Sahakaar Trends

1st Edition, July 2025

Joint Research Report by
TransUnion CIBIL and National Urban Co-operative Finance and Development Corporation

Foreword

Mr. Bhavesh Jain
MD & CEO TransUnion CIBIL Ltd.

Urban Co-operative Banks (UCBs) have long stood as pillars of financial inclusion in India's urban and semi-urban landscapes. For decades, they have served borrower segments that are traditionally underserved—women, small businesses, youth, and new-to-credit consumers—through community-rooted services built on trust and accessibility. Their deep integration within local communities has not only enabled financial empowerment but also fostered mutual growth and resilience.

The first edition of '**Sahakaar Trends**' Report on UCBs presents a comprehensive analysis of credit trends, performance metrics, and strategic opportunities for UCBs. It highlights both the progress made and the challenges ahead, offering insights into how UCBs can evolve in a rapidly digitizing financial ecosystem.

As of March 2025, UCBs have achieved a portfolio balance of ₹2.9 lakh crore, marking a 1.8x growth over five years. This growth, while commendable, reveals disparities across product segments—particularly in commercial loans, which have seen modest expansion compared to housing and personal loans. The report underscores the need for UCBs to modernize their credit processes, adopt analytics-driven underwriting, and reduce turnaround times to remain competitive.

In today's dynamic banking environment, borrower loyalty is no longer guaranteed. UCBs must recognize this shift and adapt by diversifying their product offerings, targeting a broader customer base, and enhancing service delivery. While their traditional segments still offer significant growth potential, sustainable progress demands a dual focus: deepening engagement with existing communities and expanding outreach to new, underserved demographics.

Technology and innovation are central to this transformation. By embracing digital tools—such as mobile banking, automated loan processing, and real-time portfolio monitoring—UCBs can streamline operations, improve customer experience, and proactively manage risk. Enhanced credit assessment and smarter underwriting will be key to improving conversion rates and capturing missed opportunities, as highlighted by the report's analysis of loans disbursed by competing institutions.

Additionally, UCBs must not only assess their current performance but also confront the scale of missed opportunities, where high-quality borrowers have migrated to competitors. By strengthening risk management, optimizing disbursement efficiency, and leveraging data-driven insights, UCBs can reclaim market share and chart a path toward inclusive and sustainable growth.

We hope this joint report by NUCFDC and TU CIBIL serves as a valuable resource for stakeholders across the financial ecosystem—bankers, policymakers, and community leaders—who are committed to advancing the mission of UCBs. As an initiative, NUCFDC and TU CIBIL have joined hands to help UCBs navigate the road ahead. With reinvention and with the right strategies, UCBs are well-positioned to thrive in the next chapter of India's financial evolution.

Foreword

Mr. Prabhat Chaturvedi

CEO, National Urban Co-operative Finance and Development

Urban Co-operative Banks: Strengthening Bharat's Credit Backbone

India is growing & transforming at a stupendous pace. From new highways to digital wallets, from village entrepreneurs to small-city startups—things are moving in fast lane. Our BFSI Sector (including the **Urban Co-operative Banks (UCBs),** needs to grow even faster to facilitate this growth. For decades, the UCBs (some for even over a century) have helped small businesses grow, supported families, and made banking personal and accessible. But now, they face a big test.

The Credit Opportunity is Growing

Between now and 2030, India's banking sector is expected to grow at nearly **11.5% every year.** Much of this growth is happening beyond metros—in small towns, tier-2 cities, and peri-urban areas. Micro-entrepreneurs, first-time borrowers, self-employed youth, and women-led businesses are all looking for credit.

UCBs, with their close connections to local communities, are in a great spot to serve this need. To truly compete with new-age lenders, they need to **upgrade their technology and systems.**

But Challenges are Real

While UCBs have the trust of people, they're falling behind in several areas like:

- Old-fashioned core banking systems
- Weak cybersecurity setup
- Difficulty meeting RBI compliance rules
- No real-time tools to track loan portfolio risks
- Customers expecting digital services that aren't yet available

Despite having lower cost-of-funds and offering lower interest rate loans, UCBs are losing borrowers to fintechs and NBFCs that offer faster, digital-first service, albeit at a much higher rate of interest.

What UCBs Need to Do

To stay strong and grow, UCBs need to make some key changes:

- Upgrade technology – Move to cloud-based, modern banking platforms
- Monitor risks better – Use data tools to track loan repayments and spot early warning signals
- Improve lending – Use data & credit bureau reports to make better loan decisions
- Strengthen cybersecurity – Appoint experts, build defenses, and follow best practices
- Train staff – Help teams learn how to work with new systems and tools

NUCFDC & TU CIBIL: A Powerful Support-System

To help UCBs take these steps, NUCFDC (National Urban Co-operative Finance and Development Corporation) and TransUnion CIBIL have come together to offer:

- Portfolio monitoring tools for credit risk tracking
- Training programs through Sahakar Paathshaala
- Early warning systems using credit bureau data
- Data-sharing systems with strong privacy safeguards
- Webinars and workshops to guide UCBs on digital lending

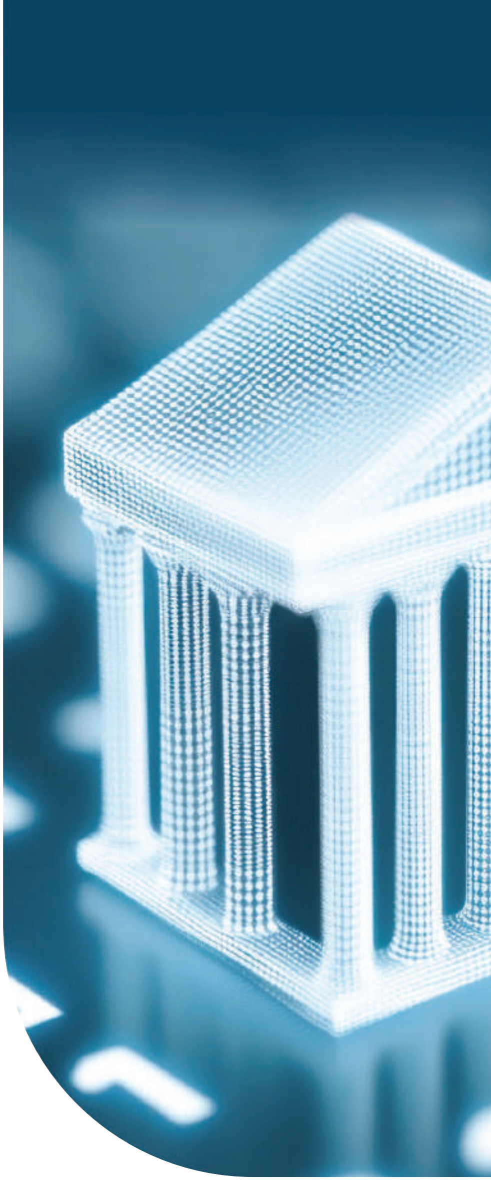
Moving Forward, Together

UCBs are not just banks, they are part of India's community life. As they modernize and join hands with platforms like NUCFDC and TU CIBIL, they can offer smarter, faster, and safer services—without losing their human touch.

Digital Transformation of UCBs is the need of the hour. How quickly, cost-effectively and seamlessly they can achieve the same, is the question.

This report, Sahakar Trends, is here to support UCBs in this journey—with data, stories, ideas, and insights that matter to every co-operative banker in India.

Table of Contents



Executive Summary

Sahakaar Trends Report on Urban Co-Operative Banks (UCBs) for the quarter ending Mar '25 provides a comprehensive analysis on credit trends for UCBs across the nation. Through these detailed data and insights, this report aims to inform bankers, consumers, policymakers and other key stakeholders about the critical trends and developments shaping the UCBs lending landscape. The first edition places particular emphasis on understanding the landscape in which UCBs operate, with detailed insights on their key product offerings and comparison of credit metrics with relevant peers in the lending industry.

Pillar for inclusive finance

UCBs have long served as vital financial institutions in India's urban and semi-urban landscapes, offering accessible and community rooted banking services. As the financial ecosystem evolves, UCBs are uniquely positioned to scale their impact on financial inclusion by deepening customer engagement, enhancing customer experience through modernization of credit processes. Their strong local presence, trust-based relationships, and high conversion rates, especially for personal loans (46%) provide a solid foundation for growth. Through their product offerings, UCBs continue to bridge critical credit gaps for underserved segments such as youth, informal workers, and micro-entrepreneurs.

Source: TransUnion CIBIL India

Executive Summary

Robust growth in portfolio in last 5 years

As on 31st March 2025, the portfolio balances for UCBs stood at ₹2.9 lakh crore, recording a 6% YoY growth and 1.8x growth over the last 5 years (since March 2020). Within key product offerings, commercial loan has witnessed the lowest compounded annual growth rate (CAGR) of 3% in 5 years. Commercial loan portfolio balances now stand at 28% share of total UCBs portfolio balances, followed by housing loan at 14%. All other key product segments witnessed a double-digit growth in portfolio balances.

