

Newsletter | 2026 (Jan - March)



Trust & Transformation

Building a Resilient Future for Urban Co-operative Banking.





Index

- 01 Message from NUCFDC CEO
- 02 Pivotal Focus on Co-operatives for Viksit Bharat
- 05 What Budget 2026–27 Means for Urban Co-op Banks
- 07 Shri Jyotindra Mehta, A Purpose-Driven Voice in Urban Co-operative Banking @75
- 09 RBI Governor Engages with UCB Sector Leadership on Sector Priorities
- 10 India Targets Domestic Enablers in Global Cyber Fraud Crackdown
- 11 NUCFDC at a Glance as of FY 2026
- 11 Learning Chronicle
- 12 Urban Co-operative Banks are India's Crucial Engine of Financial Inclusion
- 13 India's Digital Payments Moment - Key Imperatives for UCBs to Compete
- 16 Sahakaar Trends by NUCFDC and TransUnion CIBIL
- 19 Institutional Engagements
- 20 NUCFDC Leadership Meets RBI Governor
- 21 Why UCBs Need to Adopt a Standardized CBS on a SaaS Model to Move Towards the Next Wave of Digital Banking
- 23 Urban Co-op Banks Must Embrace Digital Transformation to Stay Relevant for Yuva Bharat

CEO Message

Urban Co-operative Banks Transitioning from Stability to Scale



Urban Co-operative Banks (UCBs) play an important role within India's financial architecture. Long before digital infrastructure connected grassroots customers to wider financial networks, UCBs built trust through relationship-based finance and community ownership. For decades, their presence within local economies enabled them to serve neighbourhood businesses, small enterprises, self-employed professionals, emerging entrepreneurs and middle-income households. They extend formal banking services to segments of the economy that depend on proximity-based financial relationships and often remained outside the immediate focus of formal banking. This legacy of trust continues to underpin the sector's relevance today.

In recent years, policy direction and regulatory oversight have strengthened the operating environment for UCBs. Governance expectations have sharpened, and supervisory frameworks have evolved. Risk management practices are becoming more structured across institutions. These developments have contributed to stronger balance sheet stability and improved compliance standards.

At the same time, India's economy is witnessing deeper financial formalisation. This transition is expanding opportunities for UCBs to strengthen their role in inclusive financial intermediation. As the sector enters a new phase, the challenge is to translate stability into responsible scale. Technology adoption will be central to this transition. Investments in digital infrastructure, cyber resilience and data governance are becoming essential for institutional credibility as well as regulatory confidence. For UCBs, modernisation is no longer incremental but necessary for sustained competitiveness.

Policy signals reinforce this direction. Measures to expand MSME financing, including the INR 10,000 crore SME Growth Fund and the strengthening of the Trade Receivables Discounting System (TReDS) during the union budget presented by **Hon'ble Finance Minister Smt. Nirmala Sitharaman ji** for FY 2026-27, are

particularly relevant given the sector's deep engagement with small and medium enterprises. Regulatory developments also indicate a forward-looking approach. Proposals to resume licenses of new UCBs after two decades, alongside revised lending norms (unsecured lending cap increased to 20% and flexibility in housing loan tenors for larger UCBs) are encouraging. Additionally, the Mission-SAKSHAM initiative by RBI to train over 1.4 lakh urban co-operative banking professionals, highlight a commitment to growth supported by stronger institutional capacity.

Within this evolving landscape, NUCFDC continues to strengthen institutional capabilities across Urban Co-operative Banks through multi-faceted support, shared digital infrastructure and targeted capacity-building initiatives.

The opportunity ahead lies in translating longstanding trust into sustainable scale. The objective is to enable UCBs to expand responsibly so they remain resilient, competitive and modern institutions while continuing to contribute meaningfully to India's evolving financial system.



Pivotal Focus on Co-operatives for Viksit Bharat

The first quarter of CY2026 commenced with high-octane event aimed at advancing India's cooperative sector. A high-level 'Manthan Baithak', chaired by **Hon'ble Minister of Home and Cooperation, Shri Amit Shah ji**, was convened in Gandhinagar, Gujarat, bringing together Ministers of Cooperation from all States and Union Territories. On this occasion, Union Minister of State for Cooperation Shri Krishan Pal Gurjar, Shri Murlidhar Mohol, Secretary, Ministry of Cooperation, and several other dignitaries were present.

Held under the guiding theme '**Sahkar se Samridhhi**', the **Manthan Baithak** focused on defining a structured roadmap to strengthen the co-operative movement and expand its role in India's journey towards becoming a fully developed nation by 2047. The deliberations emphasised the need for coherent policy direction, institutional strengthening and deeper Centre-State coordination to enable sustained and inclusive growth. The meeting reviewed progress, assessed structural challenges, and identified priority areas for reform. It focused on modernising co-operative institutions through technology adoption, strengthening governance frameworks, and enhancing transparency as well as accountability across operations.

The day-long engagement combined high-level policy discussions with an on-ground exhibition of co-operative innovation and scale, offering both strategic direction and practical insight. The meeting reinforced the sector's evolving role as a modern, technology-driven and inclusive pillar of India's economic development.

During the Manthan Baithak, Shri Amit Shah Ji inaugurated and laid the foundation stone of projects worth INR 265 crore related to ethanol, energy, organic potash, warehouses and protein powder plants.

A compendium on best practices in co-operatives, along with a report on the International Year of Co-operatives, was also released. Progress under major national initiatives was also reviewed, including the establishment of two lakh new multipurpose Primary Agricultural Credit Societies (PACS) and the expansion of dairy & fisheries co-operatives to strengthen rural economic systems.

The deliberations underscored that a fully developed India must be anchored in systems that enable dignity, with co-operatives positioned as an effective vehicle for inclusive and grassroots-driven development.

Food Grain Storage and Infrastructure

Food grain storage emerged as one of the key priorities in the deliberations, reflecting its critical role in strengthening agricultural value chains and ensuring price stability. The need to significantly expand national storage capacity was underscored, with estimates indicating a requirement to increase capacity nearly threefold in the coming years. The co-operative sector is expected to play a leading role in this expansion, undertaking a substantial share of the effort.

A coordinated and multi-institutional approach was emphasised, involving Primary Agricultural Credit Societies (PACS), co-operative dairies, state marketing federations, district co-operative banks and district sales-purchase unions. The focus is on developing modern, large-scale warehousing infrastructure through shared responsibility across the co-operative ecosystem, supported by appropriate financing and institutional alignment.

A significant proportion of food grains continues to be sourced from Punjab and Haryana. Aligning procurement, storage and distribution systems at the

regional level could reduce transportation costs by an estimated 30–40%, while improving overall supply chain efficiency. The discussions reinforced the need for a nationally integrated and universally accessible storage framework. A system of this scale, driven by co-operative institutions, is expected to enhance resilience, reduce logistical inefficiencies and ensure more equitable access to infrastructure across states.

Sugar Mills and Diversification

The revitalisation of co-operative sugar mills was identified as one of the priority areas. The viability of co-operative sugar mills remains uneven, with a number of units operating below capacity. To address this, a strategic shift towards diversification is being prioritised, with States encouraged to take proactive steps to restart closed or underperforming units. Co-operative sugar mills are being repositioned as integrated, multi-product enterprises, moving beyond single-product dependence. Established models indicate the potential to expand into areas such as fertiliser and gas production, enabling multiple revenue streams from existing infrastructure.

This transition will be supported through the development of a national-level co-operative framework designed to facilitate diversification across units. The framework aims to provide technical integration, standardised processes and institutional support, particularly for mills currently limited to sugar production. Effective implementation will require aligned policy action at the state level. Flexible regulatory provisions, timely approvals and targeted

incentives will be essential to enable restructuring, attract investment and ensure the long-term financial sustainability of cooperative sugar enterprises.

Dairy Sector and Best Practices

The dairy sector continues to represent a proven model of cooperative-led growth, with significant potential for further scale and institutional strengthening. States were encouraged to adopt a structured approach to knowledge transfer by studying successful frameworks such as Banas Dairy. Collaboration with established institutions, including Amul and National Dairy Development Board, was emphasised to accelerate network expansion, improve value chain efficiencies and support capacity building across states.

Strengthening Co-operative Finance and 'Sahkarita mein Sahkar'

The principle of 'Sahkarita mein Sahkar' has been positioned as an important strategy to strengthen financial cohesion and institutional linkages across the sector. Co-operative institutions are encouraged to maintain their accounts with District Co-operative Banks, while these banks can be positioned as nodal agencies for the implementation of government schemes. State Governments are expected to route programme funds, including income support and pension disbursements, through co-operative banks. In parallel, the deliberations also emphasised strengthening Shared Service Entities and Umbrella Structures to support operational efficiency and standardisation.



Expanding the Co-operative Frontier

The discussions also focused on expanding the co-operative model to new segments of the workforce. There is a growing emphasis on formal organisation of workers in retail and service sectors, including carpenters, plumbers and electricians, into co-operative structures to ensure fair and dignified remuneration. This expansion is expected to significantly widen participation, with a substantial proportion of the population likely to be associated with the co-operative sector in the coming years.

Bharat Taxi Initiative

The Union Home and Cooperation Minister, Shri Amit Shah ji emphasised that Bharat Taxi services would expand to every Municipal Corporation city, noting that over three lakh drivers have already joined the platform.

Concurrent Exhibition

The exhibition showcased the breadth and maturity of India's co-operative ecosystem through advanced services and products from over 20 leading institutions. Organisations such as National Dairy Development Board, Indian Farmers Fertiliser Cooperative Limited (IFFCO) and Banas Dairy showcased their capabilities across dairy, fertilisers and integrated rural value chains. Significant participation was also seen from Amul and National Fisheries Development Board.

