



Sahakaar Trends

2nd Edition, February 2026

Joint Research Report by
TransUnion CIBIL and National Urban Cooperative Finance and Development Corporation Ltd (NUCFDC)

Foreword



Mr. Bhavesh Jain

MD & CEO, TransUnion CIBIL Ltd.

Robust financial intermediation continues to shape India's economic trajectory. As credit demand expands beyond metropolitan centres and formal enterprise coexists with informal entrepreneurship, the banking system's ability to combine reach, resilience, and prudence will determine the durability of the country's growth. Institutions that are locally embedded, financially disciplined, and structurally adaptive are increasingly central to this mandate.

Urban Co-operative Banks form one of the most important yet understated pillars of India's banking ecosystem. With deep roots in local markets and a mandate grounded in collective ownership, UCBs have consistently channelled formal finance to segments that drive everyday economic activity—micro and small enterprises, self employed professionals, retail households, informal workers, and women led self help collectives.

Their role in sustaining local economies reflects a model of banking built on proximity, trust, and continuity.

In recent years, as India's financial system has undergone regulatory consolidation, digitisation, and heightened supervisory discipline, the UCB sector has entered a phase of recalibration and renewal. The emphasis has shifted decisively toward balance sheet strength, underwriting rigour, and governance quality. This transformation is altering long held perceptions of cooperative banking—from institutions defined primarily by relationships to institutions combining relationships with risk intelligence and operational consistency.

The second edition of the Sahakaar Trends Report presents a comprehensive and data led examination of this transition. It offers a detailed assessment of

credit growth, portfolio mix, asset quality evolution, and operating performance across the Urban Co-operative Banking sector, framed within the broader context of India's evolving credit architecture.

The evidence points to a period of measured and sustainable expansion. As of September 2025, more than 1,400 Urban Co-operative Banks collectively engaged with over 90 million customers nationwide. Aggregate deposits stood at approximately ₹5.84 lakh crore, while advances reached nearly ₹3.4 lakh crore, reflecting a near doubling of loan balances over the past five years. This growth has been accompanied by a structural improvement in asset quality, with gross and net NPA ratios declining materially from earlier cycles, underscoring improved credit appraisal, stabilised borrower performance, and stronger portfolio oversight.

Equally significant is the sector's operational evolution. Across the landscape, UCBs are progressively adopting digital cores, rule driven credit processes, and data enabled decision frameworks. While implementation depth varies, the direction of change is unmistakable. These capabilities are improving efficiency, reducing subjectivity in credit decisions, strengthening compliance, and enabling sharper visibility into portfolio risk—without diluting the relationship led foundations of cooperative banking.

Empirical patterns emerging from the data reinforce the value of systematic credit intelligence. The use of borrower level data, score based frameworks, and portfolio analytics has demonstrable impact on underwriting discipline and early stress identification. In parallel, customer segmentation and engagement intelligence are opening pathways to deeper relationships, improved cross sell, and stronger customer lifetime value within local markets.

As Urban Co-operative Banks integrate institutional discipline with technological and analytical capability, they are increasingly positioned to scale responsibly. Their continued relevance will rest on this

synthesis—preserving the cooperative ethos while operating with the robustness expected of modern financial institutions. In doing so, UCBs can meaningfully advance India's objectives of inclusive credit access, MSME development, and broad based economic participation.

This edition of the Sahakaar Trends Report seeks to provide a clear, evidence based perspective on the sector's progress and potential. We are confident it will serve as a credible reference for stakeholders seeking to better understand the trajectory of the UCB sector and to support its continued evolution within India's banking system.

Foreword



Mr. Prabhat Chaturvedi

*CEO, National Urban Cooperative and Development Ltd
(NUCFDC)*

India's economic transformation over the past decade has been both rapid and structural. Rising household incomes, greater formalisation, and accelerating urbanisation are reshaping borrowing behaviour. Demand for formal credit continues to widen across housing, small business finance, consumption, personal lending, and entrepreneurship. These segments are vital to inclusive and sustainable long-term growth.

Urban Co-operative Banks (UCB) remain central to this shift. Rooted in communities, they operate on trust and local knowledge. They extend formal finance to first-time and underserved borrowers. They also support small enterprises and households transitioning from informal systems into mainstream banking.

The second edition of Sahakaar Trends Report presents a data-led view of UCB performance across key lending products and emerging opportunities. Sustained progress of UCBs in a competitive financial ecosystem, will require sharper execution, focused expansion, deeper customer engagement, and faster digitisation.

Portfolio Concentration

UCBs continue to demonstrate resilience in a rapidly evolving credit environment. As of September 2025, lending remains concentrated in eight core products, which together account for 83% of total outstanding credit balances. Growth has been broad-based, with seven segments delivering double-digit compound annual growth over five years.

Gold loans are the fastest-growing product, recording a five-year CAGR of 49%. Demand is driven by small-ticket, collateral-backed borrowing and household liquidity needs. Auto loans, about 4% of outstanding credit, have grown at a CAGR of 38%, reflecting steady demand for vehicle finance. Retail business and property loans have also expanded steadily, posting CAGRs of 19% and 17% respectively. This indicates sustained momentum in secured and semi-secured lending.

Commercial loans remain the largest portfolio component, accounting for nearly 30% of outstanding credit balances. Risk quality is improving. In the quarter ended September 2025, 57% of enquiries fell within low- or medium-risk categories, slightly above PSU banks. UCBs also show strength in mid-sized exposures. 46% of commercial loan originations were linked to entities with exposure between ₹10 lakh and ₹1 crore, compared with 30% for PSU banks. A 27% UCB commercial loan originations were linked to entities with credit exposure above ₹1 crore, compared with 15% of PSU banks during the same period. Manufacturing accounts for 46% of commercial loan value, underlining UCB support to urban industry.

Housing loans represent 14% of outstanding credit balances and have grown at a 19% five-year CAGR. Borrower quality has strengthened. Prime and above-prime segments now form 53% of enquiries, up from just over 43% five years ago. This positions UCBs well in affordable and mid-income housing, where demand remains structural.

Next Levers for Growth

The next phase of growth for UCBs will be product-led and enabled by digitisation. Success will depend less on balance-sheet expansion and more on conversion efficiency, sharper risk segmentation, and deeper engagement with existing customers. Institutions that use technology to accelerate credit delivery, not just back-office processes, will gain an edge. Faster turnaround, stronger cross-sell, and better portfolio intelligence will define performance.

Credit demand in commercial lending is improving, with more enquiries in low- and medium-risk bands and rising exposure to mid-sized enterprises. In housing finance, growth is constrained by origination efficiency rather than borrower quality. Faster processing can increase market share without adding risk. Cross-selling to existing customers remains underutilised. Gold and personal loans are scaling rapidly, supported by short tenures and predictable risk. Success will favour UCBs with disciplined execution, data-driven decision-making, and cooperative values applied with speed, consistency, and precision.

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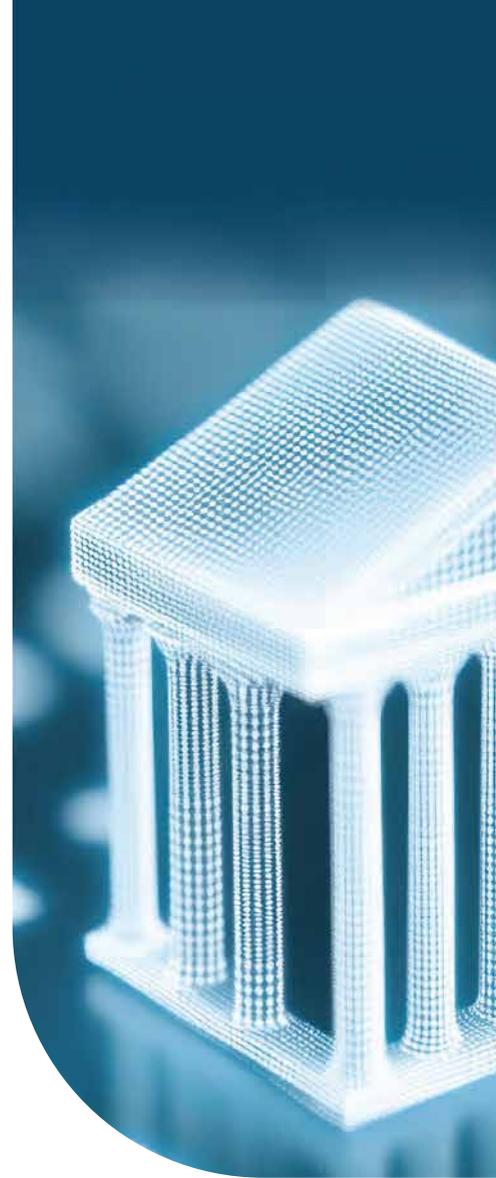
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Executive Summary

The second edition of the Sahakaar Trends Report examines credit growth, portfolio composition and operating conditions across Urban Co-operative Banks (UCBs), with a comparative assessment of product-level performance and key credit indicators within the broader lending ecosystem. Asset quality indicators show continued improvement, with balance-level delinquencies moderating across lower- and mid-sized exposures. Vintage analysis points to stabilization in early-stage repayment behavior and closer alignment between underwriting practices and portfolio performance. Overall, risk selection at UCBs has become more disciplined over time.