Bridging traditional banking with digital innovation

Industry portfolio balances have grown at 2.2x rate over the same period, indicating need for UCBs to bridge traditional banking with digital innovation. By embracing digital tools, enhancing underwriting capabilities, and proactively managing risk, UCBs can increase their market share in industry and transform their operational efficiency and customer experience. This report highlights the need for faster decision making for key product offerings compared to peer lenders. Digital adoption—such as mobile banking, analytics-driven credit scoring, and automated loan processing—can significantly reduce turnaround times and improve service accessibility. Additionally, implementing early warning systems and real-time portfolio monitoring enables proactive risk management, helping UCBs to maintain asset quality while expanding their lending footprint. Together, these advancements position UCBs to compete more effectively and inclusively in a rapidly evolving financial landscape.

Source: TransUnion CIBIL India

Importance of Urban Co-operative Banks in India's Credit Ecosystem

Importance of Urban Co-operative banks in India's credit ecosystem

Why Urban Co-operative Banks (UCBs) Are Important for India

The Urban Co-operative Banks or UCBs play a very important role in Financial Inclusion across India, especially in small towns and under-served strata of the society.
In these towns, or for these sections of society, the UCBs are not just banks, they are part of the local community, as they know their customers personally and help them grow—be it a shopkeeper, a small trader, a salaried worker or a rickshaw puller.

Around 1472 such UCBs serve almost 9 crore people, holding Rs 5.57 lakh crore in deposits and have extended Rs 3.48 lakh crore worth assets, doing total business of around Rs 9.06 lakh Cr.

How UCBs Help People

Most UCBs give loans between ₹2 lakh to ₹25 lakh of following types:

- To small shopkeepers to grow their business
- To support families in buying homes
- Funding women-led Self-Help Groups (SHGs)
- Providing money to local traders and workers

Support During Tough Times

During COVID-19 and Demonetization, UCBs stayed open and supported their customers. They gave emergency loans, helped people delay or reduce their loan payments, and gave quick help when it was needed the most. Even though they are small, and do not get any government bailouts, most UCBs kept their **bad loans under 7%-** which is better than many bigger commercial banks.

What UCBs Need to Do Next

India is World's 4th largest and the fastest growing major economy. To grow faster and further-up, the banking system (including UCBs) needs to grow even faster & bigger to cater to the needs of Indian economy. UCBs already have the trust of local people, they need to:

- Use digital tools to improve customer experience and to reduce Turn-Around-Time (TAT) of their services
- Improve cybersecurity and data protection norms
- Keep their foundational values, but upgrade their systems

UCBs Can Lead the Way

With the right support, UCBs can:

- Provide new-age Digital Products and Services
- Attract new-generation Customers
- Bring Digital Banking to small towns
- Keep their Bank and their Customers safe from cyber-threats

Urban Co-operative Banks are **banks of the people.** If they modernize while staying true to their roots, they can play a big role in India's future and in equitable distribution of wealth.

Source: NUCFDC

Outstanding balances for Urban Co-operative banks have witnessed a 1.8x growth in the last five years, albeit at a slower rate than overall industry

Growth in Outstanding Balance Urban Co-op Banks

Mar 2020
₹ 1.7 Lakh Cr.

2.1% of Industry
Outstanding Balances

1.8x

Mar 2025
₹ 2.9 Lakh Cr.

1.7% of Industry
Outstanding Balances

Retail credit products, at a lower share of balances have witnessed highest growth in last 5 years compared to commercial credit.

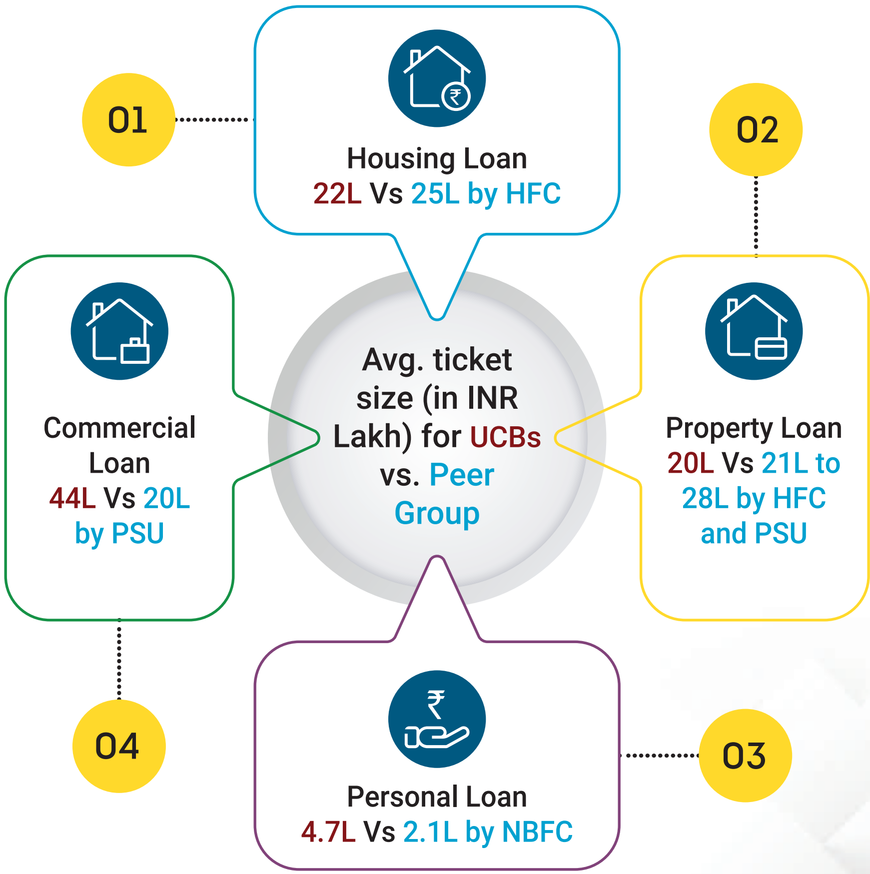
Product	5 Years CAGR in Balances (Mar'25 vs Mar'20)	% Share in Balances (Mar'25)
Commercial Loan	3%	28%
Housing Loan	19%	14%
Retail Business Loan	24%	12%
Property Loan	18%	10%
Personal Loan	18%	6%
Gold Loan	52%	4%
Auto Loan	33%	2%
Loan Against Bank Deposits	23%	2%

These products constitute 78% of total outstanding balances by Urban Co-op Banks

Source: TransUnion CIBIL India

Credit Landscape for Urban Co-operative Banks

To better understand the credit landscape for UCBs, we have compared key metrics with peer group, which is identified by comparable avg. ticket size



Average ticket size is calculated as per originations for a given product in 3M ended period March 2025
All Commercial fund-based loans (WC-TL), considered in originations for commercial loans. Renewals are excluded.

Source: TransUnion CIBIL India

Bridging traditional banking and digital innovation

Commercial loans

The close-knit community presence and personalized approach by UCBs make them a natural ally for entrepreneurs seeking accessible and relationship-driven financing, especially entities seeking formal credit for the first time. 37% entities seeking commercial credit from UCBs were new-to-credit (NTC). Commercial loans by UCBs has witnessed a **5-year CAGR of 3%,** while other retail product categories witnessed double-digit growth during the same period. To fully support the evolving needs of urban enterprises, UCBs could adopt smarter credit evaluation tools that go beyond traditional metrics, simplifying loan processing to reduce turnaround times (TAT), and proactively engaging with underserved business communities.

- **23%** of commercial loan enquiries were disbursed **by UCBs – compared to 30%** conversion rate **by PSU**
- For borrowers with outstanding balance exposure up to INR 1 cr, which constitutes 79% of commercial loan originations by UCBs, there has been **continuous improvement in balance level 90+ delinquencies**
- In the six months period between Oct 2024 to Mar 2025, **consumers holding a retail loan with UCBs have availed commercial loans worth INR 859 crore with peer groups**

Housing Loans

UCBs are uniquely positioned to support inclusive urban development by offering accessible and community-rooted housing loans (HL). Their deep local presence, trust-based relationships, and understanding of informal income profiles make them ideal partners for expanding affordable housing credit. To fully realize this potential, UCBs must modernize their loan origination to reduce disbursement timelines and enhance risk assessment processes to scale their outreach to underserved borrowers.

- Only **46% loans** disbursed by UCBs were **within 30 days of enquiry –** compared to **67% by HFC**
- Average **ticket size** for loans by UCBs **for above prime** borrowers at INR 25.2 lakh is **1.1x that of prime borrowers –** compared to **1.3x differentiation by HFC**
- **Share of younger borrowers of age 35 years or below** in UCBs loan originations is **28%** - compared to **37% by HFC**

Personal loans

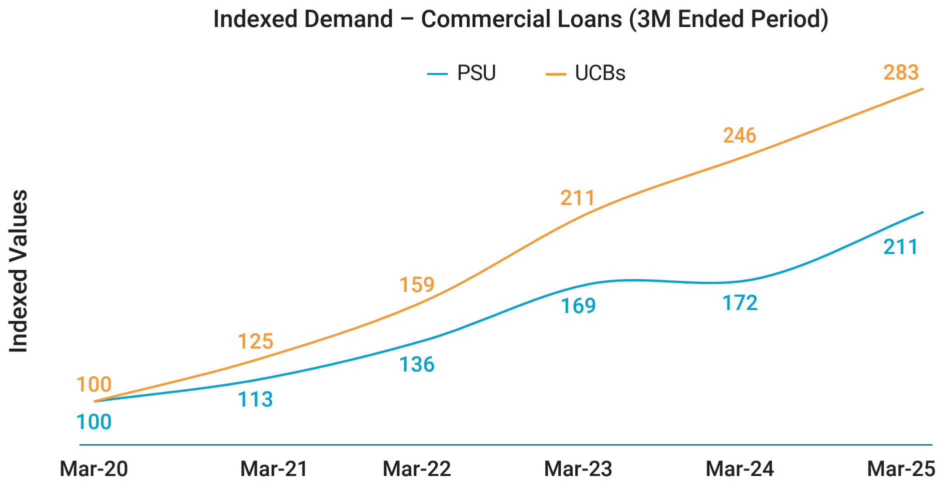
While personal loans constitute only **6% of outstanding balances, these loans make up to 15%** of live trades for UCBs as of Mar 2025. Being a small ticket smaller tenure product as compared to business or mortgage, personal loans offer **quick return on asset and high demand among urban borrowers**—making them essential for liquidity and customer engagement. Analytics and technology driven underwriting processes can provide the competitive edge to scale these offerings efficiently and retain market share, when compared to peer lenders providing similar offerings.

