (Digital Operational Resilience Act).
[21] Bank of England, *Operational Resilience: Impact Tolerances for Important Business Services* (Policy Statement).

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In recent years, the Reserve Bank of India has begun to acknowledge climate risk as a supervisory concern, aligning with global regulatory developments. RBI has engaged with the Network for Greening the Financial System (NGFS) and has initiated discussions on climate-related financial disclosures, stress testing and risk management within regulated entities.[22] While India does not yet have a binding green taxonomy or mandatory climate stress-testing regime, the trajectory indicates a gradual integration of climate considerations into prudential supervision.
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From a legal perspective, the incorporation of climate risk into banking regulation raises important questions regarding regulatory mandate and institutional competence. Unlike jurisdictions such as the European Union where climate objectives are explicitly embedded within financial regulation through instruments such as the European Union Taxonomy Regulation, Indian banking law derives its authority primarily from financial stability and depositor protection objectives.[23] The legitimacy of climate-related banking regulation in India must be grounded in the demonstrable financial materiality of climate risks, rather than broader environmental policy goals.

The emergence of green finance and sustainable lending frameworks further complicates this legal landscape. Banks are increasingly encouraged to extend credit to renewable energy projects, sustainable infrastructure and environmentally responsible enterprises. While such credit allocation aligns with national development goals, it also raises concerns regarding credit appraisal standards, risk pricing and potential regulatory forbearance. Indian banking law must guard against a scenario where ESG considerations dilute prudential discipline, leading to mispricing of risk or accumulation of latent Non-Performing Assets (NPAs).

A related issue concerns ESG disclosures and governance obligations. As banks integrate ESG criteria into lending and investment decisions, questions arise regarding the legal enforceability and accuracy of ESG representations. Misleading claims of sustainability commonly referred to as “green washing” can expose banks to regulatory and reputational risk. While SEBI has taken the lead in regulating ESG disclosures in capital markets, RBI’s role in supervising ESG-related risks in banking remains evolving.[24] Coordination between financial regulators will be essential to ensure consistency and avoid regulatory arbitrage. Looking at the other countries can help us understand better approaches and possible solutions. The European Union has adopted a legally binding green taxonomy to classify sustainable economic activities, thereby reducing ambiguity in green lending. The United Kingdom has integrated climate stress testing into prudential supervision, requiring banks to assess the resilience of their balance sheets under different climate scenarios.[25] These approaches treat climate risk as an extension of traditional prudential regulation rather than an external policy objective.

By 2047, as India aspires to developed-economy status, climate finance is likely to become a mainstream component of banking regulation rather than a peripheral initiative. Indian banking law must evolve to integrate climate risk assessment, ESG governance and sustainable finance within a coherent prudential framework one that supports long-term growth while preserving financial stability and credit discipline.

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[22] Network for Greening the Financial System, *NGFS Climate Scenarios for Central Banks and Supervisors* (NGFS, 2022); Reserve Bank of India, *Report on Trend and Progress of Banking in India 2022–23* (RBI, 2023).
[23] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment (EU Taxonomy Regulation).
[24] Securities and Exchange Board of India, *Business Responsibility and Sustainability Reporting (BRSR) Framework* (2021, as amended).
[25] Bank of England, *Biennial Exploratory Scenario on the Financial Risks from Climate Change* (2021).

Debt Recovery Tribunals and the Structural Limits of Tribunal-Based Credit Enforcement

The efficiency of debt recovery mechanisms is central to the sustainability of any banking system.In India, the establishment of the DRTs under the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (now the Recovery of Debts and Bankruptcy Act, 1993) represented a conscious legislative decision to remove bank recovery litigation from the ordinary civil court system.

The fundamental assumption was that specialised tribunals, freed from the procedural rigours of the Code of Civil Procedure, would ensure expeditious adjudication and thereby strengthen credit discipline.

However, empirical experience over the past two decades reveals a persistent institutional mismatch between jurisdiction and capacity. Parliamentary disclosures consistently show a substantial backlog of cases before DRTs, including original applications filed by banks as well as securitisation applications under Section 17 of the SARFAESI Act.[26]This congestion weakens the very rationale of tribunalisation.When recovery proceedings extend over several years, the expected value of enforcement diminishes, provisioning pressures increase and banks become structurally risk-averse in lending.

The legal implications of DRT dysfunction are significant. First, prolonged delays erode the principle of speed as a substitute for coercion. Second, they incentivise banks to rely on parallel enforcement mechanisms most notably criminal prosecution under the Negotiable Instruments Act thereby distorting the balance between civil and criminal law. Third, they raise constitutional concerns regarding access to justice, particularly when civil court jurisdiction is statutorily excluded but the alternative forum proves ineffective.