This trend reinforces the view that UCB portfolios are structurally sound and increasingly resilient. The report identifies execution efficiency, operational consistency and the adoption of digital tools as critical enablers for the sector. Faster credit workflows, rule-based decisioning for repeat and lower-risk borrowers and the systematic use of data to prioritise cross-sell opportunities can materially improve conversion without increasing risk appetite. UCBs that align their relationship strengths with decision intelligence and process capability will be best positioned to retain existing borrowers, expand share of wallet and achieve sustainable growth.

Operational Landscape of Urban Co-operative Banks

A person in a blue shirt is pointing at a tablet. The tablet screen displays a bar chart with a line graph overlaid on it. The background is dark blue with some light effects.

Urban Co-operative Banks (UCBs) are navigating a phase of positive momentum, although the pace of institutional transformation remains uneven across the sector. Their lending activity is concentrated in urban and semi-urban markets and is closely aligned with local economic conditions. As of FY25, 1,400+ UCBs served over 90 million customers, mobilizing deposits of ₹5.84 lakh crore and extended advances of ₹3.7 lakh crore.

UCBs play a meaningful role in India's financial inclusion architecture, serving MSMEs, self-employed individuals, retail borrowers, informal workers and women-led self-help groups. Proximity to customers and long-standing banking relationships continue to anchor their operating model. During periods of systemic stress, including demonetization and the COVID-19 pandemic, UCBs maintained operational continuity and continued to extend credit, reinforcing their role as stable, community-based financial intermediaries.

As of 30 September 2025, UCB outstanding loan balances stood at ₹3.4 lakh crore and have witnessed 1.9-times growth from ₹1.8 lakh crore in September 2020. Several key product segments recorded double-digit growth over this five-year period, indicating sustained and diversified credit demand. Typical loan sizes range between ₹2 lakh and ₹25 lakh, supporting small businesses, housing needs and local trade activity. Asset quality has continued to improve. The gross NPA (GNPA) ratio moderated to 7.6% by September 2025, down from 9.3% a year earlier.

Despite constraints related to scale and operating capacity, UCBs maintain a stable presence across eight core lending segments. The primary constraint to faster growth lies not in demand or risk appetite; but in execution, particularly the speed, consistency and predictability of credit origination as well as disbursement processes.

Urban Co-Operative Banks

Bridging Traditional Banking With Digital Innovation



Portfolio Composition

Credit activity across Urban Co-operative Banks (UCBs) shows sustained enquiry flow across gold, commercial, housing, and personal loan products. Across categories, borrower risk distribution remains stable or has improved over time, while conversion timelines and origination speed vary materially by product and relative to peer lenders.

As of September 2025, gold loans accounted for 5% of the total outstanding credit balance portfolio. Despite modest share, the segment recorded a growth with five-year CAGR of 49%. Portfolio performance in gold loans remains stable, with lower observed volatility in repayment behavior. Collateral-backed structures, shorter tenors, and standardized valuation processes have supported higher conversion efficiency and more predictable repayment outcomes. Enquiry-to-disbursement timelines are shorter relative to other products, supported by standardised valuation practices and limited underwriting discretion.

Commercial loans remain the largest component of UCB credit portfolios. As of September 2025, commercial loans accounted for 30% of total outstanding loan balances. Growth in this segment has been relatively modest due to longer underwriting cycles. Housing loans comprise 14% of the portfolio, with growth aligned to urban and semi-urban housing demand. Asset quality in housing finance has remained stable over the period.

Personal loans with 17% and property-backed lending with 17% have expanded at a relatively faster pace, driven by retail demand and cross-selling to existing customers in the same period. These segments are increasingly contributing to portfolio diversification and balance-sheet churn.

Credit Demand, Origination, Performance and Risk Outcomes

UCBs continue to witness resilient credit demand across all major lending products. Across gold, commercial, housing, and personal loans, enquiry volumes remain stable, borrower risk composition has strengthened over time, and portfolio performance indicators have improved. Differences across products and relative to peer institutions are most evident in origination timelines and conversion efficiency rather than in demand strength or borrower quality.

Outstanding credit balances for Urban Co-operative Banks (UCBs) have witnessed 1.9x growth in the last five years, although at a slower rate than overall industry

Growth in Outstanding Credit Balances of Urban Co-Op Banks



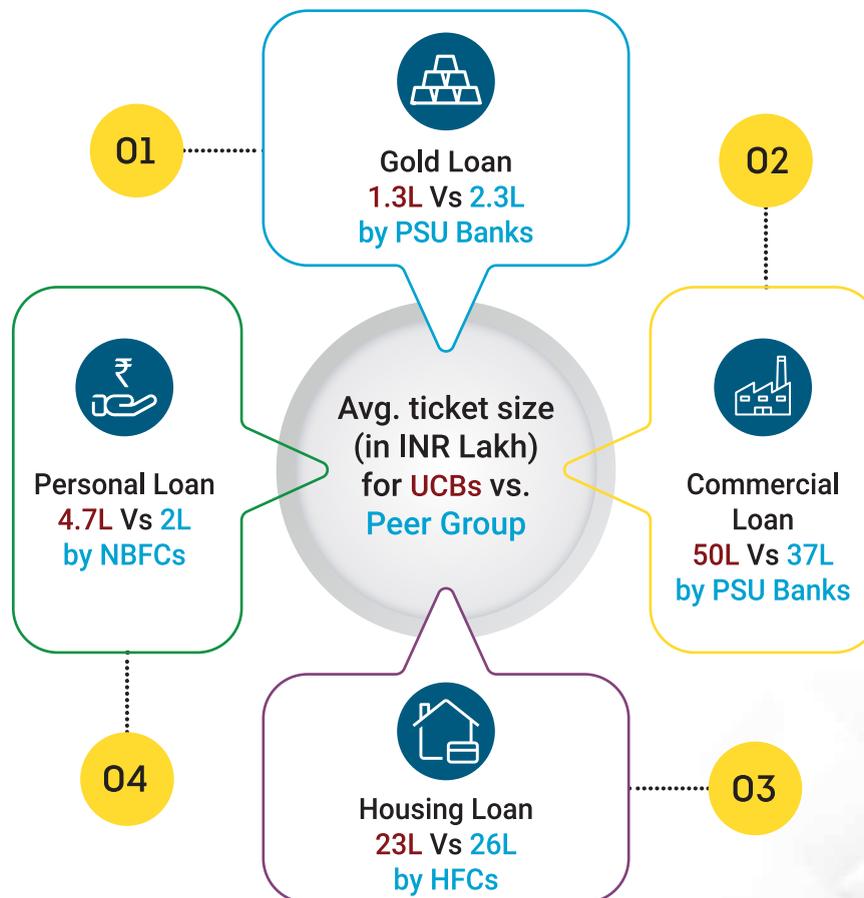
CAGR and Share of Outstanding Credit Balances for Key Products in Urban Co-Operative Banks

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 (LAP)	17%	10%
Personal Loan	17%	6%
Gold Loan	49%	5%
Auto Loan	38 %	4%
Loan Against Bank Deposits	20%	2%

These products constitute 83% of total outstanding balances by Urban Co-Op Banks

*All Commercial fund-based loans (WC-TL) with entity with total exposure of 100 Cr is considered.

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 September 2025
All Commercial fund-based loans (WC-TL), considered in originations for commercial loans. Renewals are excluded.

1.3 Lakhs Vs 2.3 Lakhs

Avg. ticket size (in INR) for **UCBs** vs **PSU Banks**



Gold Loans: Secured and Liquid Retail Assets Driving Consistent Growth

Gold loans have been the fastest-growing product in Urban Co-operative Bank portfolios over the last five years, recording a CAGR of 49%. Demand has remained steady and widespread, driven by small-ticket, short-tenure borrowing needs of households and small businesses. Average ticket sizes are around ₹1.3 lakh making gold loans well suited to meeting short-term liquidity and working capital requirements.

The secured nature of gold loans supports strong repayment discipline. Balance-level delinquencies (90+ DPD) have remained contained at 1.3% as of Sept-25, significantly lower than unsecured retail products and stable across economic cycles. High collateral coverage, regular valuation and clear recovery processes contribute to predictable credit performance.

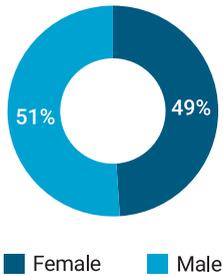
Gold loans also show high conversion efficiency. While the product's smaller ticket sizes limit its impact on overall portfolio scale, its performance provides an important operating signal. Credit products with clear risk assessment, simple documentation and faster execution convert demand into balances more reliably.