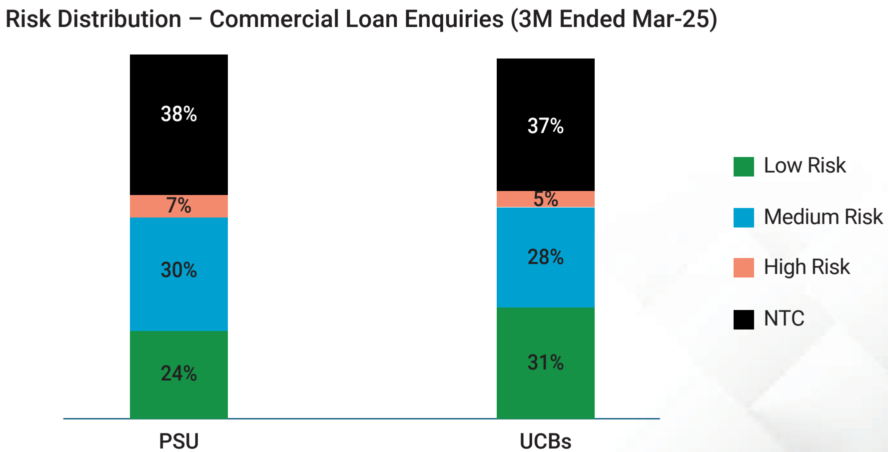
Source: TransUnion CIBIL India

44L Vs 20L by PSU Banks

Avg. ticket size for UCBs vs. Peer Group

Credit demand for entities seeking commercial loan with UCBs has grown at a faster rate than PSU in the last 5 years





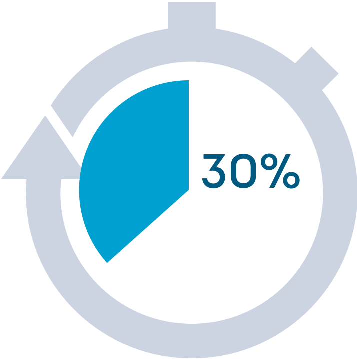
Consumers seeking commercial credit from UCBs have a comparatively higher share of low risk profile as compared to PSU

All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded.
Low Risk is CV CMR 1-3, Medium Risk is CV CMR 4-7, High Risk is CV CMR 8-10

Source: TransUnion CIBIL India

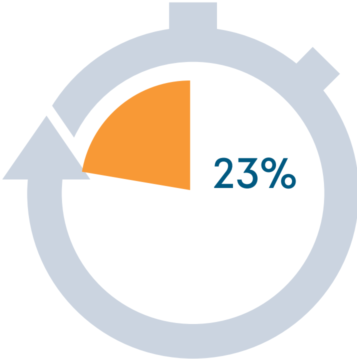
Despite higher growth in demand than peer group, UCBs have a lower share of conversion rate for commercial loan originations

Conversion Rate for Commercial Enquiries with PSU (3M Ended Dec '24)



Origination Within 15 Days

Conversion Rate for Commercial Enquiries with UCBs (3M Ended Dec '24)



Origination Within 15 Days

All Commercial Fund based loans (WC-TL)
Conversion rates are considered as Commercial loan originations which has occurred within 90 days of the Commercial loan enquiry with the same lender.

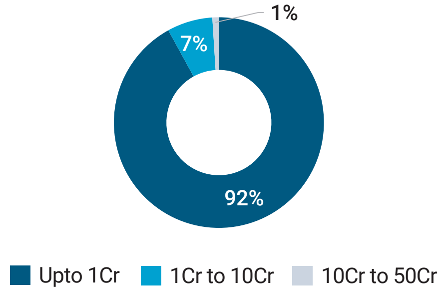
The lower conversion rate for commercial loans in UCBs can be attributed to their continued reliance on manual processing and traditional credit assessment methods. In contrast, competitors leveraging data-driven underwriting and automation are able to approve and disburse loans more efficiently, capturing a larger share of creditworthy borrowers.

Source: TransUnion CIBIL India

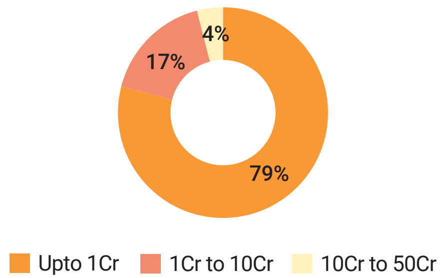
UCBs cater to a higher share of entities with credit exposure greater than 1 crore, likely contributing to higher share of low-risk borrowers

Commercial Borrower Originations (3M Ended Mar 2025)

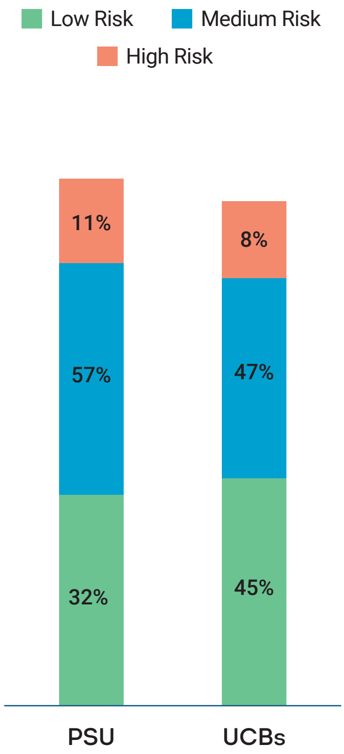
PSU Distribution by Borrower Segment



UCBs Distribution by Borrower Segment



Risk Distribution - ETC



Sectoral Distribution

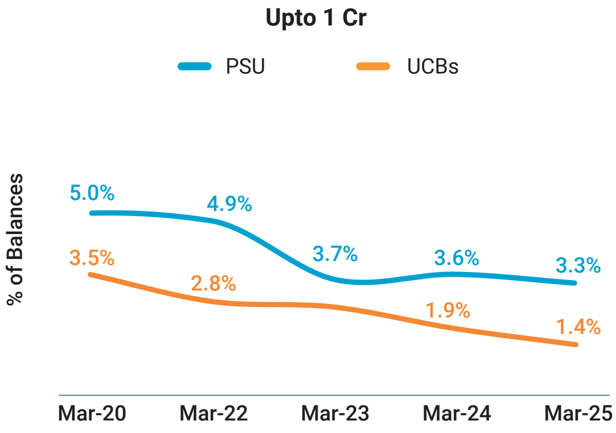
All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded. Low Risk is CV CMR 1-3, Medium Risk is CV CMR 4-7, High Risk is CV CMR 8-10. The borrower segment are denoted basis entity level loan outstanding at the time of originations. NTC is based on first sanction amount. Other includes Transport Operators, Agriculture and allied activities and construction.

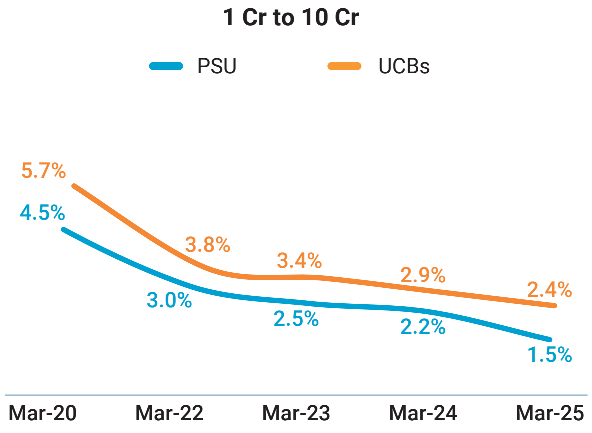
Most PSU originations are availed by entities with exposure under ₹10 lakh. UCBs can compete effectively by adopting a more granular and targeted lending approach for commercial lending

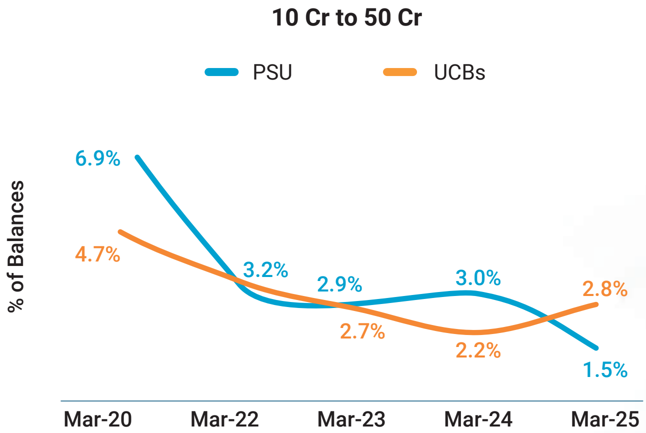
Source: TransUnion CIBIL India

UCBs have improved balance-level delinquencies across borrower segments, especially in segment with less than INR 1 crore exposure

Balance Level Delinquency (90Plus and Sub-STD) by Borrower Segment







Balance level delinquencies for UCBs is higher than PSU for higher exposure borrower segment; implying the need for active portfolio management strategies.