Newly established national institutions like National Cooperative Exports Limited (NCEL); National Cooperative Organics Limited (NCOL); Bharatiya Beej Sahkari Samiti Limited (BBSSL); Bharat Taxi, Sahakar Sarthi; and National Urban Cooperative Finance and Development of Corporation Ltd. (NUCFDC) were present too. During the exhibition, specialised exhibits on natural farming and organic products reflected a clear shift towards sustainability and environmentally responsible practices within the co-operative framework. The exhibition underscored the growing importance of collaboration between states and cooperative institutions in advancing fiscally resilient, sustainable and inclusive growth.

Additional Operational Priorities and Capacity Building

The meeting also covered key operational priorities, including the promotion of pulses and maize production, addressing challenges in cooperative banking, expanding membership & awareness initiatives, and strengthening media & communication strategies. Expectations from States were outlined with regard to the computerisation of PACS and RCS offices, effective utilisation of the National Cooperative Database, human resource development & training, and improved implementation of National Cooperative Development Corporation schemes.



What Budget 2026–27 Means for Urban Co-operative Banks

The Union Budget 2026–27, presented by **Hon'ble Finance Minister Smt. Nirmala Sitharaman ji**, reinforces India's commitment to growth with inclusion, anchored in reform, resilience and technology. The budget announcements creates a supportive operating environment for Urban Co-operative Banks (UCBs) while signalling a shift towards scalable, technology-led financial intermediation. The sector is well placed to contribute meaningfully, particularly in extending credit to the segments of society that remain closely linked to local economic activity.



**INR
12.2
lakh crore**
capital expenditure

Budget focused on Government's 'Sankalp' for betterment of poor, underprivileged and the disadvantaged inspired by 3 kartavya

First kartavya is to accelerate and sustain economic growth, by enhancing productivity and competitiveness, and building resilience to volatile global dynamics.

Second kartavya is to fulfil aspirations of the people and build their capacity, making them strong partners in India's path to prosperity.

Third kartavya, aligned with the vision of **Sabka Sath, Sabka Vikas**, is to ensure that every family, community, region and sector has access to resources, amenities and opportunities for meaningful participation.

The threefold approach requires a supportive ecosystem:

- Sustain the momentum of structural reforms – continuous, adaptive, and forward-looking.
- A robust and resilient financial sector is central to mobilising savings, allocating capital efficiently and managing risks.
- Cutting-edge technologies, including AI applications, can serve as force multipliers for better governance.

MSME Financing and Formalisation

The continued focus on MSMEs – through the **INR 10,000 crore SME Growth Fund, expansion of the Trade Receivables Discounting System (TReDS) and Credit Guarantee Support**—marks a transition towards formal, cash-flow-based lending. For UCBs, this builds on their core strength. Their proximity to small businesses positions them well to scale supply chain finance and working capital solutions. However, participation will require integration with digital credit platforms and ecosystem-based lending models.

Technology as a Structural Imperative

The continued emphasis on digital infra and AI-led systems will lower barriers to adoption while raising service expectations. For UCBs, technology is no longer optional. Investment in digital capability, cyber resilience and data governance will be central to competitiveness and regulatory confidence. UCBs must accelerate technology adoption and close capability gaps to avoid being edged out in an increasingly digital-first financial system.

Regulatory Direction and Sector Expectations

The proposed High-level Committee on Banking for Viksit Bharat signals the next phase of financial sector reform. While reinforcing the importance of inclusion, it also raises expectations on governance, resilience and risk management. UCBs will need to strengthen underwriting discipline, asset quality oversight and institutional governance to remain credible participants in an evolving system.

Infrastructure and Regional Growth

The sustained **capital expenditure push of INR 12.2 lakh crore, alongside investments in city economic regions and logistics infrastructure**, will accelerate activity in Tier II and Tier III centres. This creates natural credit demand across local supply chains. Rising activity among contractors, SMEs and local businesses is likely to translate into the higher opportunities. UCBs can benefit by aligning lending strategies with regional economic clusters while maintaining prudent risk practices.

MSME Financing & Formalisation

INR 10,000 Crore SME Growth Fund
Expansion of TReDs and Credit Guarante Support

Technology Mandate

Digital + AI Ecosystem
Technology Central to Financial Sector Evolution

Regulatory Direction

High-level Committee
Emphasis on Governance, Resilience and Risk Management

Capital Markets and Treasury Evolution

Measures to **deepen corporate bond markets and incentivise municipal bond issuances** will diversify funding channels. UCBs must strengthen treasury capabilities and risk management to participate effectively in a more market-oriented financial system.

New Lending Opportunities in Allied Sectors

The push towards livestock and allied infrastructure, supported by loan-linked subsidies, opens a viable and under-penetrated credit segment. With strong presence in semi-urban markets, UCBs are well placed to finance institutions, professionals and value chains linked to this sector, subject to robust appraisal frameworks. Livestock already contributes around 16% of farm income, yet credit remains largely informal. Financing veterinary colleges, hospitals, diagnostics and breeding facilities opens a newer customer channel for UCBs to step in, and build granular loan book. Customer profile and exposure discipline for concentration risk would be critical.

Strengthening the Cooperative Ecosystem

Targeted tax reforms such as expanded deductions for primary cooperatives and relief from inter-cooperative dividend taxation—enhance liquidity and efficiency within the cooperative framework. This indirectly supports the credit ecosystem in which UCBs operate.

The Budget outlines a calibrated path that balances growth with stability and inclusion. For UCBs, it presents a clear opportunity to scale within a more formal, digital and interconnected financial ecosystem. At the same time, it underscores the need for stronger governance, sharper risk management and accelerated capability building. The sector's trajectory will depend on its ability to align with this policy direction—leveraging its grassroots strength while adapting to a more demanding and technology-driven financial landscape.



Capital Markets and Treasury Evolution

Measures to deepen corporate bond markets and municipal bonds



New Lending Expansion in Allied Sectors

- Subsidy-backed financing for veterinary, allied infra
- Development of secondary market for receivables



Strengthening the Cooperative Ecosystem

Expanded deductions and inter-cooperative dividend



Shri Jyotindra Mehta, A Purpose-Driven Voice in Urban Co-operative Banking @75

Milestone moments invite reflection on individuals whose journeys align with institutional transformation. The seventy-fifth birthday of Shri Jyotindra Mehta, Chairman of NUCFDC presents such an occasion. A platinum celebration held on 8 March 2026 in Gujarat brought together ministers, industry leaders and senior stakeholders from the co-operative sector. Messages of appreciation came from across the country, including a letter from the Hon'ble Prime Minister, Shri Narendra Modi ji, acknowledging his long-standing contribution to the co-operative movement. Known widely as "Mama" within the sector, he commands trust, familiarity and respect built over decades of consistent engagement and guidance.

A Career Aligned with Transition and Purpose

His professional journey has evolved alongside critical phases in India's UCB sector. These phases were defined by regulatory recalibration, structural reform and an increasing emphasis on governance. The sector has repeatedly confronted challenges related to capital adequacy, supervisory alignment and institutional resilience. Addressing these issues required informed judgement rather than

positional authority. His contribution emerged through sustained participation in processes that shaped sectoral direction. His approach has remained measured by combining co-operative principles with a clear understanding of regulatory expectations. His role has not been defined by designation, but by continuity, institutional memory and long-term commitment.

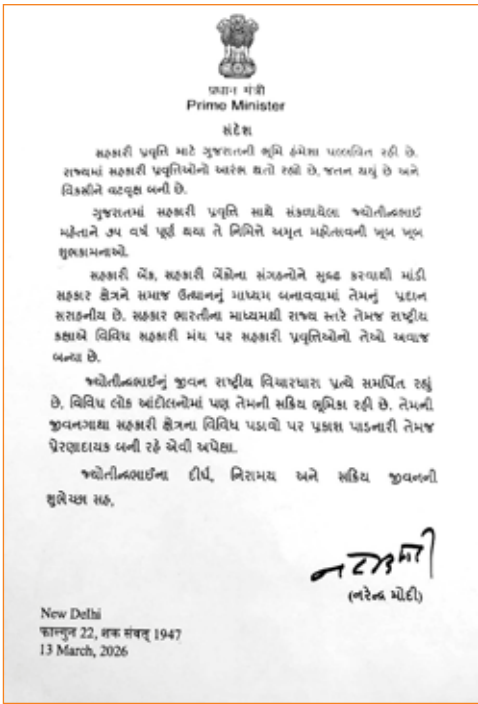
Over more than four decades, he has held multiple leadership positions across organisations and has contributed to several key committees constituted for the sector. His association with committees formed by the RBI placed him within important policy discussions. These committees examined the operational architecture of UCBs and explored structural solutions for long-term sustainability. He contributed to expert groups chaired by Shri V. S. Das and Shri N. S. Vishwanathan to address governance frameworks, supervisory alignment and the conceptual foundation of an Umbrella Organisation. The work required both sectoral familiarity and regulatory sensitivity, and it contributed to building a more disciplined and resilient ecosystem.

Crisis Response and Sector Stabilisation

His role during the 2001 crisis in Gujarat demonstrated applied leadership. The failure of a major UCB created systemic stress. Working closely with sector stakeholders and regulators, he supported the development of a restructuring framework that balanced stability with accountability. His contribution led to the creation of the TAFUCB mechanism in collaboration with the RBI. The framework enabled the restructuring of viable entities and facilitated the orderly exit of non-viable institutions.

From Sector Advocacy to Institution Building

His engagement with the NAFCUB coincided with a defining phase for the sector. As a Director, he participated in discussions that preceded the formation of the NUCFDC. The transition from concept to institution required coordination across federations, regulators and the Ministry of Cooperation. The process demanded clarity of purpose, persistence and the ability to align diverse institutional perspectives. His role was marked by



Shri V.S. Das, Former Executive Director, RBI and Advisor to NUCFDC

“He has ably played a pioneering role with his steadfast faith in cooperation. His intimate knowledge of the sector and guidance proved useful in handling the 2001 crisis appropriately when a major UCB failed in Gujarat.”