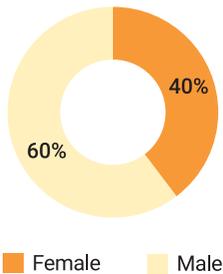
Younger borrowers present opportunity for Urban Co-operative Banks to acquire new customers and drive growth in gold loans

GL Customer Originations (3M Ended Sep'25)

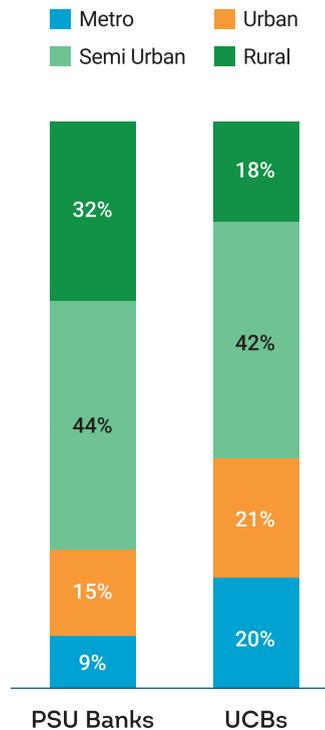
PSU Banks Consumer Distribution by Gender



UCBs Consumer Distribution by Gender



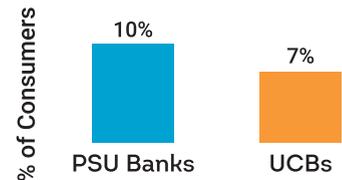
Consumer Distribution by Geography



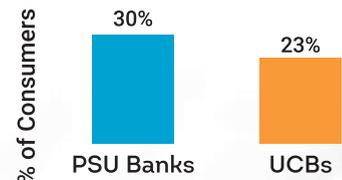
PSU Banks

UCBs

NTC Consumer Share

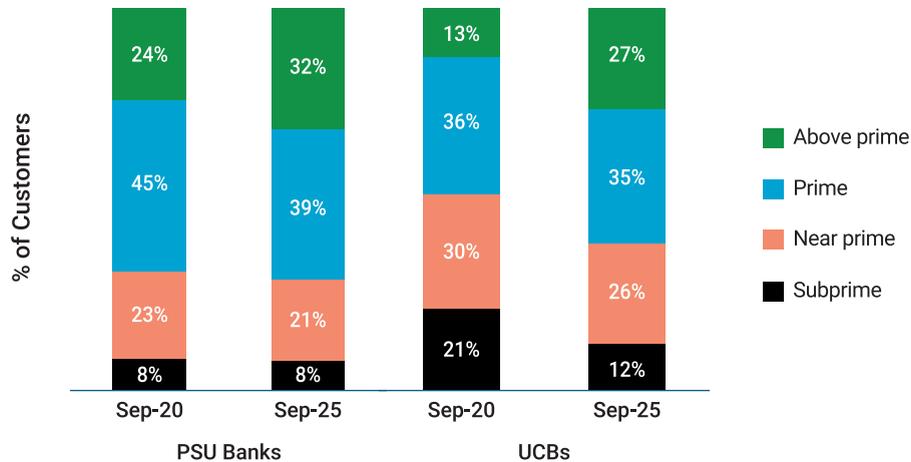


Young Consumer Share (<35 Yrs)

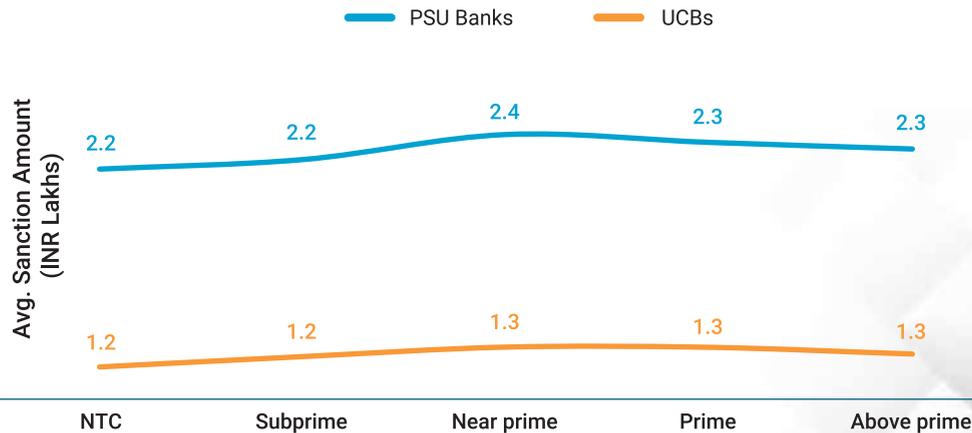


UCBs cater to more riskier borrowers with higher below Prime segment lending, indicating the need for better underwriting of loans

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

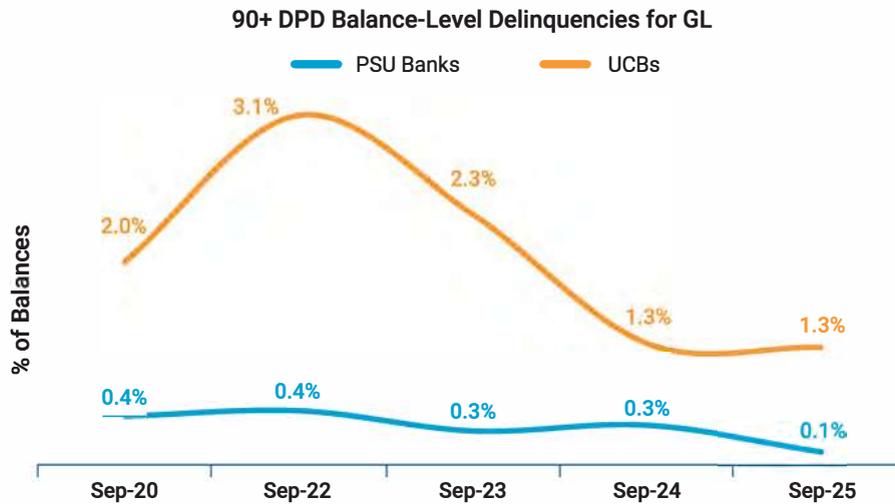


Avg. Sanction Amount By Risk Tier (3M Ended Sep'25)

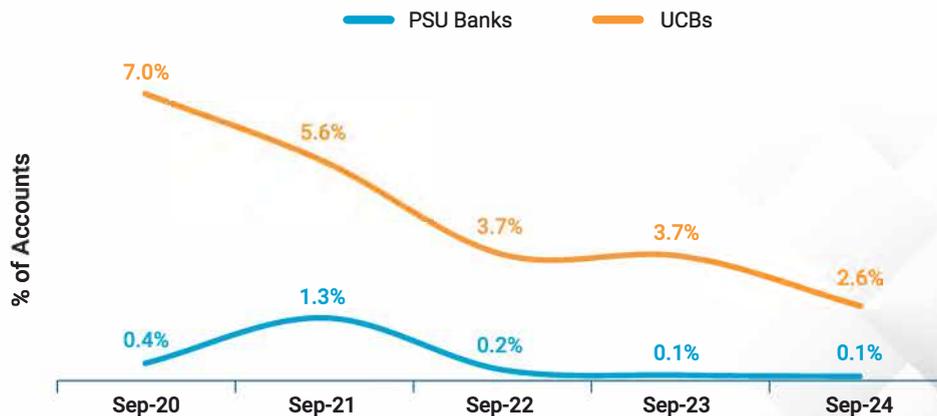


CreditVision (CV) score ranges are: Subprime = 300–680; Near prime = 681–730; Prime = 731–770; Above prime = 771–900

Balance-level delinquencies for Gold loans have steadily improved for UCBs and has been consistent for recent periods



Accounts Ever reported in 90+ DPD in 12 months of sourcing – Prime Borrowers (3M Ending Sep)



90+ DPD 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 Jul-Sept 2024 period and performance measured in Jul-Sept 2025.

Commercial Loan

50 Lakhs Vs 37 Lakhs

Avg. ticket size (in INR) for **UCBs** vs. **PSU Banks**



Commercial loans

Commercial loans constitute the largest share of Urban Co-operative Banks outstanding loan portfolio and remain central to their role in supporting urban enterprises. Credit demand for entities seeking commercial loans with UCBs has grown at a faster rate in last 5 years. During the three months ended September 2025, only 5% of commercial loan enquiries at UCBs were classified as high risk, compared with 8% at PSU banks. Low and medium-risk borrowers of UCBs together accounted for 57% of enquiries, indicating that demand is skewed towards relatively stable enterprises.

The close-knit community presence and personalized approach of UCBs make them a natural ally for entrepreneurs seeking accessible and relationship-driven financing, especially entities seeking formal credit for the first time. New-to-credit (NTC) participation remains significant, with 38% of entities seeking commercial credit from UCBs in the same period. Enquiry activity in this segment has remained resilient, with borrower risk profiles comparing favorably with peer lenders.