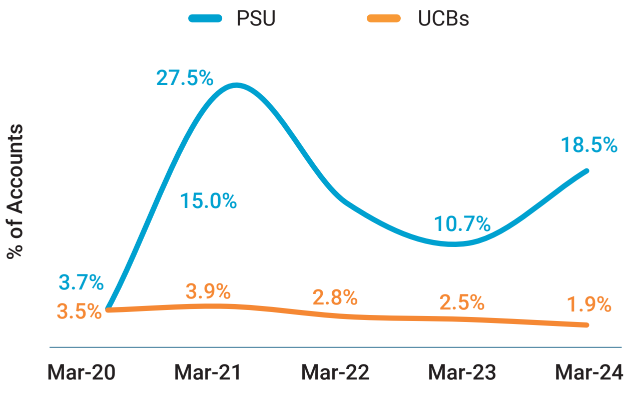
All commercial fund-based loans (WC-TL) considered. Balance level delinquencies considered for 90 to 719 DPD and including sub-standard.

Source: TransUnion CIBIL India

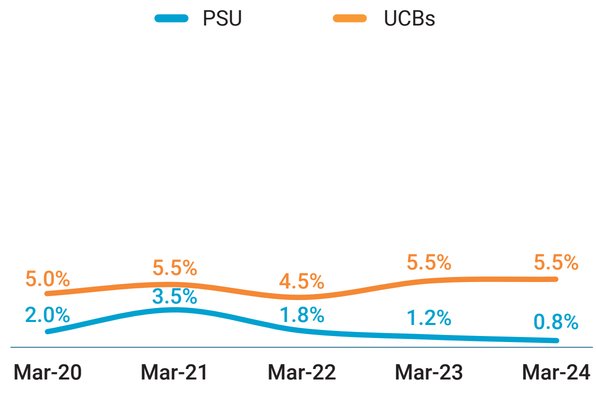
Focus on analytics-based underwriting can help UCBs to manage risk better, especially for borrower segment with exposure INR 1-10 crore

Vintage Delinquency - Accounts Ever in 90+ in 12MOB

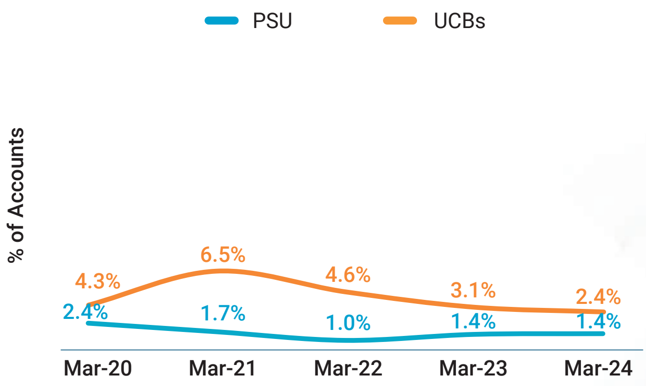
Upto 1 Cr



1 Cr to 10 Cr



10 Cr to 50 Cr



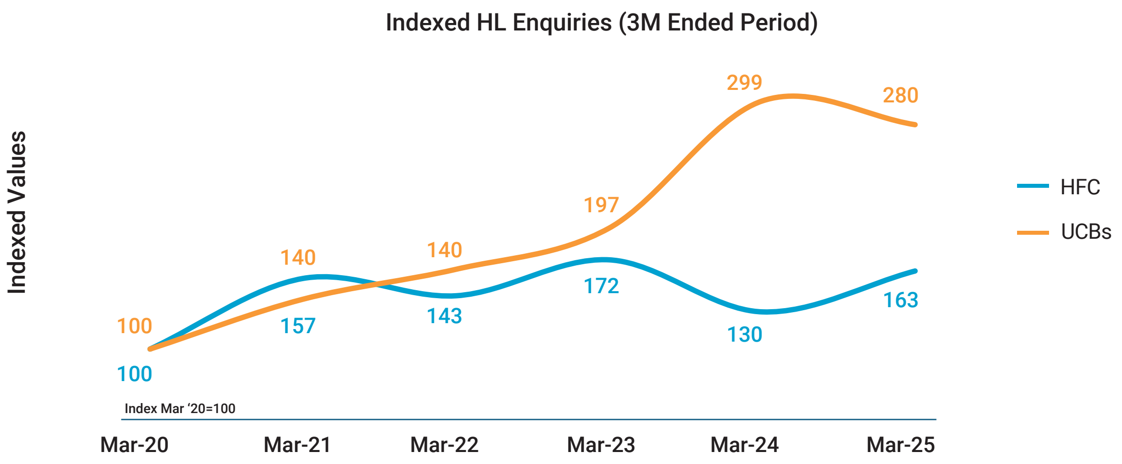
All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded
Vintage Delinquencies (measured as accounts ever in 90+ DPD in 12 Months since originations)

Source: TransUnion CIBIL India

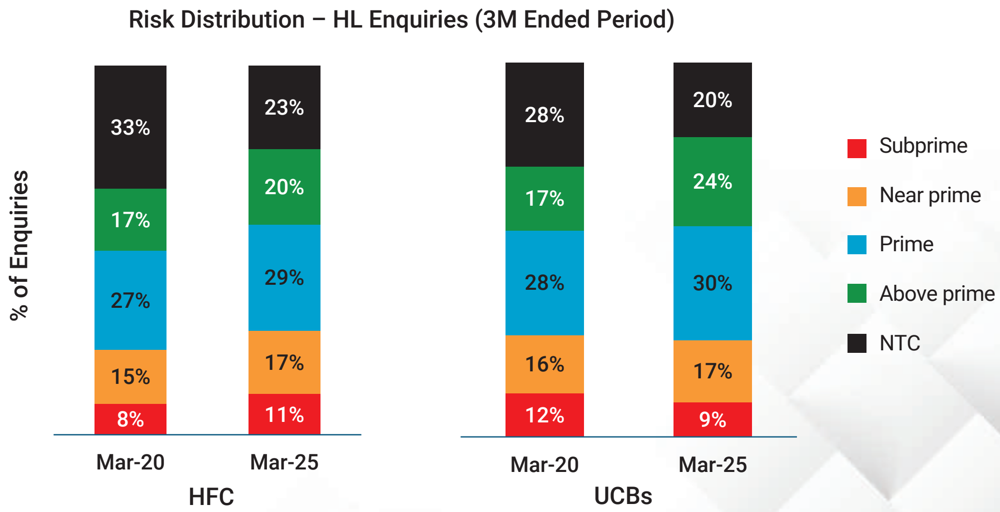
22L Vs 25L by HFC

Avg. ticket size for UCBs vs. Peer Group

Credit demand for housing loans has witnessed moderation in recent period; UCBs have experienced higher growth in credit demand for HL



Individuals seeking housing loan with UCBs have a lower share of high risk consumers as compared to HFC

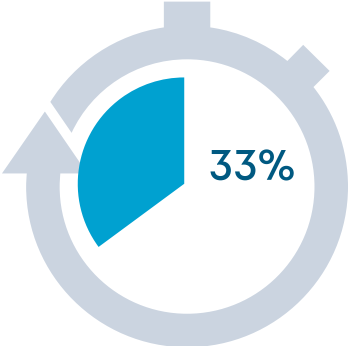


CreditVision (CV) score ranges are: Subprime = 300–680; Near prime = 681–730; Prime = 731–770; Above prime = 771-900

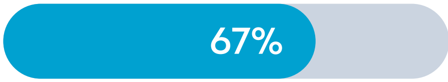
Source: TransUnion CIBIL India

Operational efficiencies can bring down the turnaround time for HL originations enabling UCBs to provide better customer experience

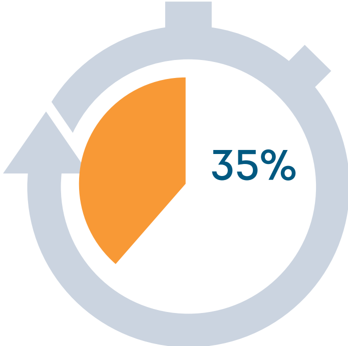
Conversion Rate for HL Enquiries with HFCs (3M Ended Dec '24)



Origination Within 30 Days



Conversion Rate for HL Enquiries with UCBs (3M Ended Dec '24)



Origination Within 30 Days

Use of data-driven underwriting strategies can further enable straight-through processing, thus providing UCBs an opportunity to increase their conversion rates.

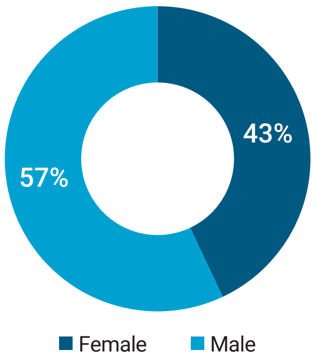
Conversion rates are considered as housing loan originations which has occurred within 90 days of the housing loan enquiry with the same lender.