Shri D. Krishna, Former CEO of the NAFCUB

“Mehta ji is a full-time cooperator and a personality full of drive. He is 24 hours a day, 365 days a year an UCB sector man. His passion and dedication towards development and well-being of the sector is virtually unmatched.”

Shaping the Umbrella Organisation

The creation of the Umbrella Organisation marked a structural shift in the UCB sector. It introduced a framework for capital support, shared services and institutional strengthening. His contribution extended from conceptualisation to execution. Engagement with regulatory authorities and sector bodies ensured continuity between policy design and implementation. This alignment strengthened institutional credibility while preserving the co-operative legacy.

With the establishment of NUCFDC, the emphasis moved towards execution and governance. As Chairman of the Board, he assumed responsibility for guiding the organisation through its formative phase. Under his leadership, the focus has remained on governance discipline, clarity in oversight and heightened risk awareness. Expansion has not been pursued in isolation. Institutional credibility and sectoral resilience have remained central priorities.

Institution Building and Social Contribution

His work extends beyond financial architecture into broader institution building. He has contributed to strengthening co-operative institutions at both regional and national levels. His efforts have supported the revival of distressed banks and the stabilisation of institutions during periods of stress. Organisations such as Rajkot Nagrik Sahakari Bank have benefited from sustained engagement and strategic guidance. His initiatives also reflect a commitment to social development. Efforts to promote digital access and financial awareness through co-operative channels have complemented institutional work. A community FM radio initiative underscores his interest in inclusive outreach and local engagement.

Recognition and Enduring Legacy

His contributions have been recognised through national honours, including the Sahakarita Ratna award. These acknowledgements reflect the breadth of his engagement across policy, institutions and community initiatives. His legacy, however, lies in institutional outcomes rather than individual recognition. He has contributed to frameworks that continue to shape the sector’s evolution. At seventy-five, his journey reflects continuity in a changing landscape. It is defined by purpose, discipline and enduring commitment to the co-operative movement.



Source of Image : RBI official Website

RBI Governor Engages with UCB Sector Leadership on Sector Priorities

The Governor of the Reserve Bank of India, Shri Sanjay Malhotra ji, met Chairpersons, Managing Directors and Chief Executive Officers of select Urban Co-operative Banks in Mumbai on 19 January 2026, as part of the Central Bank’s ongoing engagement with regulated entities. The previous interaction was held in March 2025.

The meeting was attended by Deputy Governors Shri Swaminathan J. and Shri S. C. Murmu, along with senior officials of the Reserve Bank of India. Representatives from NUCFDC and NAFCUB along with nearly 45 senior stakeholders of UCBs from multiple states were present in the meeting.

In his remarks, the Governor highlighted the continued relevance of UCBs in credit delivery, particularly in underserved and semi-urban areas, and their role in

advancing financial inclusion. He referred to recent policy measures and expressed confidence that these would support sustainable sectoral growth.

The Governor underscored the importance of strong governance standards, prudent underwriting practices and vigilant oversight of asset quality. The need for customer-centric operations, ethical conduct and timely grievance redressal was also discussed during the meeting to sustain public trust.

During the meeting, industry participants shared feedback on policy and operational matters, including governance norms, capital strengthening and capacity-building priorities across the sector.

— Key Takeaways —



RBI reaffirmed the strategic role of UCBs in credit delivery and financial inclusion.



Strong governance, underwriting discipline and asset quality oversight remain regulatory priorities.



Industry representatives raised queries relating to capital strengthening and operational clarity.



Continued dialogue between the regulator and the sector will support long-term stability and growth.



India Targets Domestic Enablers of Cyber Fraud

India is recalibrating its response to cyber-enabled financial crime, with a sharper focus on dismantling the domestic ecosystem that sustains a vast and increasingly transnational fraud industry. **A two-day national conference on “Tackling Cyber-Enabled Frauds and Dismantling the Ecosystem” was convened in February 2026 in New Delhi by the Central Bureau of Investigation and the Indian Cyber Crime Coordination Centre under the Ministry of Home Affairs.** The forum brought together around **375 delegates**, including law enforcement agencies, senior police officials, regulators, central and state authorities, banks, telecom operators, technology firms, cybersecurity experts, social media intermediaries and international partners. Cyber-enabled financial crime now cuts across jurisdictions and sectors, requiring alignment between institutions. The conference served as a platform to move beyond fragmented responses towards a more integrated national strategy.

Inaugurating the event, the **Hon’ble Minister of Home and Cooperation, Shri Amit Shah ji, announced the creation of a dedicated cybercrime branch within the CBI and launched the State Cyber Crime Coordination Centre dashboard.** He underscored that cyber security is no longer confined to economic risk but has become integral to national security. Safeguarding financial systems, administrative integrity and social stability, while

Size of Cyber-crime Economy

The global cybercrime economy is estimated at USD 10.5 trillion annually and is projected to reach USD 23 trillion by 2027. India alone has reported approximately 265 million cyber incidents. With over a billion internet users, the country is both a major target and a critical node in the global response architecture.

Strengthening the National Response

Discussions focused on the evolving architecture of cyber-enabled fraud. Organised criminal networks are increasingly sophisticated, leveraging digital platforms, cross-border infrastructure and human vulnerabilities. While many operations originate overseas, they rely heavily on domestic support systems within India.

Mule bank accounts form the financial backbone of these frauds. Fraud proceeds are routed through layered transactions across multiple institutions, often involving thousands of accounts. This fragmentation obscures audit trails and delays recovery. Authorities are prioritising real-time monitoring, artificial intelligence-led analytics and interoperable databases to detect anomalies early.

Global Cyber Crime Economy Size



Telecom infrastructure remains another vulnerability. Fraudsters exploit gaps in SIM and eSIM issuance to maintain anonymity and scale operations. Delegates called for tighter verification standards and clearer accountability for service providers, particularly at the point of sale.

A more disturbing dimension is the rise of cyber slavery. Individuals are lured abroad through fraudulent job offers and coerced into executing scams, including phishing and impersonation schemes. This trend intersects with human trafficking and requires coordinated international action.

Investigative agencies face constraints. Financial trails are complex, evidence is often overseas and coordination can be slow. Policymakers are advancing stronger integration across institutions. The direction is clear: shift from reactive enforcement to proactive disruption and build systemic resilience.



at a Glance as of FY 2026

300.95 Crore
Paid-up Capital

24 States
Geographical Reach

482 UCBs
Members

331 UCBs Shareholders
151 UCBs BR Received

Learning Chronicle

Virtual Training on IT Governance and Cyber Security



Sahkar Paathshaala, the capacity-building initiative of NUCFDC, hosted a **virtual programme on IT Governance and Cyber Security** in March 2026. The session attracted **232 participants** from Urban Co-operative Banks, including CEOs, Executive Directors, IT Heads, Cisos, Risk Officers and Branch Managers. The programme delivered practical, audit-focused insights aligned with regulatory expectations. Key topics included IT governance frameworks, cyber risk management and preparedness for supervisory assessments.

The session highlighted common audit gaps. These included weak governance structures, inadequate cyber controls and limited alignment with regulatory guidelines. It focused on clear and actionable outcomes. Banks were guided to strengthen internal controls, improve cyber risk monitoring and enhance audit readiness. Participants were introduced to global standards such as COBIT and ISO/IEC 27001. The emphasis remained on practical implementation. As digital adoption accelerates, cyber resilience is becoming critical. Structured training is emerging as a key driver of progress across the sector.

Webinar on Wellness and Resilience for Women in Banking



Marking **International Women's Day**, **Sahkar Paathshaala**, the capacity-building initiative of NUCFDC, hosted a **special webinar on Wellness and Resilience for Women in Banking** on 7th March 2026. It brought together **222 women professionals** from UCBs across roles and levels. The discussion focused on practical ways to manage stress, build emotional resilience and maintain balance in demanding work environments.

The webinar moved beyond a symbolic celebration. It offered actionable insights on self-awareness, energy management and positive mindset practices. Participants explored ways to set healthy boundaries and strengthen personal well-being while meeting professional expectations. Participants shared experiences and engaged actively through discussions. Many noted that the session closely aligned with their daily challenges. As workplace pressures grow, such initiatives highlight the need to prioritise well-being alongside performance. Sahkar Paathshaala continues to enable conversations that support both professional growth and holistic development in the UCB sector.

Urban Co-operative Banks are India's Crucial Engine of Financial Inclusion

Urban Co-operative Banks (UCBs) in India trace their origins to the late 19th centuries. Emerging alongside rural co-operatives, they were designed to serve urban and semi-urban populations excluded from formal banking. Their core clientele—small traders, artisans, salaried individuals, self-employed professionals and micro-entrepreneurs — often lacked collateral, formal income records or credit histories. UCBs filled the service gap through a co-operative structure built on member ownership, democratic governance and local familiarity. Relationship-based lending, supported by community knowledge and trust, enabled credit delivery where conventional risk frameworks could not operate effectively.

A Legacy of Economic Stabilisation and Equitable Wealth Distribution

At multiple points in India's economic evolution, UCBs have played a stabilising role. They reduced dependence on informal credit by offering reasonably priced loans, improving household financial stability. They also supported local economies by financing working capital for small businesses, trade and service enterprises, driving employment and economic circulation in underserved clusters. Unlike shareholder-driven institutions, UCBs promote equitable wealth distribution. Profits are redistributed among members through dividends or better services, creating a participatory financial ecosystem. Their resilience during economic stress is notable. With granular

deposit bases and strong relationships, they respond quickly to local disruptions, cushioning community-level shocks.