Despite improving demand quality, execution outcomes differ materially. About 26% of commercial loan enquiries at UCBs ultimately convert into disbursements, higher than the 20% observed at PSU banks. However, the speed of conversion must improve. Only 45% of UCB enquiries are converted into disbursements within 15 days, compared with 61% at PSU banks. The longer time to disbursement indicates execution-related friction within the credit process rather than risk aversion. Slower turnaround times, rather than borrower quality, remain the primary driver of leakage in commercial lending.

UCBs also exhibit a higher presence in mid-sized and larger-ticket lending. During the same period, 46% of UCB commercial loans originations were in the ₹10 lakh to ₹1 crore exposure band, compared with 30% at PSU banks. 27% of commercial loan originated with UCB were linked to entities with exposure above ₹1 crore, much higher than the 15% share observed at PSU banks.

The distribution suggests UCBs' growing engagement with more established and scale-ready enterprises, alongside their traditional focus on smaller businesses.

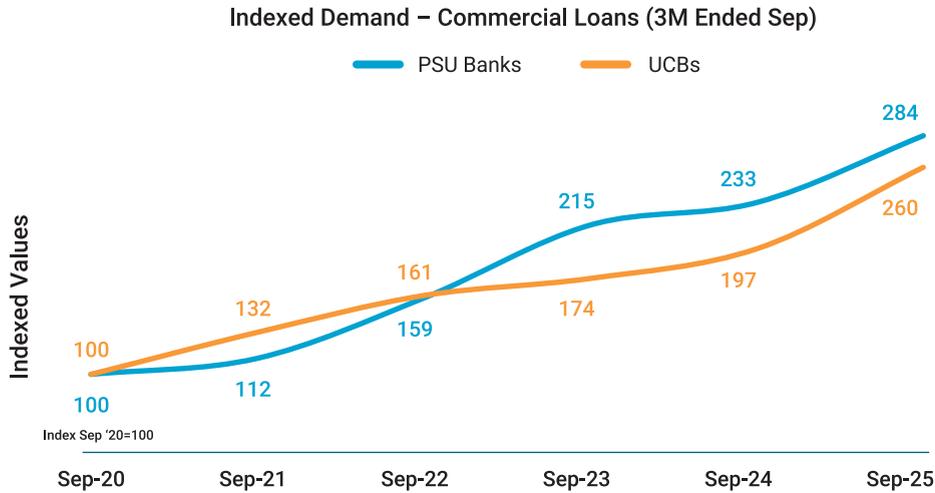
Portfolio performance across Urban Co-operative Banks has strengthened steadily over the past five years, reflecting improvements in credit selection, monitoring, and recovery practices.

Balance-level delinquencies (90+ DPD, including sub-standard accounts) have declined across commercial loan exposure bands. The sub-₹2 crore segment continues to be relatively stable and controlled segment for UCBs commercial loan portfolio, where underwriting discipline are strong. Delinquency levels in this segment moderated from around 4.8% in September 2020 to approximately 3.0% by September 2025.

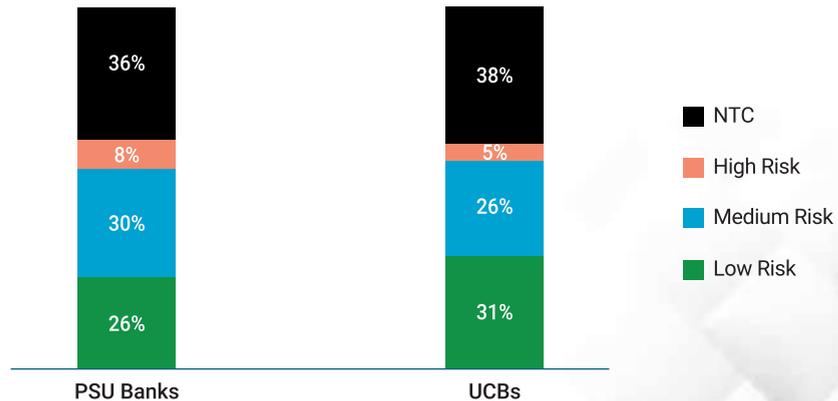
In higher exposure bands (₹2–20 crore and ₹20–100 crore), UCBs have also achieved meaningful reductions in balance-level delinquencies. However, current delinquency levels remain above those of PSU banks, highlighting the need for tighter underwriting thresholds, stronger post-disbursement monitoring, and focused recovery strategies as ticket sizes increase.

Vintage delinquency trends further reinforce the improvement in UCB credit performance. Five-year early-mortality analysis indicates that the post-COVID spike in stress has been effectively contained, with early-stage delinquencies moderating to manageable levels across exposure bands. Since September 2020, the share of accounts entering 90+ DPD within 12 months of origination has declined sharply across all three loan segments, reflecting tighter underwriting and improved risk calibration. The most pronounced improvement is observed in the ₹2–20 crore segment, where early mortality reduced from around 11.0% in September 2020 to 2.2% by September 2024. In the ₹20–100 crore segment, vintage delinquency declined even more sharply, from approximately 10.0% to 0.3% over the same period, comparing favorably with PSU banks.

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



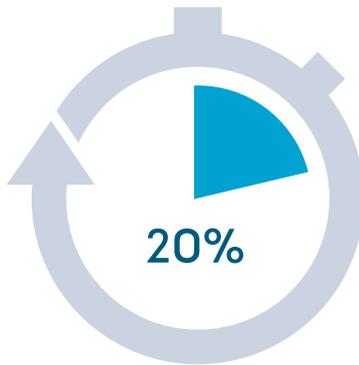
Risk Distribution – Commercial Loan Enquiries (3M Ended Sep '25)



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.
 Borrower exposure up to 100Cr considered.

Even though UCBs have better conversion rate compared to PSU Banks, the proportion of cases disbursed within 15 days are lower and can be optimized

Conversion Rate for Commercial Enquiries with PSU Banks (3M Ended Jun '25)



Origination Within 15 Days

61%

Conversion Rate for Commercial Enquiries with UCBs (3M Ended Jun '25)



Origination Within 15 Days

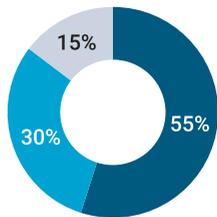
45%

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.

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

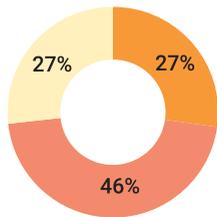
Commercial Borrower Originations (3M Ended Sep'25)

PSU Banks Distribution by Entity Segment



■ Up to 10L ■ 10L to 1Cr ■ Above 1Cr

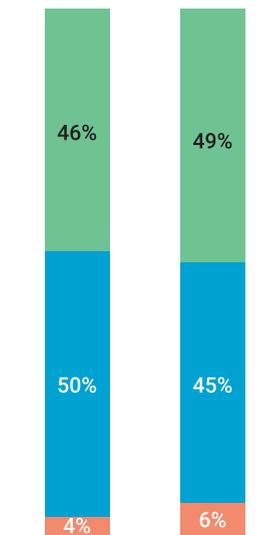
UCBs Distribution by Entity Segment



■ Up to 10L ■ 10L to 1Cr ■ Above 1Cr

Risk Distribution (By ETC Borrowers)

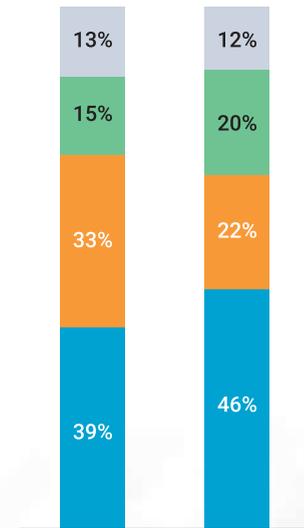
■ Low Risk ■ Medium Risk
■ High Risk



PSU Banks UCBs

Sectoral Distribution (Value)