Source: TransUnion CIBIL India

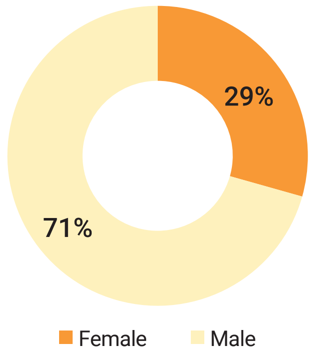
UCBs have significant potential to expand their role in housing finance to young consumers, women and new-to-credit (NTC)

HL Customer Originations (3M Ended Mar 2025)

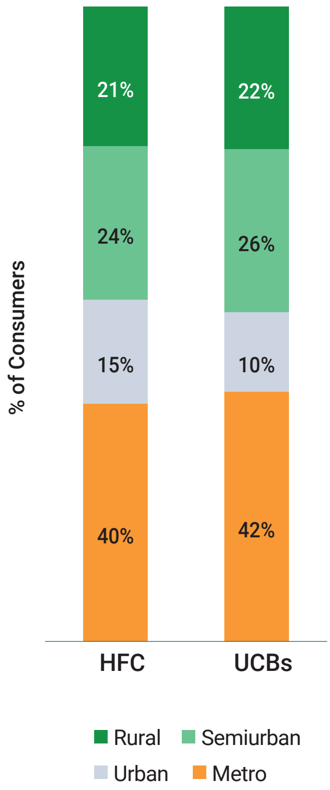
HFC Consumer Distribution by Gender



UCBs Consumer Distribution by Gender



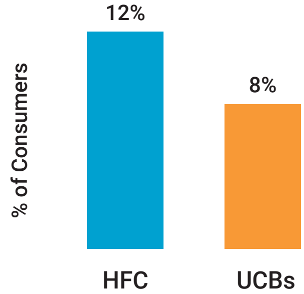
Consumer Distribution by Geography



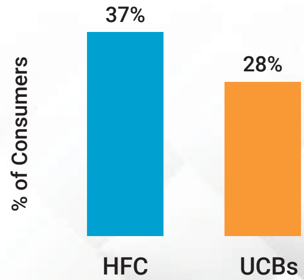
Peer Group

UCBs

NTC Consumer Share

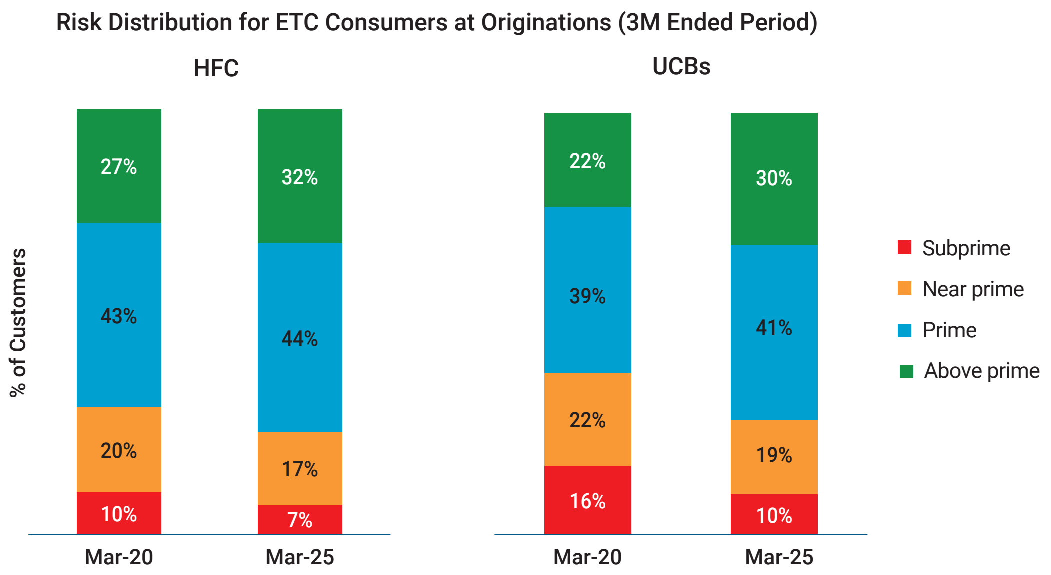


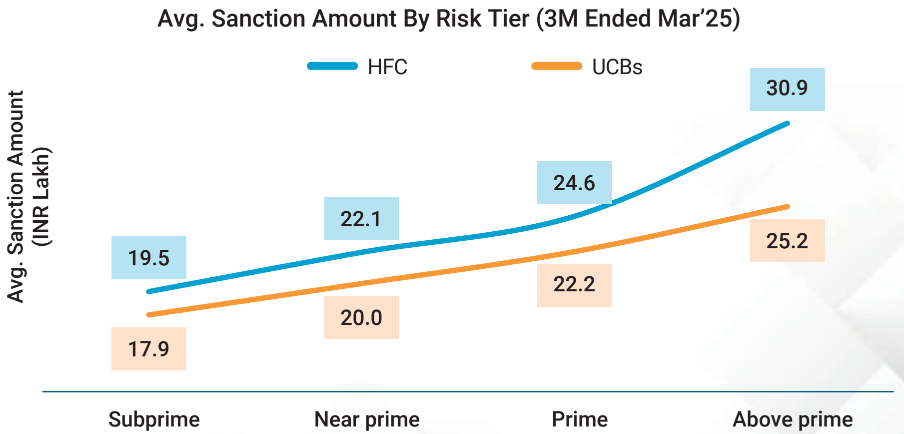
Young Consumers (<35 years) Share



Source: TransUnion CIBIL India

Under new regulations, there is opportunity for UCBs to cater to higher ticket size for housing loans, especially for lower risk consumers

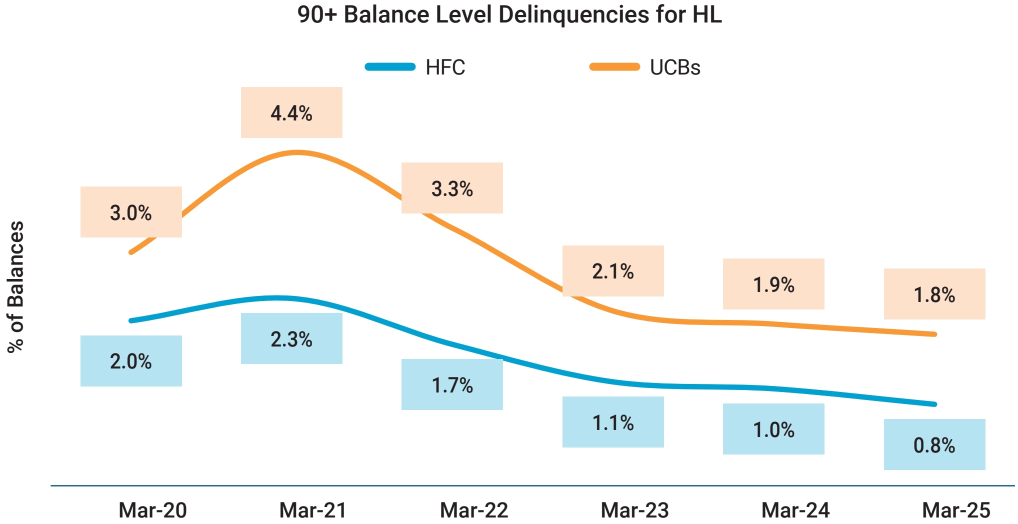




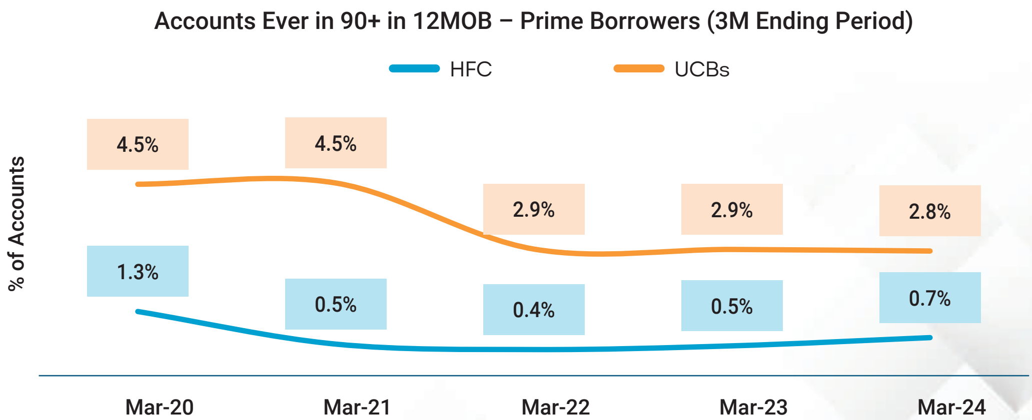
CreditVision (CV) score ranges are: Subprime = 300–680; Near prime = 681–730; Prime = 731–770; Prime plus = 771–790; Super prime = 791-900

Source: TransUnion CIBIL India

Credit performance for housing loans have steadily improved for UCBs, albeit higher compared to HFC – indicating the need for enhanced underwriting



90+ delinquency rate is measured as percentage of balances 90 to 719 days past due.