Pillar of Financial Inclusion

India has made significant progress in financial inclusion, yet the last mile financing remains complex. **The Financial Inclusion Index by RBI rose to 67.0 in March 2025 from 64.2 in March 2024. According to the World Bank's Global Findex 2025, account ownership in India has reached 89% .** However, access does not always translate into meaningful usage. UCBs address this gap through a proximity-driven model. Their understanding of informal cash flows, seasonal incomes and local behaviours enables customised financial solutions. Operating within defined geographies, they combine accessibility with trust, making them important intermediaries of financial inclusion.

Supporting Local Economies and MSME Ecosystem

Their strategic importance is about supporting local economies. UCBs finance micro, small and medium enterprises—the backbone of India's semi-formal economy. In urban and semi-urban centres, they serve trading communities, small manufacturers and service providers often excluded from formal credit channels. Beyond banking, UCBs shape financial behaviour. They foster savings habits, responsible credit usage and repayment discipline. Co-operative finance has also enabled greater participation of women and self-help groups.



Governance, Regulation, Reform and Digitalisation

The sector has undergone sustained regulatory evolution, with tighter oversight strengthening governance and stability.

At the same time, digitalisation is reshaping operations. Technology adoption is improving efficiency and outreach across financial domain. Despite their contributions, UCBs face structural challenges, including resource limitations, governance complexities and restricted scalability. Addressing these bottlenecks requires regulatory simplification, stronger risk management framework and accelerated collaboration with tech-driven financial ecosystem.

The Path Ahead

As we advance towards **Viksit Bharat by 2047**, financial inclusion remains central. UCBs are uniquely positioned to translate policy intent into grassroots impact. India's financial future will not be defined by scale alone, but by depth. Urban Co-operative Banks bring both—bridging the gap between access and empowerment, and transforming inclusion into a lived economic reality.

India's Digital Payments Moment – Key Imperatives for UCBs to Compete

India's payments ecosystem today represents one of the most sophisticated and inclusive architectures globally. It is a diverse bouquet of systems designed to serve varied user needs, spanning traditional paper-based instruments to advanced digital platforms. Credit and debit cards, mobile wallets, net banking, and real-time systems such as UPI, IMPS, NEFT and RTGS coexist within an interoperable and rapidly evolving framework.

Over the past two decades, digital payment ecosystem has undergone a remarkable transformation. The expansion of acceptance infrastructure, increased availability of services, and a sharp rise in user adoption have positioned India as one of the leaders in global digital payments. **The country now processes nearly 50% of all global real-time payments.** The growth is underpinned by technological advancements, sound and supportive regulatory framework, policy initiatives at promoting cashless transactions, infrastructure scale, and behavioural shifts of Indian population.

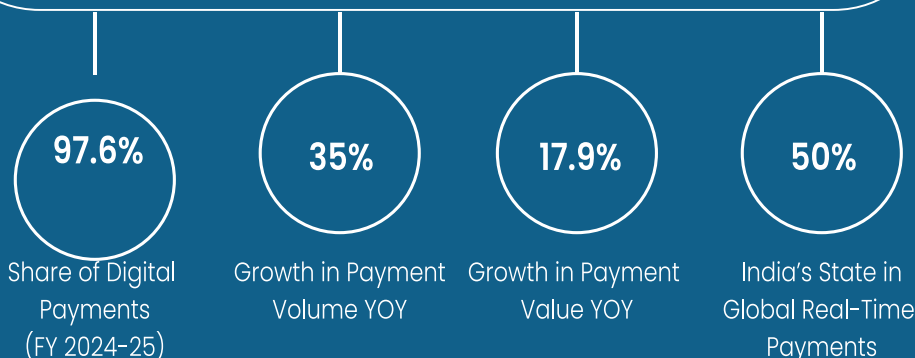
According to the Reserve Bank of India's Trend and Progress of Banking in India report, during 2024–25, digital payments grew by 17.9% in value terms, accounting for 97.6% of total payments. Paper-based instruments such as cheques declined to just 2.4%. In volume terms, digital payments grew by 35%, driven by rising adoption for small-value transactions.

Consequently, the average value of retail digital payments declined to INR 3,830 from INR 4,382 a year earlier—signalling deeper penetration into everyday consumption. The long-term trajectory is even more striking. Over the past decade ending 2024, digital transactions have increased 38 times in volume and more than three times in value. The CAGR stands at 52.5% in volume and 13% in value. In the last five years alone, volumes have grown 6.6 times, reflecting sustained momentum.

At the heart of this expansion is the Unified Payments Interface (UPI). **UPI accounts for 81% in FY2024–25 of retail digital payment volumes and has emerged as the world's largest real-time retail payment system.** Its success has been driven by smartphone penetration, Aadhaar-enabled authentication, e-KYC, and the rapid expansion of merchant acceptance infrastructure across urban and rural India.

Yet, beneath this headline growth lies a critical structural insight. **In the first half of 2025, UPI accounted for 85% of transaction volume but only 9% of value. In contrast, RTGS contributed 69% of transaction value while accounting for just 0.1% of volume.** This divergence reflects the dual architecture of India's payments ecosystem. UPI drives high-frequency, low-value retail transactions, while RTGS anchors high-value wholesale flows. Together, they represent a system that is both democratised and institutionally robust.

India's Digital Payments Moment



Key Challenges

- Cybersecurity
- Fraud Risks
- Literacy Gaps
- Network Issues

Opportunity for UCB's

- UPI Participation
- AI for Fraud Detection
- MSME Financing via TRoDS
- Cross-Border Readiness

AI Monitoring | 2FA & Binding | Awareness

The Reserve Bank’s Digital Payments Index (RBI-DPI) reinforces this trajectory. The index rose to 493.2 in March 2025 from 445.5 a year earlier, indicating sustained expansion in infrastructure, performance, and user adoption across geographies. Digital payments are no longer urban-centric; they are penetrating deep into semi-urban and rural India.

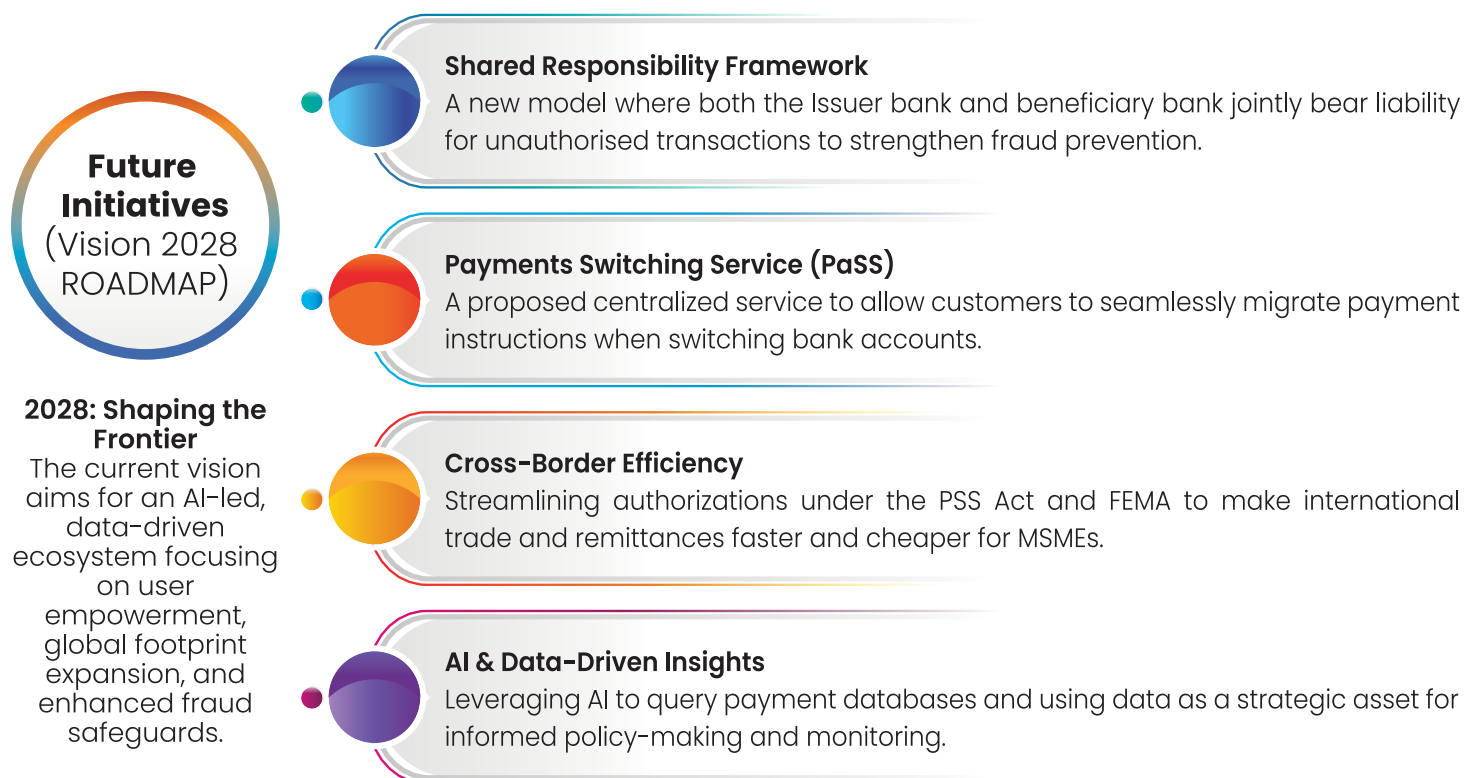
Launched in January 2021 and computed semi-annually, the index captures the extent of digitalisation of payments across the country. The index comprises of five broad parameters viz – payment enablers; payment infrastructure – demand-side factors; payment infrastructure – supply-side factors; payment performance; and consumer centrality.

However, scale brings complexity. As digital payments deepen, new challenges have emerged. Cybersecurity risks, digital literacy gaps, network reliability, and fraud prevention have emerged as key challenges. The Regulators and ecosystem participants have responded with layered safeguards, including device binding, two-factor authentication, transaction limits, and AI-driven fraud monitoring. Awareness campaigns continue to strengthen user vigilance, reflecting a system that is evolving in resilience alongside growth.