■ Other Sectors
■ Professional & Other Services
■ Trades
■ Manufacturing

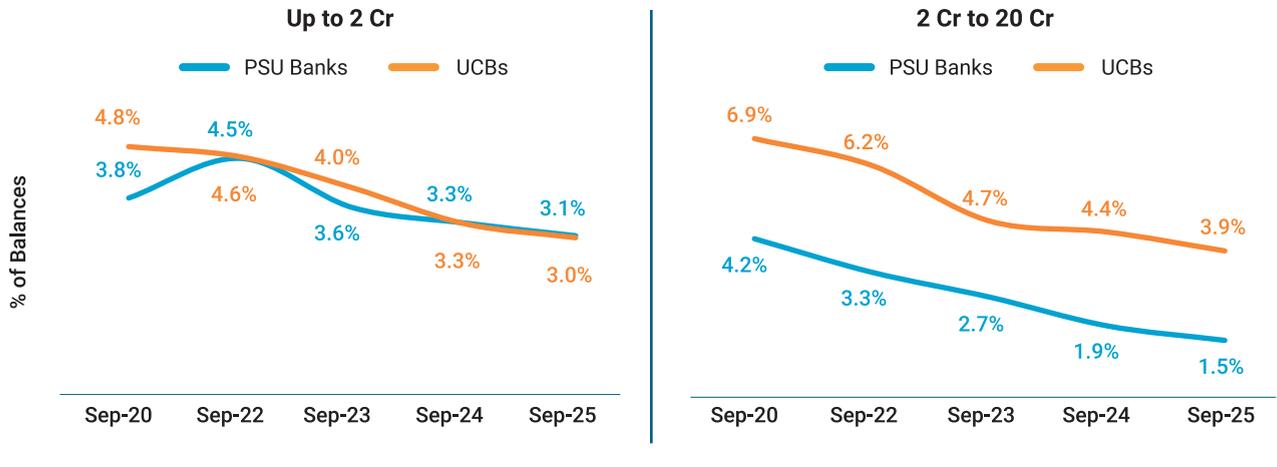


PSU Banks UCBs

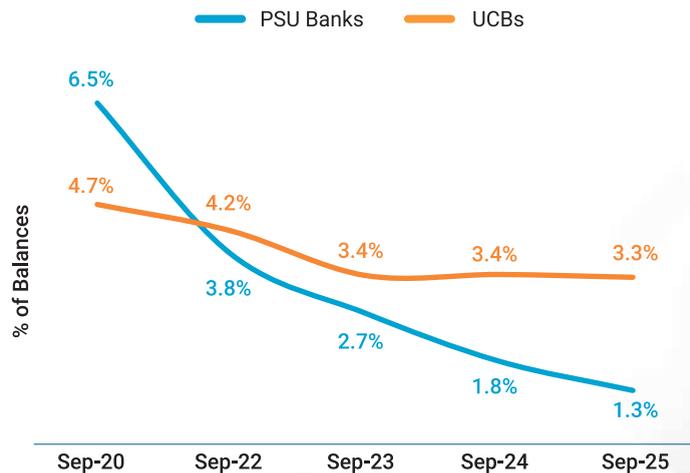
All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded. Low Risk is CMR 1-3, Medium Risk is CMR 4-7, High Risk is CMR 8-10
The entity segment are denoted basis borrower level loan outstanding at the time of originations. NTC is based on first sanction amount.
Other includes Transport Operators, Agriculture and allied activities and construction.
Exposure up to 100 Cr considered.

UCBs have improved balance-level delinquencies across borrower segments

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



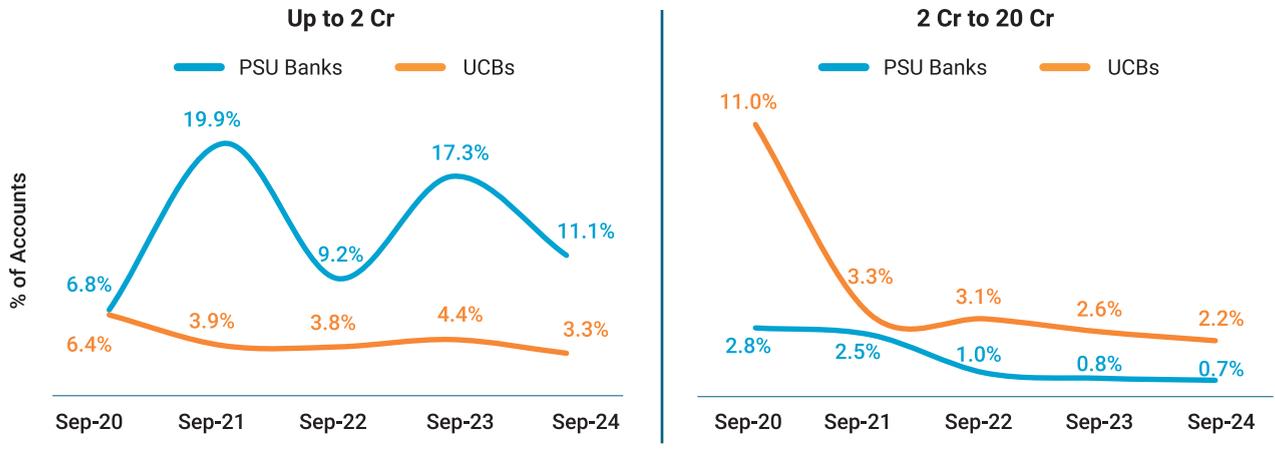
20 Cr to 100 Cr



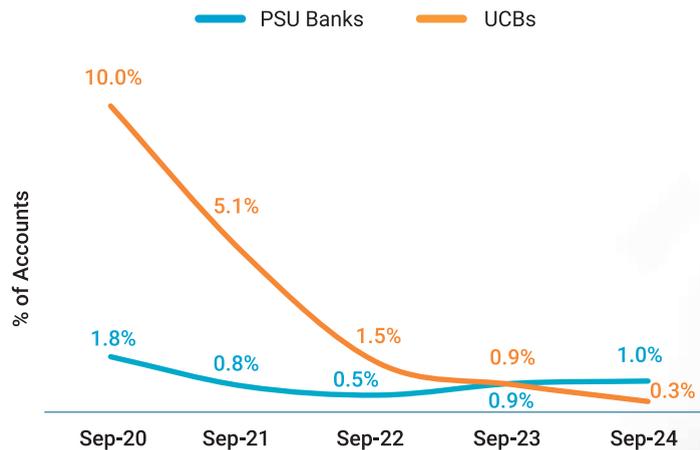
All commercial fund-based loans (WC-TL) considered. Balance level delinquencies considered for 90 to 719 DPD and including sub-standard. "Exposure up to 100 Cr considered"

Focus on analytics-based underwriting can help UCBs to manage risk better, especially for borrower segment with exposure INR 2-20 crore

Accounts Ever reported in 90+ DPD in 12 months of sourcing (3M Ending Sep)



20 Cr to 100 Cr



All Commercial fund-based loans (WC-TL), considered in originations. Renewals are excluded.
 Vintage delinquency is calculated as % of accounts ever 90+ DPD respectively in 12 months from origination.
 E.g. Origination of Jul-Sept 2024 period and performance measured in Jul-Sept 2025
 "Exposure up to 100 Cr considered"

23 Lakhs Vs 26 Lakhs
Avg. ticket size (in INR) for **UCBs** vs. **HFC**



Housing Loan

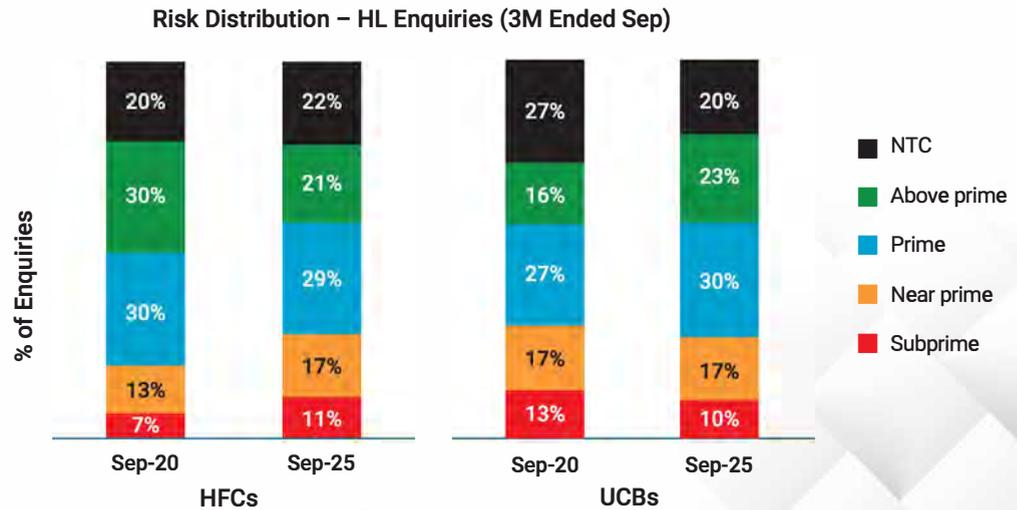
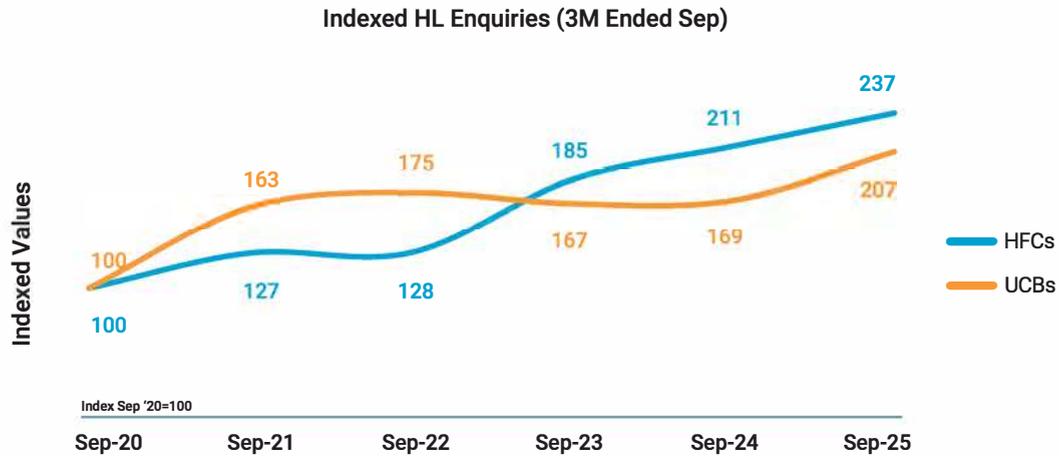
Housing loan demand at Urban Co-operative Banks (UCBs) remains resilient, supported by their strong presence in urban and semi-urban markets and long-standing customer relationships. UCBs continue to play an important role in extending housing finance to households with informal or mixed income profiles, where local knowledge and proximity remain key differentiators.