Comparative experience suggests that tribunalisation is not inherently flawed, but its success depends on adequate staffing, procedural discipline and technological support. Jurisdictions such as the United Kingdom rely primarily on civil courts and insolvency processes, supplemented by specialised commercial courts, rather than standalone recovery tribunals. Singapore’s model similarly emphasises judicial capacity and case management rather than fragmentation across multiple fora. For India to achieve Viksit Bharat 2047, Indian banking law must confront the reality that tribunalisation without capacity reform risks becoming a structural impediment to credit growth rather than a facilitator of enforcement.

SARFAESI Act and the Jurisprudence of Non-Judicial Enforcement

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 represents one of the most consequential legislative interventions in Indian banking law. By permitting secured creditors to enforce security interests without prior judicial adjudication, SARFAESI fundamentally altered the creditor–debtor relationship. The constitutionality of this framework has been upheld, but only on the basis that procedural safeguards and post-enforcement remedies are real and effective.

Judicial interpretation has consistently emphasised that SARFAESI does not confer unfettered power on banks. The Supreme Court has repeatedly held that while the Act permits non-judicial enforcement, such enforcement must comply strictly with statutory requirements and principles of fairness. The

[26]Lok Sabha Unstarred Question No 440, Ministry of Finance, ‘Cases Pending before Debts Recovery Tribunals’ (2024).

borrower's right to approach the DRT under Section 17 is not illusory but a substantive safeguard against arbitrary action.[27]

One of the most litigated aspects of SARFAESI enforcement concerns auction processes and valuation practices. Allegations of undervaluation, lack of transparency and procedural irregularities have frequently been raised before tribunals and High Courts. Courts have responded by insisting on adherence to the Security Interest (Enforcement) Rules, 2002, particularly with respect to valuation, reserve price fixation and publication requirements. These judicial interventions accentuate that SARFAESI operates within, not outside, the rule of law.

Another complex legal dimension involves the rights of third parties, including tenants and bona fide purchasers. Judicial decisions have attempted to balance creditor interests with property and tenancy protections, reflecting an effort to integrate SARFAESI enforcement with broader principles of property law. By 2047, the legitimacy of SARFAESI will depend on further procedural standardisation, including transparent digital auction platforms and reasoned enforcement actions capable of withstanding judicial scrutiny.

Asset Reconstruction Companies and the Architecture of Stressed Asset Resolution

The ARCs were introduced as specialised institutions intended to aggregate, manage and resolve non-performing assets. The legislative premise was that banks, burdened with operational and regulatory constraints, were ill-equipped to manage distressed assets effectively. ARCs were expected to bring specialised expertise, flexibility and market-oriented resolution strategies.

In practice, however, ARC performance has been uneven. Regulatory and market assessments have highlighted concerns regarding valuation practices, governance standards and the pace of resolution.[28] In response, the Reserve Bank of India has progressively strengthened its regulatory oversight through revised Master Directions governing ARCs, including norms relating to governance, provisioning and management takeover of borrower entities.[29]

The establishment of the National Asset Reconstruction Company Limited (NARCL), backed by a sovereign guarantee on security receipts, marks a significant departure from purely market-based resolution.[30] While this "Bad Bank" model aims to address legacy NPAs and clean up bank balance sheets, it raises important legal and policy questions. Foremost among these is the risk of moral hazard, whereby future lending discipline may be weakened by expectations of state-supported resolution.

Comparative experience offers cautionary lessons. In the United States, asset management vehicles such as those used during the savings and loan crisis and the Global Financial Crisis were explicitly time-bound and accompanied by stringent oversight.[31] In the context of Viksit Bharat 2047, India's stressed asset resolution framework must evolve towards a hybrid model that combines market discipline with limited, transparent state intervention, ensuring that extraordinary measures do not become permanent substitutes for prudent credit assessment.

[27] *Mardia Chemicals Ltd v Union of India* (2004) 4 SCC 311; *United Bank of India v SatyawatiTondon* (2010) 8 SCC 110.
[28] Reserve Bank of India, *Report on Trend and Progress of Banking in India2022–23* (RBI, 2023).
[29] Reserve Bank of India, *Master Directions – Asset Reconstruction Companies (Reserve Bank) Directions, 2024* (RBI/DOR/2024).
[30] Press Information Bureau, Government of India, 'Cabinet approves Central Government guarantee to back Security Receipts issued by National Asset Reconstruction Company Limited (NARCL)' (Press Release, 15 September 2021).
[31] United States Department of the Treasury, *Troubled Asset Relief Program (TARP): Quarterly Report to Congress* (2023).