Technology, particularly artificial intelligence, is now shaping the next phase of this evolution. AI is enabling more effective fraud detection, enhancing customer engagement, and unlocking new approaches to credit assessment and risk management. The Reserve Bank of India’s Framework for Responsible and Ethical Enablement of AI signals a calibrated approach—encouraging innovation while maintaining systemic integrity. Increasingly, banks are treating innovation not as episodic experimentation but as a core element of long-term digital modernisation.

This transition sets the context for the Payments Vision 2028. Anchored in the theme ‘Shaping India’s Payment Frontier’, the Vision marks a strategic shift. The challenge is no longer expanding access alone, but deepening trust, reinforcing resilience, and extending India’s global footprint in payments.

The Vision builds on a two-decade journey of regulatory evolution. From foundational infrastructure in the early 2000s to institutional frameworks, digital transformation, and global integration, each phase has incrementally strengthened the ecosystem. **Payments Vision 2028** represents the next logical step—consolidating gains while preparing for a data-driven, AI-led future.



Source : Payment Vision 2028 Document by RBI

Its strategic priorities reflect this ambition. Safety in digital payments, interoperability across platforms such as TReDS, and a more efficient cross-border payments framework are central pillars. Equally important is the focus on ease of doing business, systemic stability, and continuous innovation in areas such as card payments. The Vision also emphasises research, training, and enhanced access to payments data, recognising that future competitiveness will depend on analytical capability as much as infrastructure.

Several forward-looking initiatives illustrate this approach. These include enabling customers to switch payment modes on or off, introducing a shared responsibility framework for fraud liability, and exploring a Payments Switching Service to simplify account transitions. The Vision also proposes the recognition of Small Payment System Providers through a calibrated regulatory sandbox, fostering innovation without compromising stability. Efforts to streamline cross-border payment authorisation and develop a unified Domestic Legal Entity Identifier further signal a push towards efficiency and transparency.

At a systemic level, the emphasis is clear – build a payments ecosystem that is resilient, inclusive, interoperable, and globally competitive.

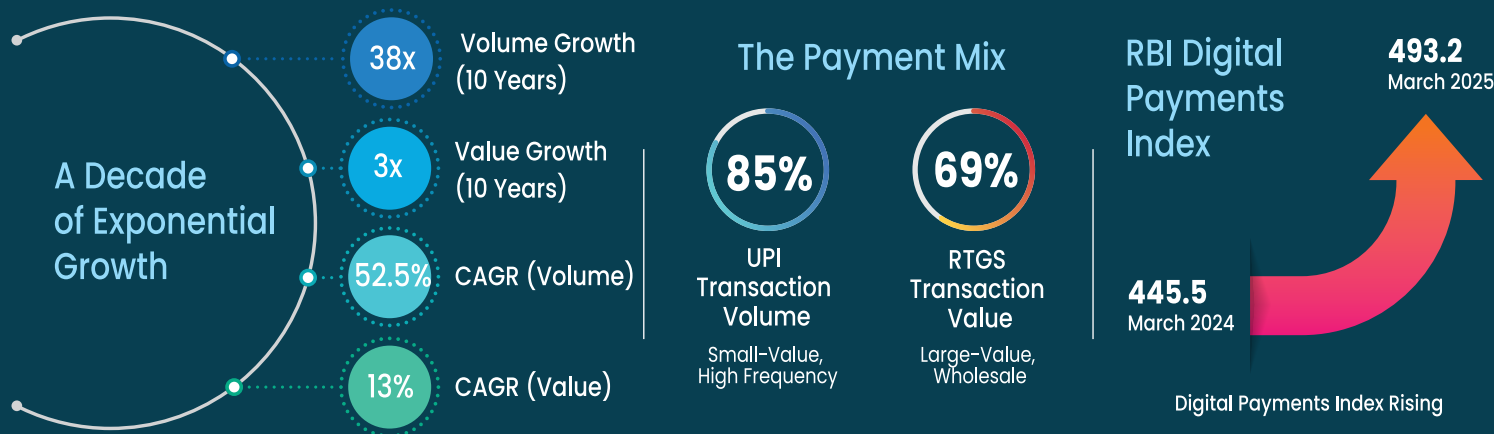
For Urban Co-operative Banks, this transformation presents both an imperative and an opportunity. Traditionally rooted in community banking and financial inclusion, UCBs are uniquely positioned to extend digital payments deeper into semi-urban and underserved segments. However, relevance in the next phase will depend on their ability to align with the evolving architecture of payments.

Participation in UPI and other digital rails is no longer optional. UCBs must invest in secure, scalable technology infrastructure and adopt AI-driven tools for fraud detection and customer service. The focus on interoperability, particularly in platforms like TReDS, opens new avenues to serve MSMEs—an area where UCBs already have strong relationships.

Equally, the Vision’s emphasis on trust and customer protection aligns with the core strengths of the co-operative model. By leveraging their proximity to customers while upgrading digital capabilities, UCBs can bridge the last-mile gap in digital adoption.

The policy debate around sustainability also holds significance. As India’s payments ecosystem matures, balancing inclusion with economic viability will be critical. A calibrated framework that ensures fair participation across banks, fintechs, and smaller institutions will determine whether growth remains broad-based.

India’s digital payments journey is entering a new phase—one defined not just by scale, but by trust, resilience, and global ambition. Payments Vision 2028 provides the blueprint. **For UCBs, the task is clear - evolve with the ecosystem to be competitive in the financial domain.**



5-Year Growth: 6.6x in Volume | 1.6x in Value

Key Growth Enablers

- Smartphone Boom
- Aadhaar & e-KYC
- Merchant QR Expansion
- Zero MDR on UPI
- Financial Inclusion

Sahakaar Trends by NUCFDC and TransUnion CIBIL

Urban Co-operative Banks Expand Credit Role as Outstanding Balances Almost Double in Five Years

83% of credit concentrated across eight products with commercial loans accounting for the largest share at 30%.

Portfolio growth reflects increasing retail and small-business activity, with asset-quality metrics showing improvement.

Urban Co-operative Banks (UCBs) are strengthening their position in India's credit ecosystem, supported by steady balance growth, improving asset quality, and rising demand across both retail and small business segments. **Outstanding credit balances of UCBs stood at INR 3.4 lakh crore as of September 2025, representing a 1.9x increase over the last five years,** according to Sahakaar Trends, a joint publication by the National Urban Co-operative Finance and Development Corporation Ltd. (NUCFDC) and TransUnion CIBIL, India's pioneer information and insights company.

"The expanding credit footprint of UCBs reflects strong borrower trust, particularly in semi-urban and emerging regions where access to formal credit remains critical. As these banks scale up, the focus must remain on strengthening institutional capacity, proving operational efficiency, and building resilient governance frameworks. Supporting UCBs through this transition is essential to ensuring that their growth continues to translate into meaningful financial participation and long-term economic stability," said **Shri Prabhat Chaturvedi, CEO, NUCFDC.**

While UCBs continue to hold a **modest share of overall industry credit at around 1.8%**, the data shows a system that is expanding in scale while adapting to changing borrower profiles, competitive dynamics, and regulatory expectations. "UCBs are expanding more widely into Bharat, extending formal credit beyond large urban centres to households and small businesses in semi-urban and emerging regions. Their proximity to local communities allows them to serve borrowers where local context and relationships matter, helping bring more of Bharat into the formal credit system. As these banks expand their reach across retail and small-business lending, sustaining credit quality while broadening access will remain central to their role in supporting more balanced and inclusive economic participation," said **Shri Bhavesh Jain, MD and CEO, TransUnion CIBIL.**

UCB Lending Remains Concentrated in Eight Core Products

Commercial loans, housing loans, retail business loans, loan against property, gold loans, personal loans, auto loans and loans against bank deposits dominate UCB balance sheets. As of September 2025, these products together accounted for nearly 83% of UCBs' total outstanding balances, reflecting a continued emphasis on collateral-backed retail lending and credit to small enterprises.

The average housing loan ticket sizes for UCBs stood at around INR 23 lakh, compared to INR 26 lakh for housing finance companies. For gold loans, the average ticket size is INR 1.3 lakh for UCBs, compared to INR 2.3 lakh for PSU banks. In contrast, average commercial loan ticket sizes for UCBs were approximately INR 50 lakh, higher than INR 37 lakh for Public Sector Banks (PSUs), while personal loan ticket sizes averaged about INR 4.7 lakh, compared to INR 2 lakh for NBFCs.

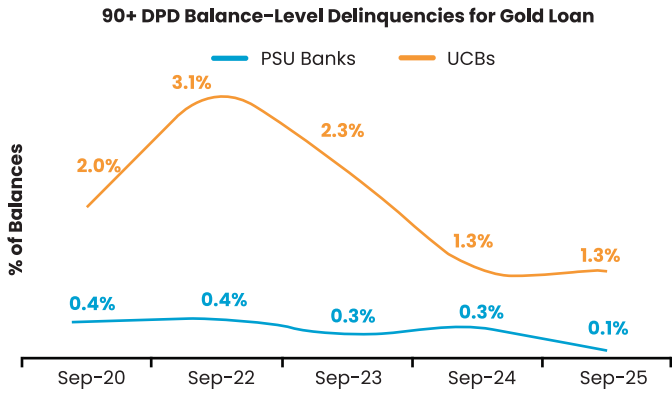


Product	5 Years CAGR in Balances (Sep '25 vs Sep '20)	% Share in Balances (Sep '25)
Commercial Loan*	4%	30%
Housing Loan	19%	14%
Retail Business Loan	19%	12%
Loan Against Property	17%	10%
Personal Loan	17%	6%
Gold Loan	49%	5%
Auto Loan	38%	4%
Loan Against Bank Deposits	20%	2%

*All Commercial fund-based loans (working capital-term loan) with entity with total exposure of 100 Cr is considered.