Borrower quality has improved steadily. Prime and above-prime borrowers accounted for 53% of UCB housing loan enquiries as of September 2025, up from 43% in September 2020. Urban and semi-urban borrowers represent 48% of UCB housing loan customers for the 3-month period ended September 2025 compared to 44% of the HFCs customers in the similar category. However, younger borrowers (≤ 35 years) form a smaller share of UCB originations at 29%, compared with 38% at HFCs. Similarly, new-to-credit borrowers account for 21% of UCB originations versus 28% at HFCs, indicating headroom to expand among younger and first-time buyers.

Despite favorably demand, origination timelines remain longer. During the three months ended June 2025, 47% of UCB housing loans were disbursed within 30 days of enquiry, compared with 66% for HFCs. The gap in turnaround time persists even as borrower quality converges. Operational efficiencies backed by Digitisation, can bring down the turnaround time for Housing loan originations enabling UCBs to provide better customer experience.

Housing loan credit performance at Urban Co-operative Banks has improved steadily over the past five years, though delinquency levels remain higher than those of Housing Finance Companies. It indicates need for continued strengthening of underwriting practices. Balance-level delinquencies (90+ DPD) for UCB housing loans declined from 5.1% in September 2020 to 2.8% by September 2025, marking a sustained moderation in portfolio stress. Over the same period, HFC delinquency levels remained lower, declining from 2.3% to 0.9%. Vintage performance among prime borrowers also strengthened, with early-stage delinquencies falling from 4.2% to 2.6% by September 2024.

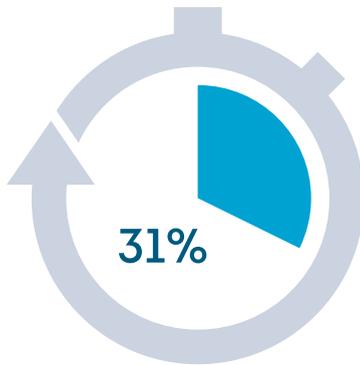
Credit demand for Housing Loans have continued to increase in the market; UCBs have seen relatively higher growth in demand in recent time



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

Even though UCBs have better conversion rate compared to HFCs, the proportion of cases disbursed within 30 days are lower and can be optimised

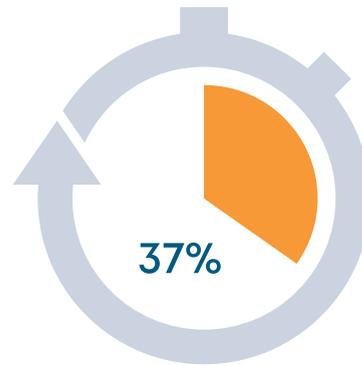
Conversion Rate for HL Enquiries with HFCs
(3M Ended Jun '25)



Origination Within 30 Days



Conversion Rate for HL Enquiries with UCBs
(3M Ended Jun '25)



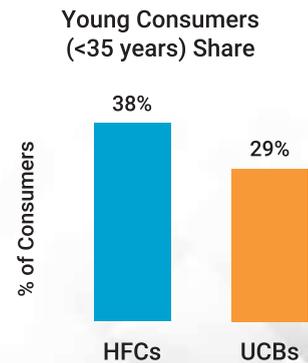
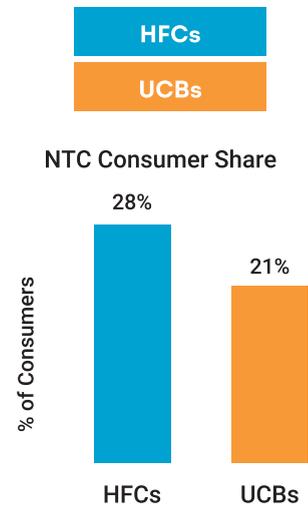
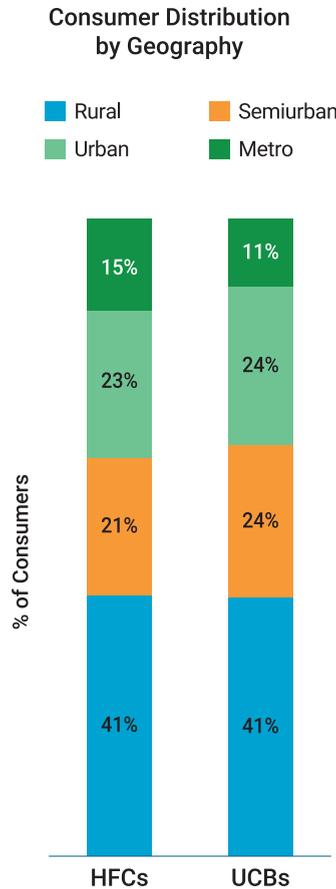
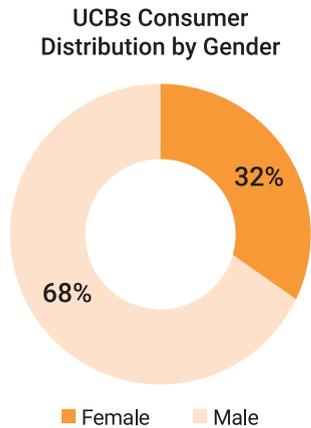
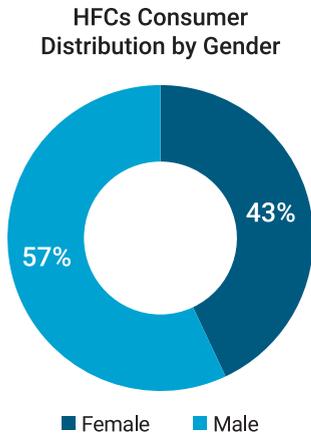
Origination Within 30 Days



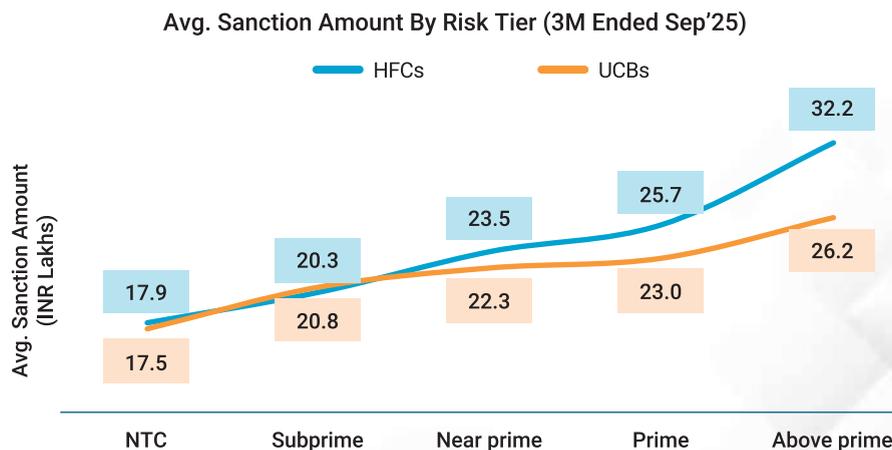
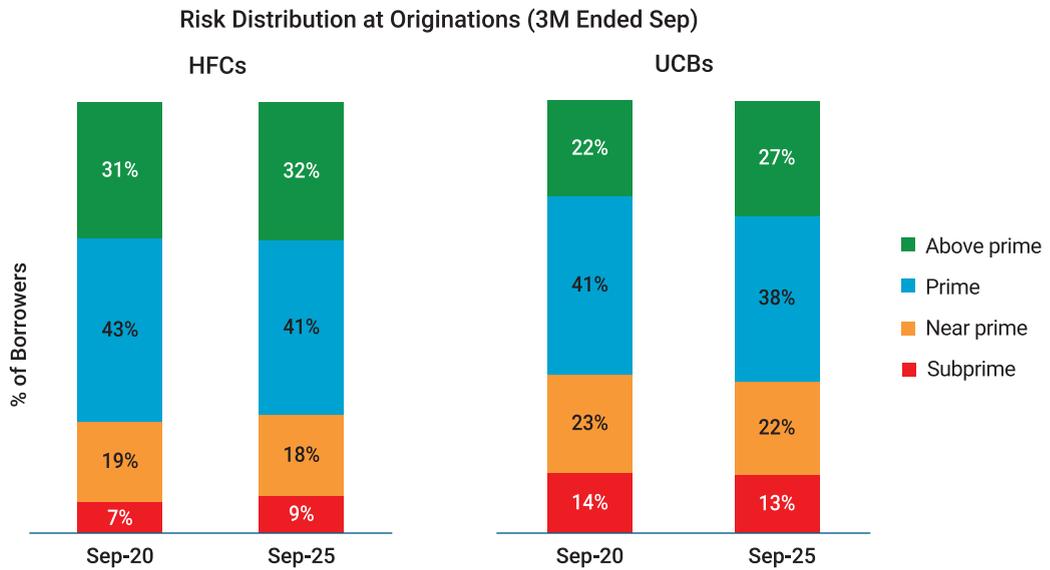
Conversion rates are considered as housing loan originations which has occurred within 90 days of the housing loan enquiry with the same lender.