Negotiable Instruments Act and the Criminalisation of Credit Enforcement

The continued reliance on Section 138 of the Negotiable Instruments Act, 1881 for enforcing credit obligations presents one of the most distinctive and controversial features of Indian banking law. Originally intended to enhance the credibility of negotiable instruments, criminalisation of cheque dishonour has gradually evolved into a de facto debt recovery mechanism. The sheer volume of Section 138 litigation indicates that criminal courts have become deeply enmeshed in commercial enforcement.

Judicial intervention has sought to rationalise this phenomenon. The Supreme Court has clarified that insolvency moratoria under the Insolvency and Bankruptcy Code extend to Section 138 proceedings against corporate debtors, thereby reinforcing coherence between recovery regimes.[32]Still, the broader question remains unresolved: whether criminal prosecution is an appropriate instrument for enforcing private commercial obligations.

In a digital payments ecosystem aligned with Viksit Bharat 2047, the continued centrality of cheque-based criminal enforcement appears anachronistic. Comparative jurisdictions largely treat cheque dishonour as a civil matter, relying on efficient courts and insolvency frameworks to maintain credit discipline. By 2047, Indian banking law may be compelled by constitutional proportionality, docket pressures and systemic efficiency to recalibrate the role of criminal law in credit enforcement.

Institutional and Regulatory Reform Pathways for Indian Banking

The transformation of Indian banking law envisaged in this paper cannot be achieved through isolated statutory amendments or episodic regulatory interventions. Instead, it requires a sequenced, institutionally grounded reform pathway extending over the period leading to Viksit Bharat 2047. Such an approach is consistent with comparative financial regulatory practice, where systemic reform is treated as a long-term process rather than a one-time legislative event.[33]

The first phase of reform must focus on institutional capacity building within debt recovery mechanisms, particularly DRTs. Persistent congestion in DRTs has been repeatedly acknowledged in parliamentary proceedings and official data, revealing structural deficiencies in staffing, infrastructure and procedural management.[34] Between 2025 and 2030, reform efforts should prioritise expansion of tribunal strength, digitisation of case management systems and stricter procedural timelines. Without restoring credibility to tribunal-based recovery, reliance on extraordinary enforcement mechanisms is likely to persist, undermining credit discipline.

The second phase should address regulatory harmonisation across functional domains. Indian banking regulation increasingly intersects with data protection law, technology governance, ESG regulation and consumer protection. Yet regulatory authority remains fragmented across the Reserve Bank of India, Securities and Exchange Board of India, the Ministry of Electronics and Information Technology and the judiciary. Regulatory overlap and compliance fragmentation have been identified as emerging challenges in multiple policy and expert reports.[35] A developed economy by 2047 requires structured inter-regulatory coordination mechanisms to ensure consistency while preserving institutional autonomy.

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[32]*P Mohanraj v Shah Brothers Ispat Pvt Ltd* (2021) 6 SCC 258.
[33] Basel Committee on Banking Supervision, *Principles for Financial Market Infrastructures* (Bank for International Settlements, 2012, updated 2022).
[34]Lok Sabha, Unstarred Question No 440, Ministry of Finance, *Cases Pending before Debts Recovery Tribunals* (answered on 24 January 2024).
[35] Financial Sector Legislative Reforms Commission, *Report of the FSLRC* (2013); Reserve Bank of India, *Report on Trend and Progress of Banking in India 2022–23* (RBI, 2023).

A third reform priority concerns the governance of technology and algorithmic systems. As artificial intelligence and automated decision-making become integral to banking operations, regulators must move beyond prescriptive compliance frameworks towards outcome-oriented supervision. International supervisory practice increasingly emphasises model governance, validation, explain ability and accountability rather than mere disclosure.[36] Between 2030 and 2047, RBI supervision is likely to evolve towards regular assessment of algorithmic risk management and operational resilience, particularly where automated systems materially affect access to credit.

The fourth phase of reform should focus on recalibrating enforcement mechanisms, especially the relationship between civil recovery and criminal prosecution. The continued reliance on criminal proceedings under Section 138 of the Negotiable Instruments Act has been widely acknowledged as symptomatic of weaknesses in civil enforcement. Law Commission reports and judicial observations have consistently highlighted the need to reduce the burden on criminal courts while preserving transactional discipline.[37] A mature banking system by 2047 should progressively strengthen civil and tribunal-based remedies, reducing dependence on criminal law for commercial defaults.