Gold Loans Present Growth Opportunity for UCBs

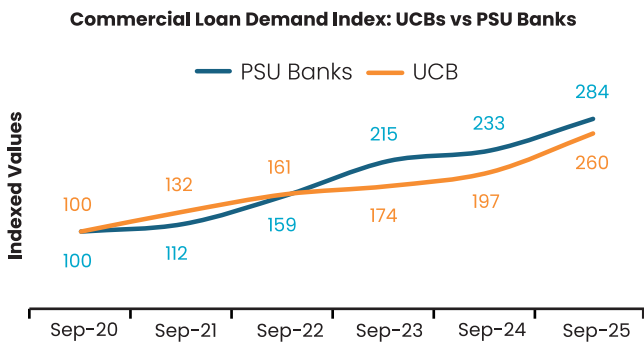
Gold loans account for about 5% of UCBs' overall credit portfolio. Although they cater to a relatively higher share of below-prime borrowers in this segment compared with PSU banks, credit performance indicators have improved, with the balance-level delinquencies, measured as balances 90 days past due or more, declining steadily in recent periods.



Commercial Loans Account for Largest Share of UCBs' Portfolio

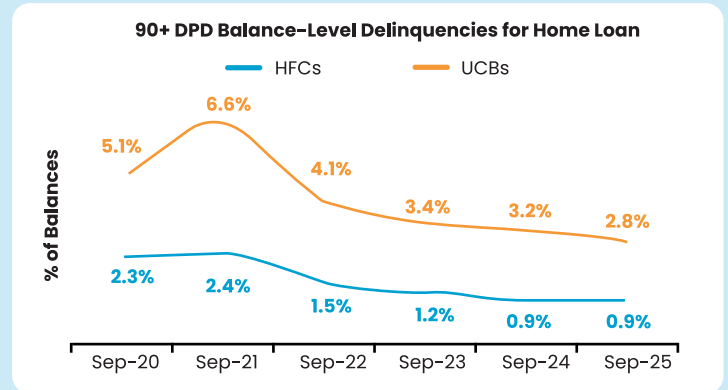
Commercial loans account for the largest share of the total outstanding balances for UCBs, as of September 2025. Indexed to September 2020 as 100, enquiry-level data shows a sharper rise in commercial loan demand for UCBs by September 2025.

While UCBs recorded a higher conversion rate from enquiry to origination compared with PSU banks during the three months ended June 2025, the pace of disbursement remains slower, with 45% of originations disbursed within 15 days, compared with 61% for PSU banks. UCBs also cater to a higher share of entities with credit exposure exceeding INR 1 crore and also have a higher share of low-risk borrowers at 49% compared to 45% medium-risk borrowers and 6% high-risk borrowers.



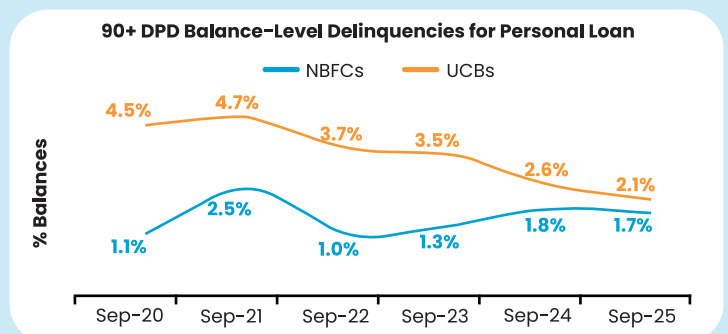
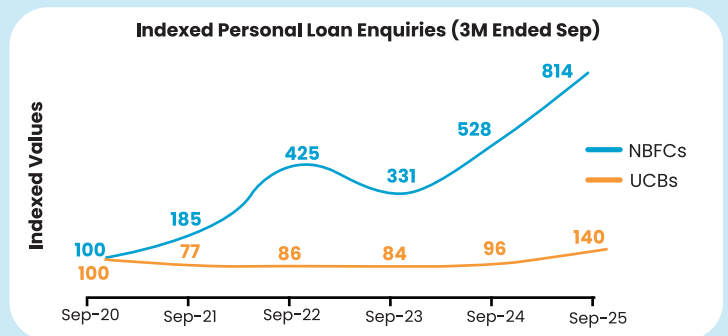
Housing Loan Demand Higher in Metro and Semi-Urban Regions

Housing loans constitute the second largest share of total outstanding balances for UCBs. Demand for housing loans has remained stable with **UCBs recording 2x growth in the last five years** attracting younger consumers, women, and New-to-Credit borrowers. Additionally, the growth has also been greater in urban and semi-urban regions. **The credit performance for housing loans has improved, with 90+ DPD balance-level delinquencies falling to 2.8% as of September 2025, from 3.2% in September 2024.**



Customer Profile of Personal Loan Borrowers has Improved for UCBs

Personal loan demand at UCBs has strengthened in recent periods. **UCBs recorded higher conversion rates for personal loan enquiries at 39%, compared to 22% for NBFCs during the three months ended August 2025,** although only 42% of these loans were disbursed within five days, compared with 68% for NBFCs. Additionally, the balance-level delinquencies for personal loans have steadily improved for UCBs and have been consistent for recent periods. **The personal loan delinquencies (90+ DPD) declined from about 4.5% in September 2020 to approximately 2.1% by September 2025.**

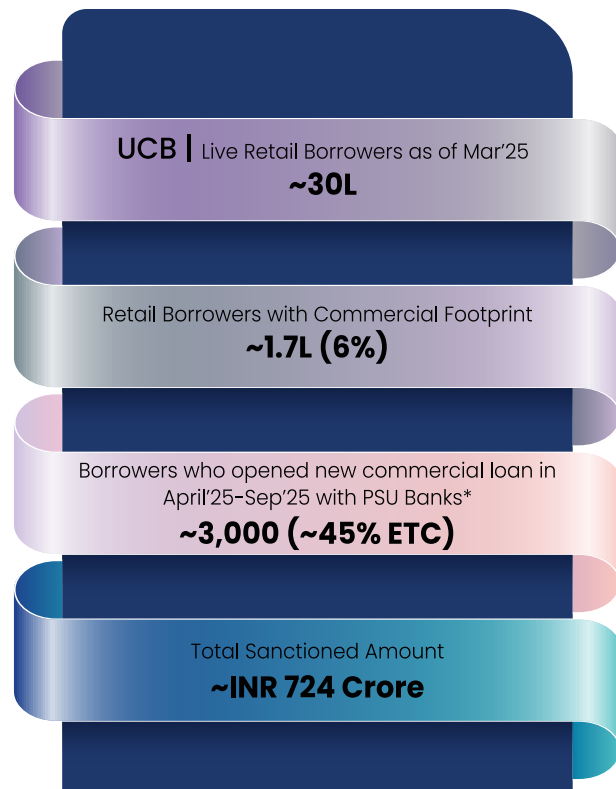


Opportunity Exists for UCBs to Expand Credit Reach

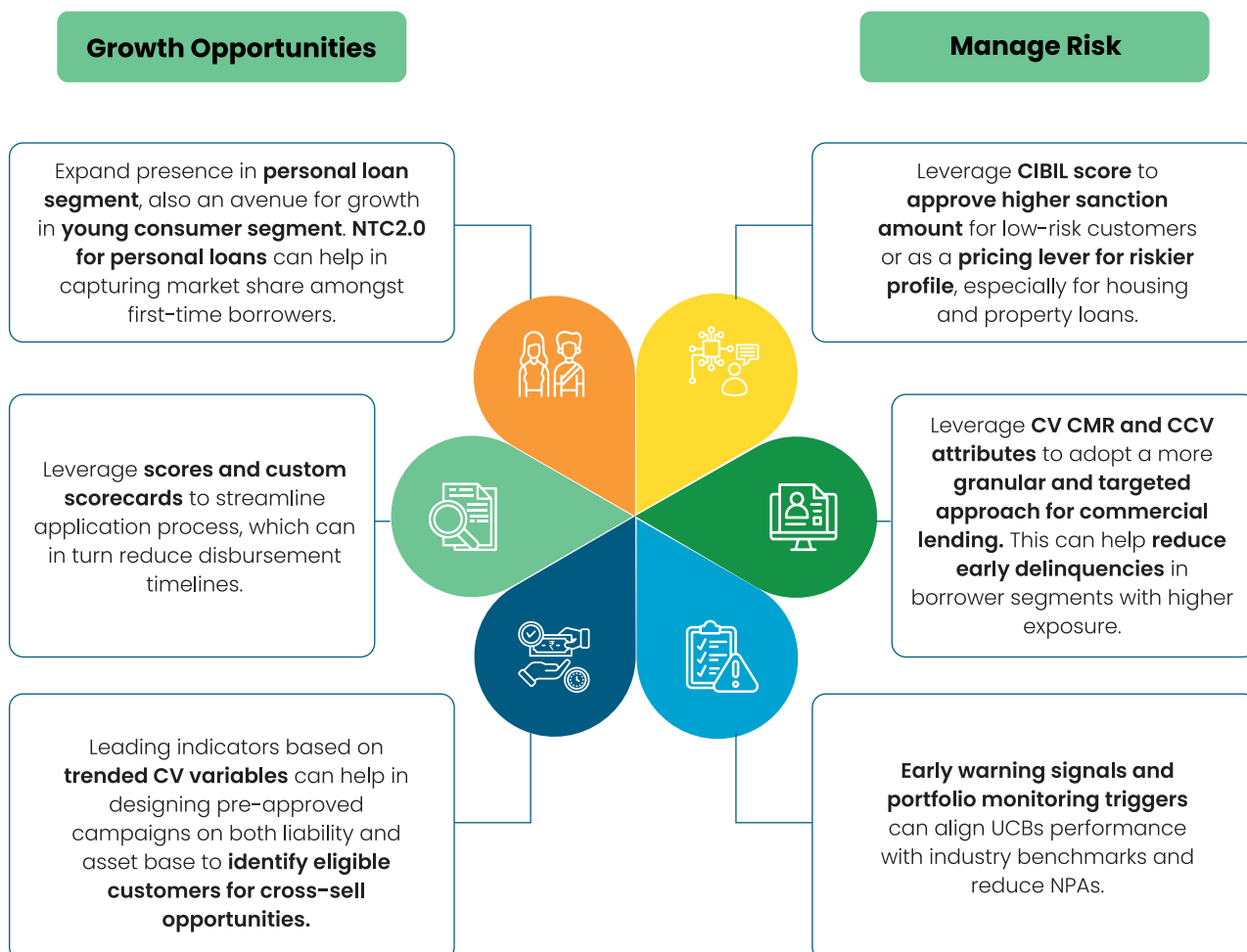
The data also points to a gap in portfolio deepening. As of March 2025, UCBs had approximately 30 lakh live retail borrowers, of which around 1.7 lakh, or about 6%, also had a commercial credit footprint. During April to September 2025, nearly 3,000 such borrowers sourced new commercial loans from PSU banks, with total sanctioned amounts of about INR 724 crore, including approximately INR 442 crore extended to low- and medium-risk borrowers.