CreditVision (CV) score ranges for Prime = 731–770. Vintage delinquency is calculated as % of accounts ever 90+dpd respectively in 12 months from origination. E.g. Origination of Jan-Mar 2024 period and performance measured in Jan-Mar 2025

Source: TransUnion CIBIL India

Summarizing similar findings for property loans indicate need for analytics-based underwriting and portfolio management to improve delinquencies

Urban Co-op Bank

VS

PSU and HFC

(For 3 Month Ended Mar'25)

14% vs 17%
Share of NTC in credit demand

23% vs 30%
Share of **above prime** in originations

4.3% vs 1.5%
are **balance level 90+ delinquency***

32% vs 54%
Lower **share of disbursement within 15 days,** despite similar conversion rate

21L vs 26L
Lower **avg. loan amount** for originations for **above prime consumers**

20% vs 30%
Share of young consumers of age 35 or below

UCBs can strengthen their property loan acquisition by targeting younger borrowers with tailored offerings and improving disbursement speed through streamlined, tech-enabled processes. There is a need to address high delinquency rates with better credit assessment and portfolio monitoring for early warning signals to have sustainable growth. Together, these steps can enhance competitiveness and portfolio quality in this segment.

CreditVision (CV) score ranges are: Subprime = 300–680; Near prime = 681–730; Prime = 731–770; Above prime = 771-900.
*Balance level delinquencies are for Mar'25

Source: TransUnion CIBIL India

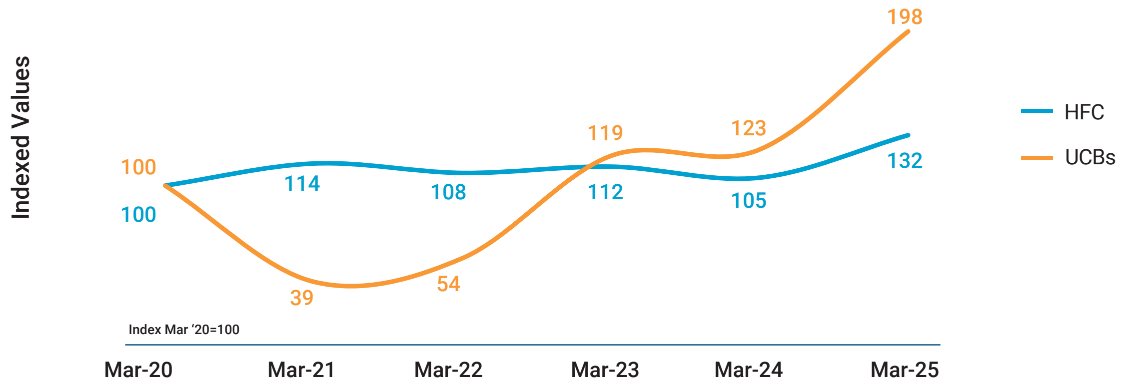
4.7 Vs 2.1 by NBFCs

(Loans of value INR 50,000 or more)

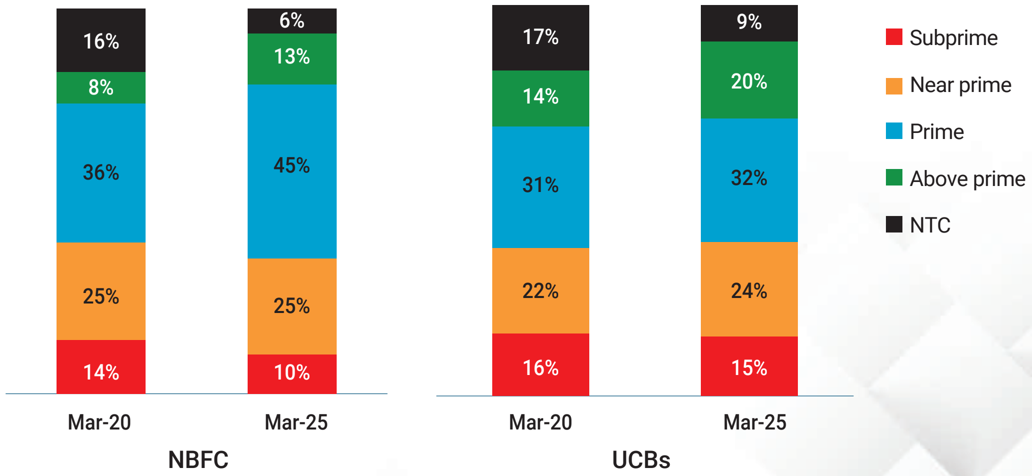
Avg. ticket size for UCBs vs. Peer Group

Customer risk profile has improved with higher share of prime consumers seeking personal loans from Urban Co-operatives banks (UCBs)

Indexed PL Enquiries (3M Ended Period)



Risk Distribution – PL Enquiries (3M Ended Period)



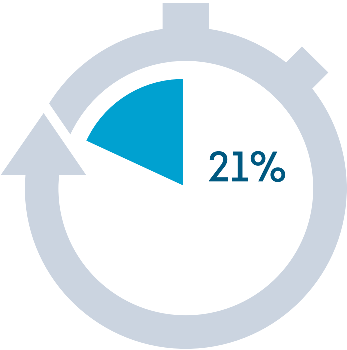
While personal loan demand within UCBs has grown at a faster pace than that of NBFC, UCBs still account for only a small fraction of the overall personal loan market, indicating headroom for growth in this high potential segment.

CreditVision (CV) score ranges are: Subprime = 300–680; Near prime = 681–730; Prime = 731–770; Prime plus = 771–790; Super prime = 791-900

Source: TransUnion CIBIL India

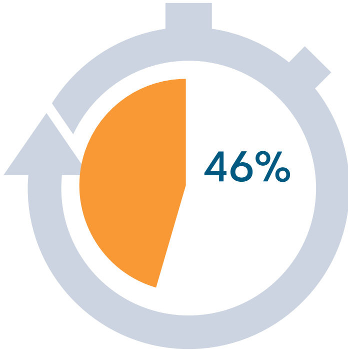
UCBs have a higher conversion rate for PL: digitization can help in tapping into newer segments as well as improve customer experience

Conversion Rate for PL Enquiries with NBFCs (3M Ended Feb ‘25)



Origination Within 5 Days

Conversion Rate for PL Enquiries with UCBs (3M Ended Feb ‘25)



Origination Within 5 Days

Conversion rates are considered as personal loan originations which has occurred within 30 days of the personal loan enquiry with the same lender.

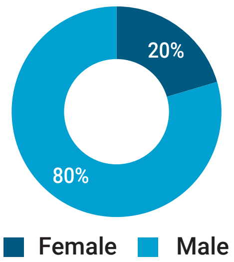
With the right product positioning and digital enablement, UCBs have a strong opportunity to grow their presence in the personal loan segment. Digital enablement, including mobile loan applications, custom scorecards, and automated processing, can significantly reduce turnaround times and enhance customer experience. These improvements not only help UCBs compete with NBFC but also allow them to retain and deepen relationships with existing customers, ultimately driving sustainable growth in personal lending.

Source: TransUnion CIBIL India

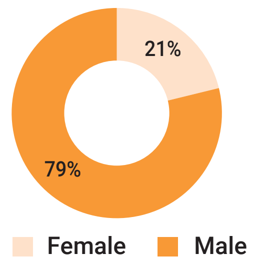
Younger consumers present opportunity for new customer acquisition growth for personal loans

PL Customer Originations (3M Ended Mar 2025)

