

The future of AI

AI has entered the credit room, but has not replaced human judgment

For close to a decade, the lending industry has been speaking about artificial intelligence as a future possibility. In 2025, that future finally walked into the credit room. AI has moved from being an experimental tool to becoming an active participant in credit evaluation. Yet, even as models grew sharper and data streams richer, this year reminded us that lending still hinges on something technology cannot replicate – human judgement.

Across financial institutions, AI now analyses deep digital trails – tax filings, transaction flows, device-level patterns, repayment behaviour and business signals. It can scan thousands of markers in minutes, flag inconsistencies instantly, and generate highly structured risk views. But it still cannot conclude. It can read numbers, but not nuances. It understands patterns, but not intent. Which is why, even in 2025, AI remains the first reviewer and not the final authority.

AI's rise has strengthened human expertise, not replaced it. Its sudden mainstreaming this year is not accidental. India's digital rails have matured enough to feed real, reliable and continuous data into underwriting engines. This has allowed lenders to shift from static evaluation to dynamic monitoring and behavioural underwriting. But with this advancement came the realisation that AI's strength lies in breadth and speed, not interpretation.

A seasoned credit officer understands why a transporter's inflows dip during monsoon, why a micro-enterprise's revenue is seasonal, or why a contractor's receivables are delayed for structural reasons. AI cannot connect these dots on its own. Also, the industry discovered something important in 2025 – when machines take over mechanical tasks, human judgment becomes even more valuable.

AI helped widen the credit universe. What makes 2025 transformational is not only AI's sophistication but its impact on inclusion. Lenders can now understand segments that were once invisible to formal finance: gig workers, micro-entrepreneurs, thin-file borrowers, seasonal earners, and new-to-credit youth.

AI expanded visibility, while humans ensured fairness. This partnership allowed the industry to serve borrowers based on their actual potential and cashflow behaviour, not just the absence or presence of documentation.

Across sectors, enterprises in 2025 increased their AI investments sharply, not to replace people, but to enhance judgement, speed and precision. This macro trend is reflected clearly in credit:



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technology scaled, but decision-making stayed centred around accountability.

The limits of AI reinforced the need for human oversight. Real-world adoption this year exposed boundaries that theory never fully acknowledged – that AI can inherit historic biases from past data; it may misread volatility as instability; it can overreact to noise in small businesses; and it sometimes produces opaque, unexplainable decisions.

These limitations have proved why AI cannot take over the final call in lending. Credit is not just a mathematical outcome; it is a responsibility. Human-led governance ensures that borrowers are evaluated fairly, exceptions are made wisely, and risk is understood in context rather than in isolation.

The true story of 2025 is of a more mature partnership. If 2023 and 2024 were years of AI experiments, 2025 became the year of AI integration. Lenders learned that the strongest credit models combine computational power with human understanding.

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AI sharpened decisions, humans shaped them. AI improved speed, humans preserved sensitivity. AI widened inclusion, humans ensured responsibility. This partnership, not replacement, is the real milestone of 2025.

A glimpse into 2026 is about the next layer of AI in credit. As credit models mature through 2025, the next year is likely to see the emergence of agentic AI systems that can not only analyse data but also take initiative. These AI agents will be able to monitor portfolios continuously, anticipate stress patterns, prepare early-warning summaries and automate routine credit workflows. They will act as proactive assistants to credit teams, not passive tools.

But even with this evolution, the core premise of 2025 will remain unchanged: AI can enhance judgment, but it cannot replace it. Agentic AI may accelerate processes and deepen insight, yet the responsibility for fairness, context and final decisions will continue to rest with human credit officers.

If 2025 was the year AI entered the credit room, 2026 will be the year it learns to move around in it, while human judgment stays firmly at the centre. ♦

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