Overall, the sustained growth of UCBs reflects a sector that is strengthening its balance sheets while accelerating efforts to modernise its operations and risk frameworks. Backed by improving asset quality, disciplined credit expansion, and rising adoption of technology-enabled processes, UCBs are increasingly well positioned to serve their core constituencies with greater efficiency and resilience.

“As UCBs continue to balance their community-rooted strengths with data-led decisioning and regulatory alignment, they are set to play an increasingly meaningful role in supporting inclusive economic growth and deepening formal credit penetration across India’s urban and semi-urban landscape,” Mr. Jain said.



UCBs can Unlock Growth through Smarter Underwriting, Faster Disbursement and Manage Risk through Proactive Measures



Institutional Engagements

Bharat Coopathon 2025 : Engagement with Startups and Fintechs

Following its launch in the previous quarter, **Bharat COOPATHON 2025** has progressed to the next stage of engagement. The programme has received a strong response, with 140+ startups and fintechs submitting nominations to address key areas such as cybersecurity, regulatory compliance, digital payments, risk management and operational modernisation.

Jointly led by **National Urban Co-operative Finance and Development Corporation Limited (NUCFDC)**, **Indian Institute of Management, Ahmedabad (IIMA) Ventures** and **International Cooperative Alliance - Youth Committee (ICA-YC)**, the initiative is a national, selection-based programme designed to connect

startups and fintechs with Urban Co-operative Banks. It aims to accelerate the adoption of secure, scalable and indigenous digital solutions across the sector. Applications were invited from startup and fintech firms, until 20 January 2026. To support applicants, the organisers conducted two **roadshows** for participants in **Mumbai** and **Bengaluru**. The sessions saw strong participation, with **97 participants in Mumbai** and **78 in Bengaluru**. These engagements provided clarity on sector requirements and potential deployment pathways within the UCB ecosystem.

IIMA[∞]
VENTURES



COOP International
Cooperative Alliance
Youth Committee

The evaluation process is currently underway through a structured, merit-based framework jointly facilitated by the organisers. Shortlisted startup and fintech companies will be invited to present their solutions to participating UCBs for potential pilot implementation in select UCBs and future scale-up across the sector.



NUCFDC Leadership Meets RBI Governor

A high-level delegation from National Urban Co-operative Finance and Development Corporation Limited (NUCFDC) met Shri Sanjay Malhotra ji, Governor of the Reserve Bank of India, in Mumbai on 14 March 2026 to share an update on the progress made by Umbrella Organisation for Urban Co-operative Banks.

The delegation, led by NUCFDC Chairman Jyotindra Mehta, included Advisor to the Board V. S. Das, Chief Executive Officer Prabhat Chaturvedi, and Chief Technology Officer Padmabhushan Bahadure. The team highlighted the strides made since the operationalisation of NUCFDC, particularly in building a robust institutional framework to support Urban Co-operative Banks across the country.

NUCFDC reported a paid-up capital of INR 300.95 crore, with a membership base of 482 UCBs across 24 states. Its services are currently utilised by 483 UCBs, reinforcing the vision of growing sectoral adoption of shared infrastructure.

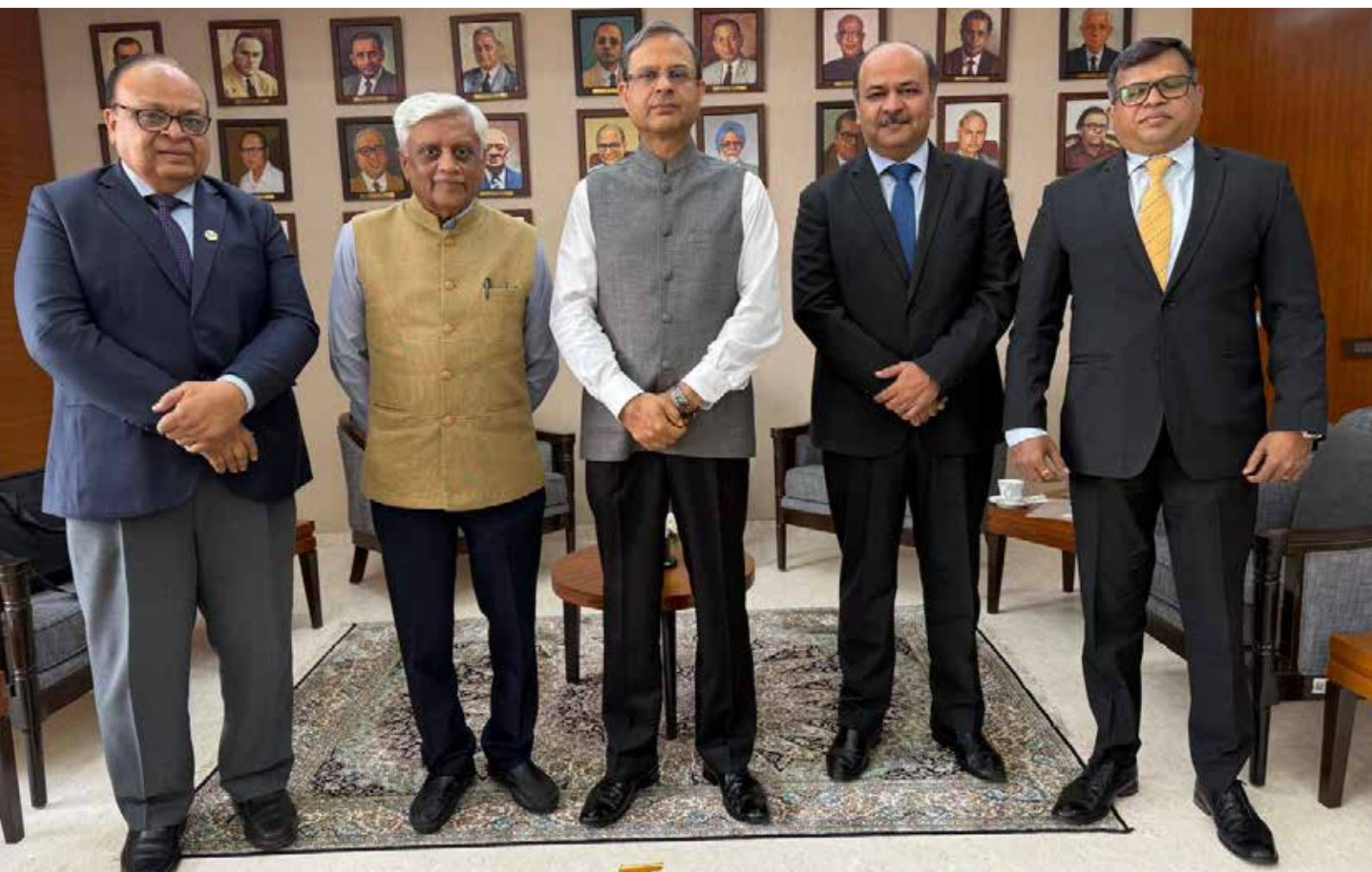
The discussion also focused on advancing digital transformation, including a **proposal to enable UCBs with net worth below INR 50 crore to access digital payment platforms through a centrally managed infrastructure.** This is expected to strengthen financial inclusion agenda by allowing smaller UCBs to offer modern digital services while reducing individual investment burdens.

The meeting also covered wider sectoral issues, including the need

for stronger institutional coordination within the UCB ecosystem.

The meeting also covered capacity-building efforts under Mission SAKSHAM (Sahakari Bank Kshamta Nirman), an RBI-led initiative designed to enhance the operational and managerial capabilities of urban co-operative banks, and potential collaboration with Tribhuvan Sahkari University.

The meeting also focused on strengthening institutional resilience of the UCBs and enabling the continued modernisation efforts.



relationship and the institutional trust that has been cultivated over decades, but they turn off their engagement and savings go elsewhere. Their children open accounts that work better on their phone. Nothing remotely resembles the UCB, which becomes irrelevant to the very community it was originally established to serve – not from any one mistake but from the growing expectations and comparison with other peer banks.

And there's a regulatory dimension at work here that gets less attention than it should: when every UCB operates a different CBS producing data in various formats at differing levels of reliability, the capacity for meaningful, coherent supervision really gets harder to come by. Monitoring NPA trends across the sector, identifying emerging systemic risks, following along cybersecurity events in a coherent manner – all of this hits the data fragmentation wall. This is not just an operational inconvenience. It is a governance gap.