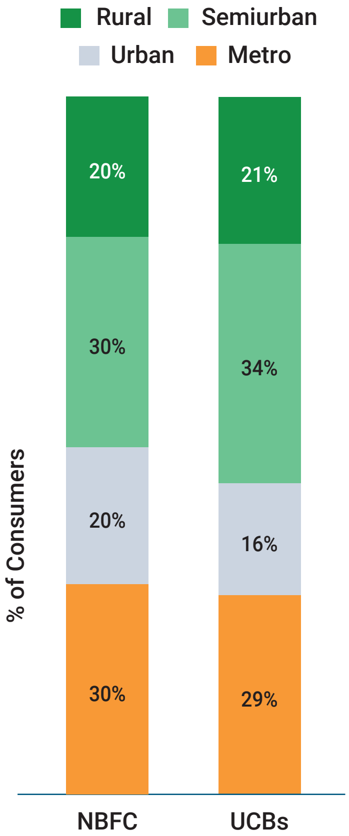
NBFC Consumer Distribution by Gender



UCBs Consumer Distribution by Gender



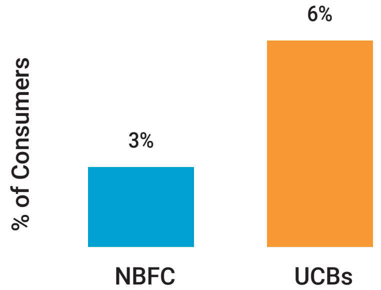
Consumer Distribution by Geography



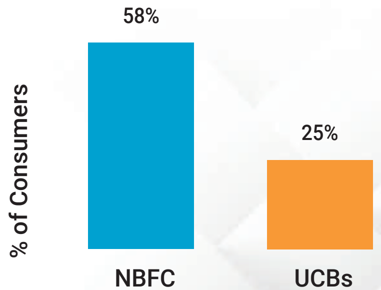
Peer Group

UCBs

NTC Consumer Share



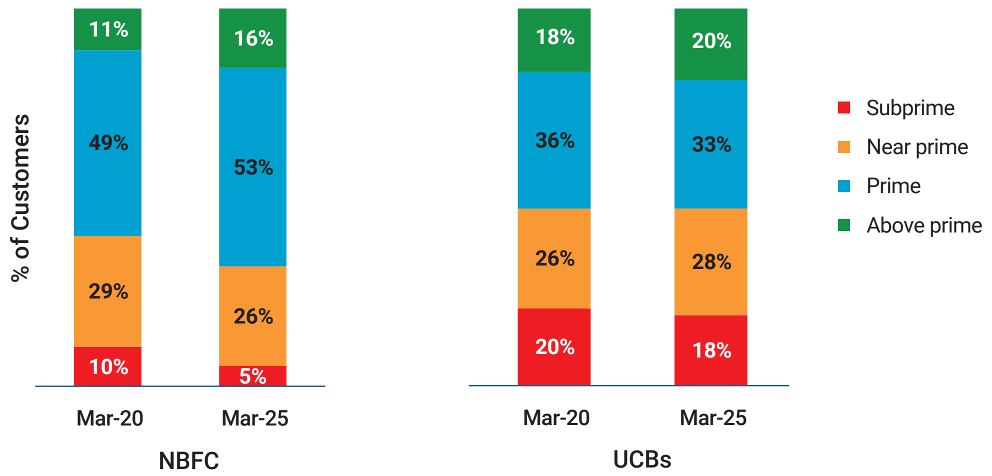
Young Consumers (<35 years) Share



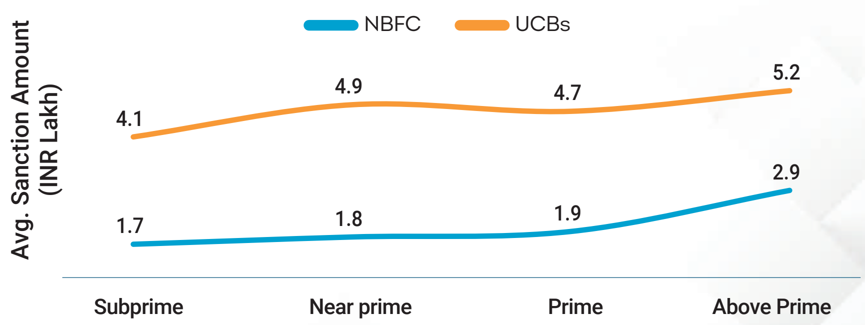
Source: TransUnion CIBIL India

UCBs cater to more risky borrowers, indicating the need for enhanced risk predictability and management

Risk Distribution for ETC Consumers at Originations (3M Ended Period)



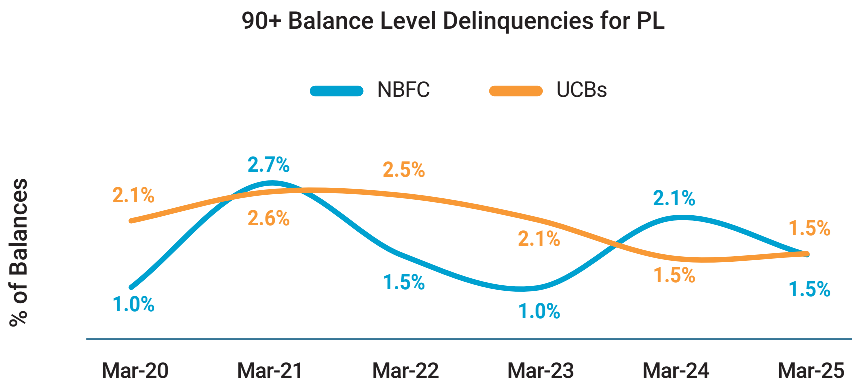
Avg. Sanction Amount By Risk Tier (3M Ended Mar'25)

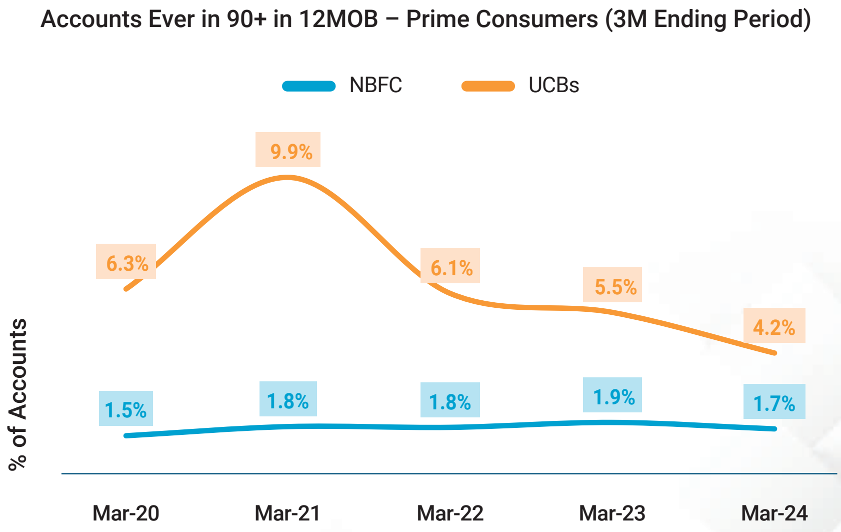


CreditVision (CV) score ranges are: Subprime = 300–680; Near prime = 681–730; Prime = 731–770; Above prime = 771-900

Source: TransUnion CIBIL India

Balance-level delinquencies for personal loans have steadily improved for UCB and has been consistent for recent periods





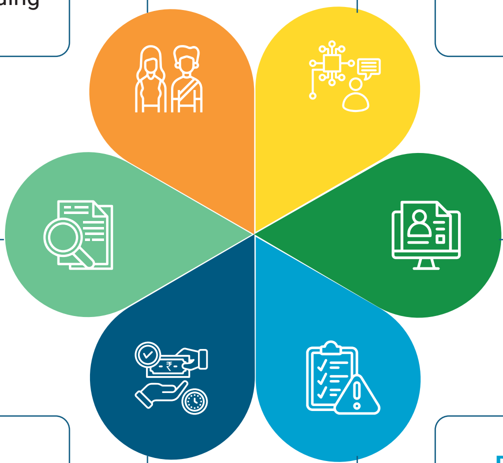
90+ delinquency rate is measured as percentage of balances 90 to179 days past due

Source: TransUnion CIBIL India

UCBs can unlock growth through smarter underwriting, faster disbursement, and proactive risk management tools

Youth-Centric Growth Potential
Younger consumers are key target segment for growth. **NTC 2.0 for personal loans** can help in expanding this segment

Leverage Analytics and Technology
Custom scorecards and automation through **digital onboarding** can streamline loan processing and improve customer experience



Strengthen Underwriting
Using **CMR and CCV** can help improve loan **conversion rates and turn around time** for commercial loans

Proactive Portfolio Monitoring
Early warning signals and portfolio monitoring triggers can align UCBs performance with industry benchmarks and reduce NPAs

Optimize Disbursement Efficiency
While UCBs excel in converting enquiries to originations for retail loans, they can increase straight-through processing with the help of **CV Score and CV attributes**

Deepen Customer Relationship
Expanding segments within focus products by **cross-selling to existing customer base** while managing risk prudently by creating pre-approved campaigns using CV attributes and **enquiry triggers**

Source: TransUnion CIBIL India

Deepening Customer Relationships

Opportunities from deepening existing customer relationships

To chart a sustainable and inclusive growth path, it is essential for UCBs to not only assess their current performance but also to recognize the scale of missed opportunities. This section introduces a focused analysis of **opportunity loss—defined here as the value of loans disbursed by competing financial institutions to customers who could have been served by UCBs.**

The analysis on UCB retail customer base is segmented into two key areas:

- Retail loans originated by other credit institutions
- Commercial loans originated by PSU

Retail Missed Opportunity

- 25% of UCBs **active retail borrowers** as of Sep'24 originated **a new retail loan in the next six months** between Oct'24 to Mar'25. However, UCBs were able to capture only half of these borrowers
- Retail loans worth **INR 0.4 lakh crore were originated by borrowers with CV score prime or above at originations** - business loans, housing and property loans being top products
- Close to **30% of originations in top products were by peer group of UCBs** catering to similar customer profiles and ticket sizes

Commercial Missed Opportunity

- **8% of UCBs active retail borrowers** as of Sep'24 have credit **presence as a commercial entity**
- **Commercial loans worth INR 522 crore were originated with PSU** by borrowers with CV CMR 1-7 between Oct'24 to Mar'25
- **Cash credit, overdraft and term loans** were some of the top commercial products originated with PSU

By identifying high-quality borrowers who have migrated to competitors, this analysis highlights not just a gap in market share, but a strategic opportunity for UCBs to enhance their credit delivery, improve customer retention, and strengthen their position in the urban lending ecosystem. The findings that follow are intended to inform targeted interventions such as active portfolio monitoring for cross - sell opportunities and improved risk assessment that can help UCBs reclaim and grow their share in these critical segments.