Finally, all reform efforts must remain constitutionally anchored. As banking regulation increasingly affects access to credit, livelihood and economic participation, constitutional principles under Articles 14, 19 and 21 will assume heightened significance. Judicial review has historically functioned as a corrective mechanism in financial regulation, ensuring proportionality and procedural fairness. Institutional reforms that neglect constitutional safeguards risk erosion of legitimacy and long-term sustainability.

The overarching lesson for the period leading to Viksit Bharat 2047 is that banking reform must be anticipatory rather than reactive. Incremental adjustments, while necessary, are insufficient to govern a financial system characterised by platformisation, artificial intelligence, climate risk and deep financialisation. A coherent reform pathway sequenced, coordinated and constitutionally grounded is indispensable if Indian banking is to support the aspirations of a developed economy by 2047.

Conclusions

The future of banking in India, viewed through the prism of Viksit Bharat 2047, must be understood as an exercise in institutional maturity rather than technological novelty. As India approaches the centenary of its independence, the banking system is expected to perform a role far more complex than financial intermediation alone. It must simultaneously support sustained economic growth, deepen financial inclusion, enable digital public infrastructure, preserve systemic stability and operate within the constitutional framework of a democratic and rule-of-law-based polity. Achieving these objectives requires a banking system whose legal architecture evolves in step with technological change, rather than reacting to it episodically.

This paper has demonstrated that the core challenges facing Indian banking are no longer confined to balance-sheet strength or capital adequacy. Instead, they lie in the re-allocation of accountability in platform-based finance, the governance of data and algorithmic decision-making, the institutional

[36] Board of Governors of the Federal Reserve System, *Supervisory Guidance on Model Risk Management (SR 11-7)* (2011); European Banking Authority, *Guidelines on ICT and Security Risk Management* (2019).
[37] Law Commission of India, *Fast Track Magisterial Courts for Dishonoured Cheque Cases* (Report No 213, 2008); *MakwanaMangaldasTulsidas v State of Gujarat* (2020) 4 SCC 695.

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effectiveness of recovery mechanisms and the legitimacy of enforcement practices in an increasingly automated financial environment. These challenges are not peripheral; they go to the heart of whether India's banking system can credibly support the ambitions of a developed economy by 2047.

A central insight that emerges from this analysis is that technology does not displace law; it amplifies the consequences of weak law. Platformisation and artificial intelligence increase scale and speed, but they also magnify errors, biases and governance failures. In such a context, the insistence of Indian banking regulation on non-delegable responsibility of regulated entities is not a conservative instinct but a necessary doctrinal anchor. Without a clear locus of responsibility, financial innovation risks degenerating into regulatory arbitrage, undermining consumer protection and systemic stability outcomes fundamentally incompatible with the objectives of Viksit Bharat 2047.

Equally significant is the evolution of technology governance and operational resilience as core components of prudential regulation. A developed economy cannot tolerate recurrent disruptions in payment systems, banking infrastructure, or digital credit delivery. RBI's shift towards board-level accountability for technology governance reflects an understanding that operational resilience is not merely a technical concern but a matter of public economic interest. By 2047, the credibility of Indian banking will depend as much on its ability to withstand cyber shocks and system failures as on its capital buffers.

The paper has also highlighted the structural fragility of India's debt recovery ecosystem. Persistent congestion in DRTs, over-reliance on SARFAESI enforcement, uneven performance of ARCs and the continuing criminalisation of cheque dishonour collectively indicate that India's recovery architecture has not kept pace with the expansion of credit markets. For a developed economy, such dependence on coercive or extraordinary enforcement mechanisms is unsustainable. The long-term viability of Indian banking by 2047 requires recovery institutions that are efficient, procedurally legitimate and proportionate, reducing the need for criminal law to function as a substitute for civil enforcement.

Perhaps the most important normative conclusion of this study is that Viksit Bharat2047 demands a shift from reactive regulation to anticipatory legal design. Incremental amendments and ad hoc regulatory responses will not suffice to govern a financial system characterised by artificial intelligence, embedded finance and platform dominance. What is required is a coherent, principles-based legal framework that integrates banking regulation, data protection, technology governance, recovery law and constitutional accountability into a unified architecture. The future of Indian banking depends not only on technology but also on strong laws and institutions. If banking regulation keeps pace with change, banks can play a major role in India's growth by 2047. But if reforms are delayed, technology alone will not be enough to create a strong and trustworthy banking system. The choice, ultimately, is not between regulation and innovation, but between law that evolves with purpose and law that reacts too late.