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

HL Customer Originations (3M Ended Sep'25)

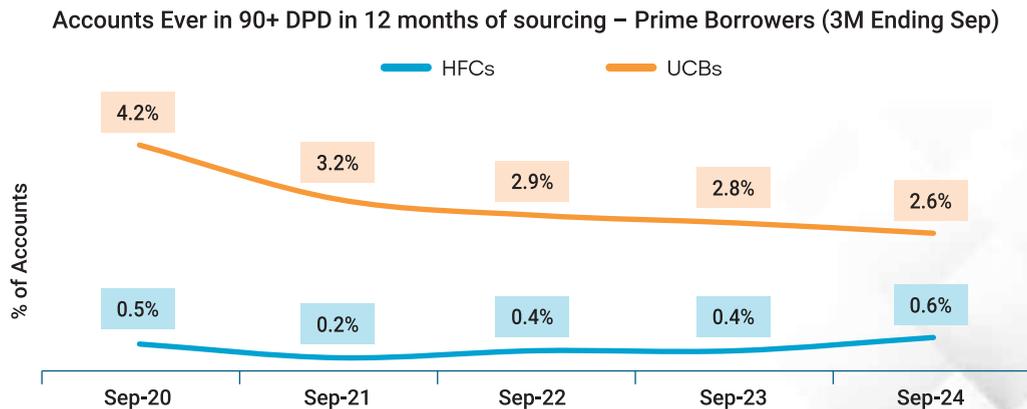
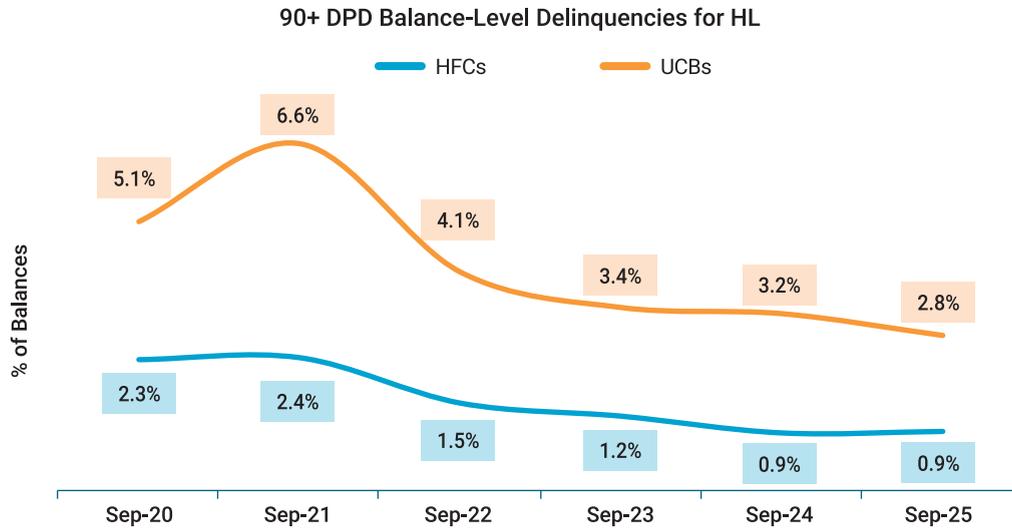


Under new regulations, there is opportunity for UCBs to cater to higher ticket size for housing loans, especially for lower risk consumers



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

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



90+ DPD 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 Jul-Sept 2024 period and performance measured in Jul-Sept 2025.

4.7 Lakhs Vs 2 Lakhs

Avg. ticket size (in INR) for **UCBs** vs **NBFCs**

For: **NBFCs**

(Loans of value INR 50,000 or more)



Loans

Personal Loan

Over the past five years, personal loan demand at UCBs has grown alongside a clear improvement in borrower risk quality. The demand at UCBs is evolving from volume-led growth to quality-led expansion, providing a stable base for sustainable portfolio growth. While enquiry growth at UCBs has been slower than at NBFCs, the composition of demand has shifted decisively toward stronger credit profiles.

As of September 2025, prime and above-prime borrowers accounted for 54% of UCB personal loan enquiries, up from 50% in September 2020. The subprime share remained stable at 14%, indicating disciplined risk intake despite rising demand.

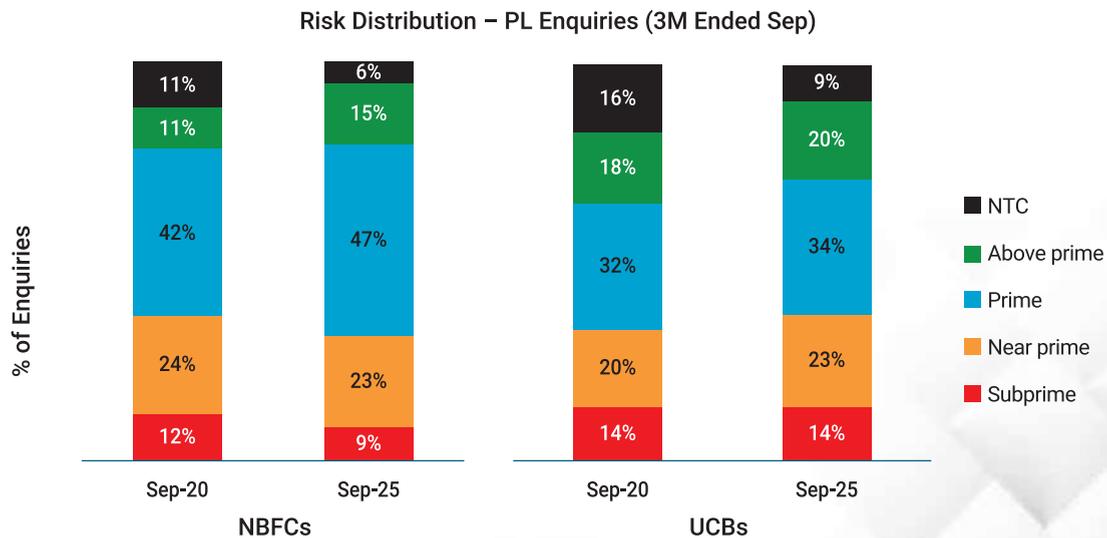
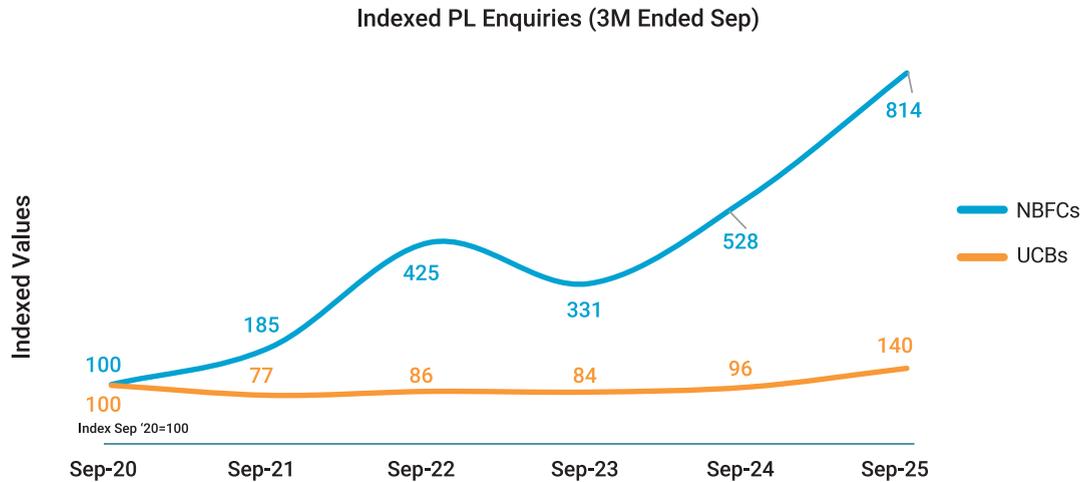
NBFCs have recorded sharper growth in personal loan enquiries, largely driven by fully digital and frictionless customer journeys. For UCBs, this highlights an opportunity to strengthen digital origination and servicing capabilities in personal loans to capture incremental demand, particularly among digitally active and younger borrowers, while maintaining prudent risk standards.