Source: TransUnion CIBIL India

UCBs customers availed loans worth INR 0.7 lakh crore over a span of six months — highlighting a missed opportunity captured by the competition

UCBs | Live Retail Borrowers as of Sept'24 – (~ 26.4 L)

New Origination in Retail Between Oct'24 - Mar'25	Retail Borrowers with Commercial Footprint
~6.5 L (25%)	**~2.5 L (8%)**
Borrowers who originated retail loans with Non-UCBs **~2.9 L**	Borrowers who opened new commercial loan in Oct'24 - Mar'25 with PSU* **~5,000 (~ 50% ETC)**
Total Sanctioned Amount **~ INR 0.69 Lakh Cr.**	Total Sanctioned Amount **~ INR 859 Cr.**

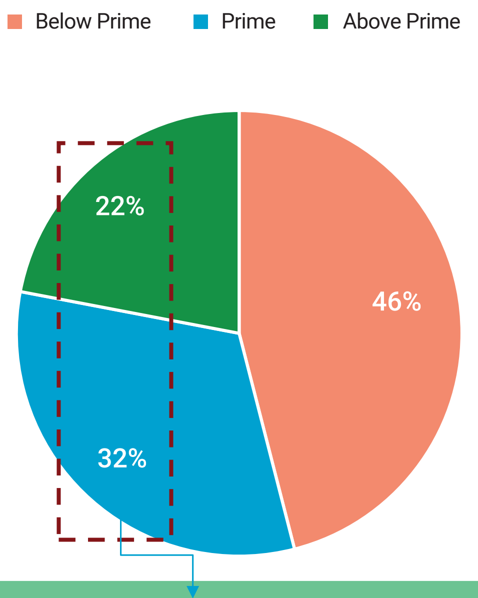
For commercial loan originations - Only Term Loan and WC originations by entity with total exposure of 50 Cr is considered.
*PSU is the closest peer group for UCBs in commercial lending.

By deepening customer engagement, UCBs can tap into the varied credit needs of their existing customers.

Source: TransUnion CIBIL India

Being engaged to customers with good repayment behavior can unlock opportunity for prudent growth for UCBs

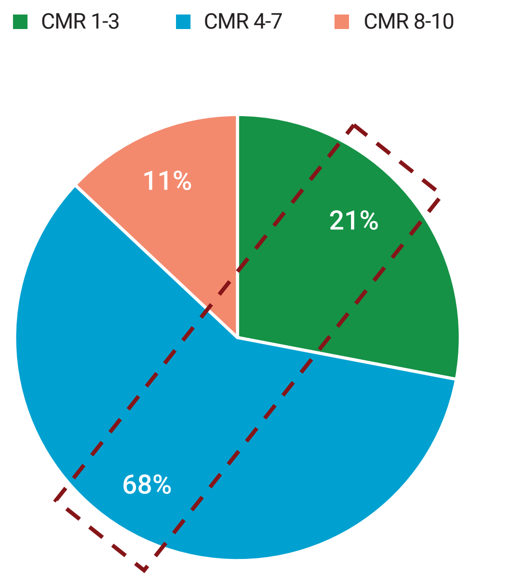
CV Score Distribution for UCBs Retail borrowers who took new loans from other lenders



Total Sanctioned Amount (Prime & Above)

~INR 0.44 Lakh Cr

CMR distribution for retail borrowers having commercial presence and took commercial loans from PSU



Total Sanctioned Amount CMR (1-7)

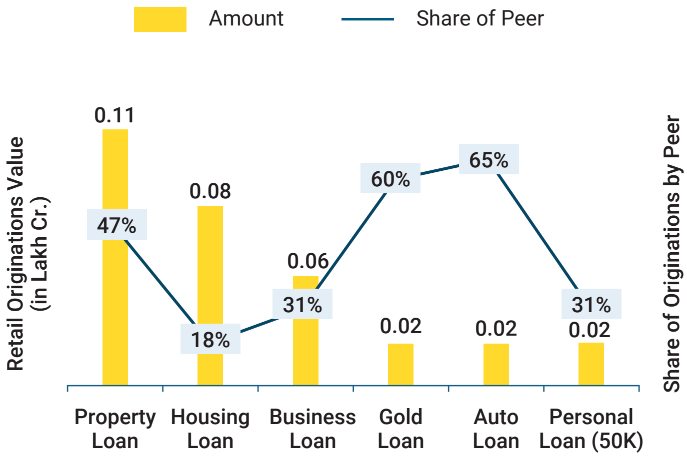
~INR 522 Cr.

Only Term Loan and WC originations by entity with total exposure of 50 Cr is considered. Low Risk is CMR 1-3, Medium Risk is CMR 4-7, High Risk is CMR 8-10. Customers who did not have a CMR at time of origination has been excluded from CMR distribution.
CreditVision (CV) score ranges are: Below prime = 300–730; Prime = 731–770; Above prime = 771-900.

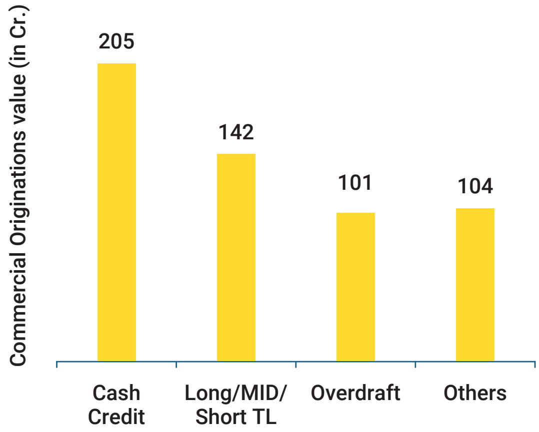
Source: TransUnion CIBIL India

One-third of originations in key retail products are to the peer group of UCBs

Retail Product Originations by Prime and Above



Commercial Product Originations by CMR 1-7 by PSU



Only Term Loan and WC originations by entity with total exposure of 50 Cr is considered
Peer group considered for: Auto Loan: PSU & PVT, Business Loan: NBFC, Gold Loan: NBFC & PSU; Housing Loan: HFC; Personal Loan: NBFC (>50K) & Property Loan: HFC & PSB

Within retail originations with peer group, 47% of originations for property loan were from HFC or PSU. Proactive portfolio monitoring can help in identifying customer needs, as well as curb any potential risk arising through over-leveraging by customers due to new loan originations.

Source: TransUnion CIBIL India

Conclusion

How Urban Co-operative Banks (UCBs) Can Grow Again

India's economy has grown by leaps and bounds in the last 10 years. In 2013, the size of our economy was about $1.86 trillion, which has become around $4.19 trillion now. As a result, people are getting wealthier and are now taking more loans—for homes, shops, education, vehicles, and small businesses—to upgrade their lifestyle. Consequently, total **bank loans** in India grew from ₹57 lakh crore in 2013 to over **₹176 lakh crore as of March 2025[1].** But UCBs could not grow as fast. Their total loans went from **₹1.85 lakh crore in 2013** to **₹3.48 lakh crore in 2024[1].** So, their share of the total credit dropped from **3.5% to just 1.3%.**

Why UCBs Fell Behind

During the same period, NBFCs (Non-Banking Finance Companies) used technology to grow quickly. They approved loans quickly within hours, used mobile apps, and made things easy for borrowers. NBFCs grew their loans from **₹6.5 lakh crore in 2013 to ₹20+ lakh crore in 2024.** Even though UCBs offer lower interest rates, many customers prefer loan from NBFCs because they are faster and provide superior customer experience.

How NUCFDC Can Help UCBs

NUCFDC is helping UCBs modernize with initiatives planned and some already launched:

- **Sahakar Credit Engine:** Makes loan approval faster and smarter.
- **Digital Lending Tools:** Includes Aadhaar eSign, Video KYC, etc.
- **Loan Dashboards:** Helps UCBs track repayments and risks.
- **Sahakar Compliance Monitoring Service (launched):** Helps improve compliance.
- **Sahakar Paathshaala[2] (launched):** Training for staff and board members.

Conclusion

People still trust UCBs, especially in smaller towns and cities. But trust alone may not be enough, going forward, they need to improve on speed, digital systems, consumer experience.

[1]Source: RBI – Economic Survey 2023-2024.

[2]Sahakar Paathshaala is NUCFDC's Learning and Development initiative.

Source: NUCFDC

Analytical Contacts

TransUnion CIBIL

Yuvraj Kamdar
yuvraj.kamdar@transunion.com

Pooja Bansal
pooja.bansal2@transunion.com

Ankur Sikdar
ankur.sikdar@transunion.com

National Urban Co-operative Finance and Development Corporation

Padmabhushan Bahadure
padmabhushan.bahadure@nucfdc.in

Akshay Kadam
akshay.kadam@nucfdc.in

Pratibha Patil
pratibha.patil@nucfdc.in

About TransUnion CIBIL

India's pioneer information and insights company, TransUnion CIBIL, makes trust possible by ensuring each person and business entity is reliably represented in the marketplace. We do this by providing an actionable view of consumers and businesses, stewarded with care. We have developed technology and innovative solutions across core credit, risk and advanced analytics. As a result, consumers and businesses can transact with confidence and achieve great things. We call this Information for Good® — and it leads to economic opportunity, great experiences, and personal empowerment for millions of people and MSME in India. We serve the financial sector as well as MSME and individual consumers. Our customers in India include banks, credit institutions, NBFC, housing finance companies, microfinance companies, telecom companies and insurance firms.

TRANSUNION CIBIL LIMITED

One World Center, Tower 2A - 2B, 19th Floor,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013