GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 1153
ANSWERED ON THE MONDAY, 27 JULY, 2026/SHRAVANA 5, 1948 (SAKA)

Use of AI in Financial Regulation

1153. MS. PRANITI SUSHILKUMAR SHINDE:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has examined the increasing use of Artificial Intelligence (AI) by financial institutions and fintech companies in areas such as credit scoring, fraud detection, algorithmic trading and customer profiling, if so, the details thereof;
(b) whether any regulatory framework or guidelines have been issued or are under consideration to govern the use of AI in financial services, particularly with respect to transparency, accountability and explainability of algorithms, if so, the details thereof;
(c) the steps taken to address risks arising from AI deployment in the financial sector, including algorithmic bias, data privacy concerns and systemic risks; and
(d) whether the Government is coordinating with the Reserve Bank of India and other financial regulators to ensure harmonised oversight of AI-driven financial systems and to safeguard consumer interests and if so, the details thereof?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) to (d): Artificial Intelligence/Machine Learning (AI/ML) technologies are being adopted across the financial sector in areas such as customer service chatbots, fraud detection, credit underwriting, real-time transaction pattern analysis, risk management, client identification and monitoring, etc. due to rapid advances in software technologies.

To govern the use of AI, the Government has been constantly engaging with the financial sector regulators and other concerned stakeholders. In this regard, the Reserve Bank of India (RBI) has issued a Framework for Responsible and Ethical Enablement of AI (FREE-AI) report on 13.08.2025. The report mentioned about seven guiding principles/"sutras"—Trust is the Foundation; People First; Innovation over Restraint; Fairness and Equity; Accountability; Understandable by Design; and Safety, Resilience and Sustainability. Further, the Ministry of Electronics and Information Technology (MeitY) has also released the 'India AI Governance Guidelines' to guide the overall approach and application of AI across sectors.

In order to address the risks arising out of AI deployment, Indian Computer Emergency Response Team (CERT-In) issued an advisory on 26.04.2026 on "Defending Against Frontier AI Driven Cyber Risks". CERT-In has also issued a Blueprint document titled "Reducing Exposure and Defending against AI-Assisted Vulnerabilities Exploitation in Digital Infrastructure".

The Indian Banks' Association (IBA) also conducts regular meetings with member banks on the increasing risks posed by AI-driven cyber threats.

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