Why SaaS Will Change the Calculation

CBS modernisation conversations in the UCB space have historically stalled at cost, and that objection has been warranted in the past. A complete migration – licensing, hardware, implementation, data cleansing, training, and the near-inevitable overruns – has gone into multiple crores for a mid-sized bank. A UCB with INR 200-300 crore deposits and an IT team of three or four members simply cannot absorb that. With a SaaS model, the efficiency changes dramatically.

A shared infrastructure, developed once and sustained centrally, transforms the capital cost into a reliable operational subscription. With no patch management and server upkeep involved, the bank's technology team are now able to concentrate on configuration and member service. There is also a compliance economics change that is as consequential.

When the Regulator revamps the reporting format, updates UPI specification or changes AML requirements, the change occurs once at platform level and goes to all subscribers automatically – no negotiation separate from it, no differential charge, no bank stuck on an unsupported version. This is no marginal convenience for an industry where it has cost institutions their licenses due to compliance failures. Banks worry that standardisation means diminishing their ability to service their individual members. It is fair to concern about it but is based on the misperception of where standardisation kicks in. A shared layer spans security architecture, regulatory reporting, payment integrations, and audit trails – the infrastructure without individual customisation and significant risk. As time passes and the network effect grows, the fraud

patterns picked up at the single UCB are flagged across the space and may not be repeated elsewhere, and risk models trained on sector-level data do a faster job than anything any single institution could build by itself.

Sahakar CBS: NUCFDC's Commitment to the Sector

NUCFDC was created to address such crucial problems – too big for any one organization to address alone, but best for a reputable leading authority with the power and momentum to pursue at scale.

Sahakar CBS is a cloud-native, RBI-compliant core banking platform for UCBs, not a commercial product with a UCB-sector label attached on it. It's been built from the ground up based on how UCBs actually functions. It includes a share capital approach, a member-focused management style, dividend and statutory duties, and a dual regulatory relationship with the RBI and State Co-operative Departments, which are all designed as structural necessities, not a byproduct. The system comprises sixteen core functional modules, twenty-four extended modules for digital and compliance functions and nine co-creation modules that have jointly developed across UCB with its management and compliance teams.

Regarding the question about the cost, NUCFDC could offer capabilities that none of the UCB individually can procure at comparable standards, by sharing infrastructure and maintenance across the entire subscriber base.

Regulatory changes – new return formats, circular implementations, reporting changes – are added without charge. That's baked into the operating model. There security: mandatory SOC/SIEM integration, a defined DC/DR architecture, a 99.95% uptime SLA enforced by contractual penalties; standard requirements. Source code escrow provides protection against vendor discontinuation that has left many UCBs in a standstill in recent years.

On migration: a phased approach, rigorous mock cutovers, Train-the-Trainer capability-building model, six to twelve months of post-go-live support. The goal is that migration can be maintained, not disrupted. At its best, the UCB sector is finance that is community-rooted, member-governed, and built for people rather than profit. That is worth preserving. But it requires ambition and technology. A UCB in a city in tier-3 should be able to provide a weaver or a small trader with the same kind of banking experience as a large private banking institution, because as a large private bank it operates on infrastructure of the same caliber.

Urban Co-op Banks Must Embrace Digital Transformation to Stay Relevant for Yuva Bharat

Urban Co-operative Banks were built on trust long before technology became the language of banking. For decades, these institutions have supported neighbourhood traders, small entrepreneurs and middle-income households through relationship-based finance. That legacy remains one of the sector's greatest strengths. However, in India's rapidly evolving financial landscape, legacy alone will not guarantee relevance. Customer expectations have changed significantly. Banking relationships are no longer defined only by familiarity or proximity. Increasingly, customers value speed, convenience and seamless digital access. For a generation that conducts much of its economic life through mobile phones and digital platforms, financial services must be instant, intuitive and integrated into everyday transactions. If Urban Co-operative Banks wish to remain relevant to India's emerging generation—particularly the digitally native Yuva Bharat—they must accelerate their digital transformation.

The sector has strengthened its foundations in recent years. Improvements in capital adequacy, asset quality, deposit mobilisation and supervisory oversight have reinforced institutional resilience. Balance sheets have become healthier, governance frameworks are improving, and regulatory attention has brought greater discipline across the system. This progress provides an opportunity. Stability creates the platform from which the sector can now focus on technological capability and long-term competitiveness.

India's broader economic trajectory makes this transition inevitable. As one of the fastest-growing major economies, the country is moving toward its long-term aspiration to become a developed economy by 2047. Consumption is expanding, entrepreneurship is accelerating and economic activity is steadily formalising. Digital commerce and real-time payments are now integral to daily economic activity across urban and semi-urban India. In such an environment, the financial system

must expand rapidly to support enterprise, investment and credit demand. Within the Urban Co-operative Banking sector, however, growth remains uneven. Larger Tier-IV banks have recorded credit growth of roughly 16–19 % in recent years, while several Tier-I and Tier-II institutions continue to grow at modest single-digit levels. This divergence increasingly reflects differences in technological capability rather than merely scale.

Digital adoption across the sector varies widely. Some institutions have implemented modern banking systems, mobile applications and integration with national payment infrastructure such as UPI. Others continue to operate with legacy systems, fragmented data environments and manual processes. This technological gap affects not only efficiency but also competitiveness and risk management.

The scale of the sector underscores why this transition matters. India has more than 1,450 Urban Co-operative Banks operating through over 11,000 branches and serving more than 90 million customers. Together they hold deposits approaching INR 6 lakh crore and advances reaching INR 4 lakh crore. These figures highlight the sector's significant contribution to savings and local credit delivery across urban and semi-urban communities.

At the same time, customer behaviour is changing rapidly. Businesses increasingly operate within digital payment ecosystems, while borrowers expect faster loan approvals supported by data-based assessment rather than lengthy manual processes. When banking services fail to match these expectations, customers often shift quietly toward institutions that offer greater convenience.

Technology therefore becomes central to future competitiveness. Automation can streamline



routine processes and reduce turnaround times. Data-driven underwriting can strengthen credit discipline and support better asset quality. Improved digital interfaces can attract younger customers and support the mobilisation of low-cost deposits. Once the technology infrastructure is established, services can also scale more efficiently, allowing banks to reach larger customer bases at relatively lower incremental cost.

Digital capability also strengthens institutional stability. Real-time information systems improve liquidity monitoring, capital planning and regulatory reporting. Transparent audit trails enhance internal controls, which is particularly important for co-operative institutions with widely distributed ownership.

The transition, however, will require careful planning. Technology investments demand capital, specialised skills and continuous upgrades. Smaller institutions must also strengthen cybersecurity preparedness, train their workforce and support customers who may still be adapting to digital channels.

Yet the long-term direction is clear. India remains one of the youngest economies in the world, with nearly two-thirds of its population below the age of 35. For this generation, digital banking is not an innovation—it is the baseline expectation.

For Urban Co-operative Banks, the task ahead is therefore not merely technological adoption but strategic alignment. Digital capability must evolve alongside stronger governance, effective risk management and improved customer experience. When implemented thoughtfully, technology does not replace relationship banking; it enhances it.

Urban Co-operative Banks already possess the most valuable asset in finance—trust. By combining that trust with modern digital capability, the sector can deepen credit delivery to local enterprises, strengthen savings mobilisation and continue serving as a vital pillar of community-based banking.

If approached with clarity and collaboration, digital transformation can help convert the sector’s legacy into a foundation for sustainable growth while keeping Urban Co-operative Banks firmly aligned with the aspirations of a young and rapidly evolving India.

Why digital transformation is critical for UCBs

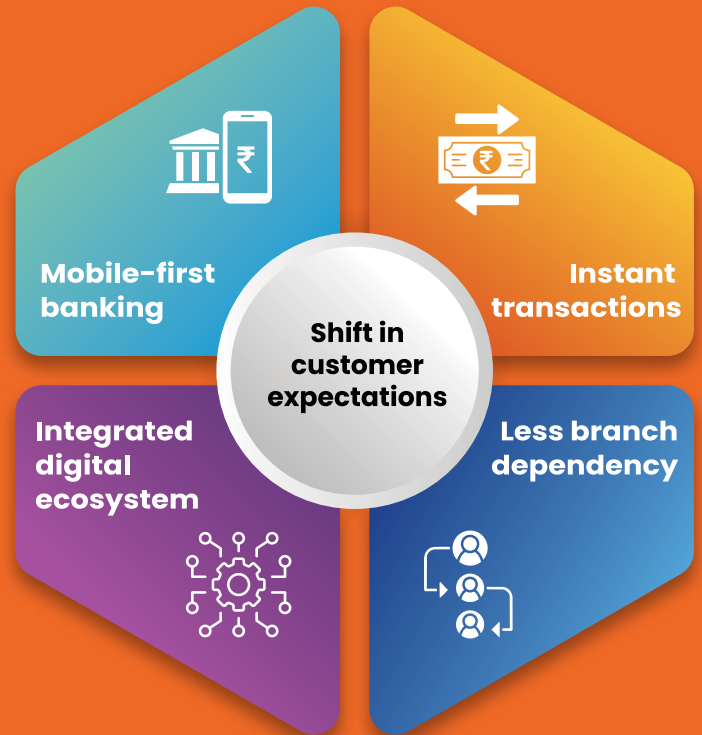
1,450+ UCBs

11,000+ Branches

90 million+ Customers

~ ₹6 lakh crore Deposits

~ ₹4 lakh crore Advances



Technology, not size, is driving growth divergence

Segment	Credit Growth
Tier IV UCBs	16–19%
Tier I & II UCBs	Low single digit

Digital banking is baseline, not innovation



65% Population under the age of 35

Why digital matters

- Faster loan approvals
- Automation reduces cost
- Better risk management
- Improved deposit mobilisation
- Scalable growth

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