During the three months ended August 2025, 68% of NBFCs loan enquiries converted into originations within five days, compared with 42% at UCBs, backed by end-to-end digital journey and faster approvals. However, around 39% of personal loan enquiries at UCBs ultimately resulted in disbursements within 30 days, significantly higher than the 22% conversion rate observed at NBFCs over the same period.

Semi-urban borrowers accounted for 36% of UCB personal loan originations, while metro customers represented 28%. UCBs also cater to higher share of new-to-credit borrowers in this segment, with 9% of originations compared with 6% NTC of NBFCs. Young consumers under 35 comprise 51% of NBFC new personal loan customers versus 20% for UCBs, signaling strong growth prospects for UCBs in targeting this segment.

Portfolio performance has continued to improve for UCBs bolstering their asset quality in unsecured loan portfolio. UCB personal loan delinquencies (90+ DPD) declined from about 4.5% in September 2020 to approximately 2.1% by September 2025, while NBFC delinquencies stood at 1.7% in September 2025 from 1.1% in September 2020. Early-mortality trends also show moderation for both lender types, reinforcing improving underwriting alignment with realized risk outcomes.

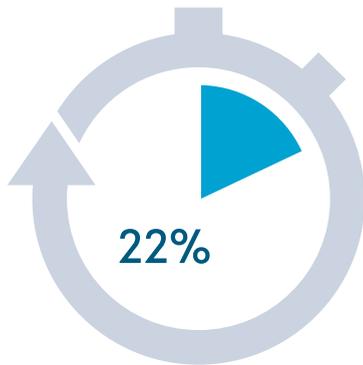
Borrowers risk profile has improved with a higher share of above prime consumers seeking personal loans from UCBs



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

UCBs have a higher conversion rate for PL: digitization can help in tapping into newer segments with increased sourcing converted within 5 days especially for small/ mid ticket Personal Loans

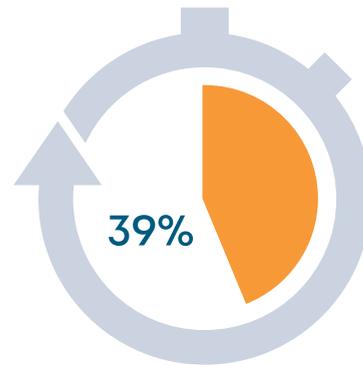
Conversion Rate for PL Enquiries with NBFCs
(3M Ended Aug '25)



Origination Within 5 Days

68%

Conversion Rate for PL Enquiries with UCBs
(3M Ended Aug '25)



Origination Within 5 Days

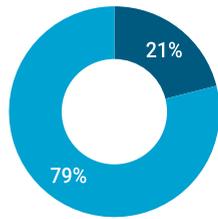
42%

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

Younger borrowers presents an opportunity for UCBs to accelerate customer acquisition and strengthen personal loan portfolio

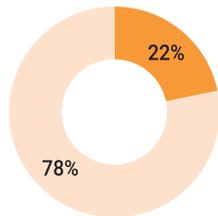
PL Customer Originations (3M Ended Sep'25)

NBFCs Consumer Distribution by Gender



Female Male

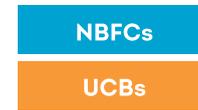
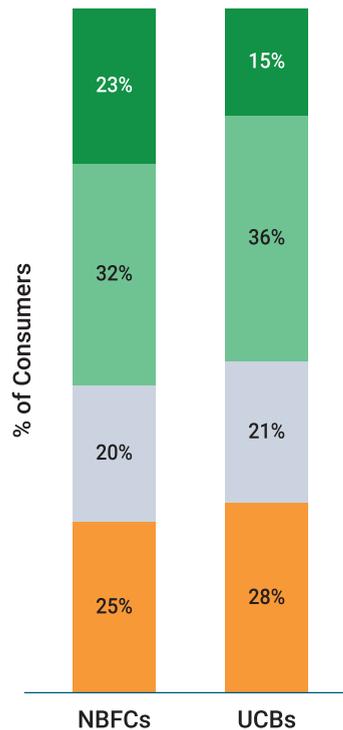
UCBs Consumer Distribution by Gender



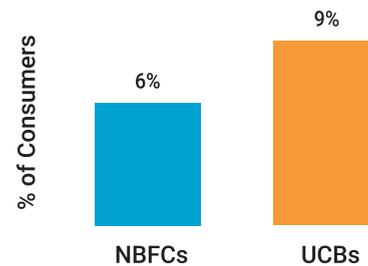
Female Male

Consumer Distribution by Geography

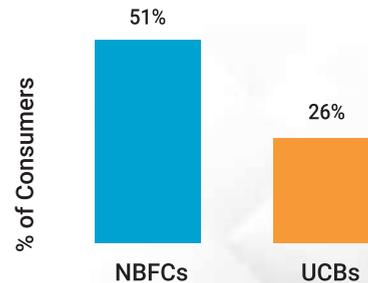
Rural Semiurban
Urban Metro



NTC Consumer Share

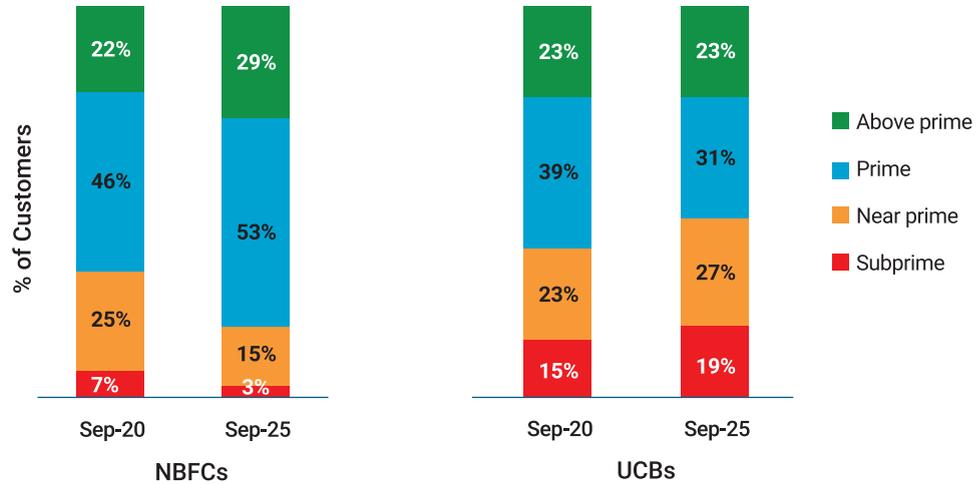


Young Consumer Share (<35 Yrs)

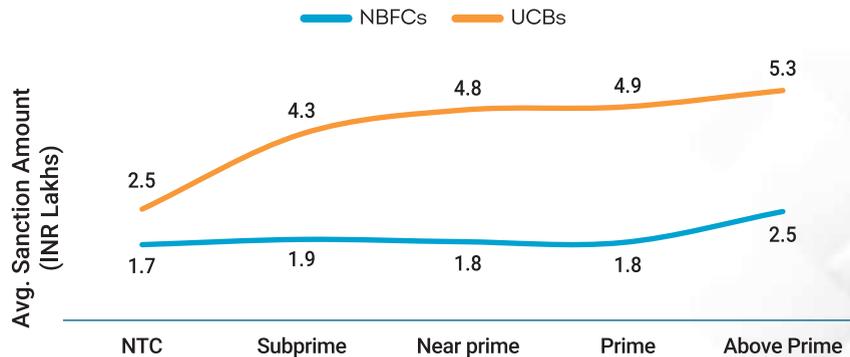


UCBs cater to more risky borrowers, indicating the need for enhanced risk predictability and management

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

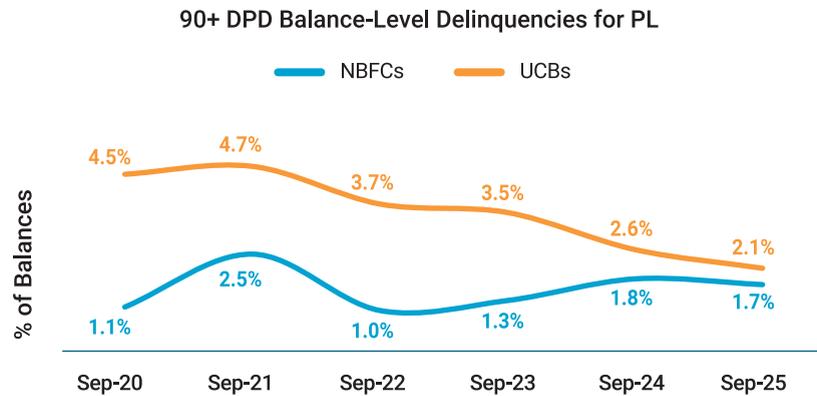


Avg. Sanction Amount By Risk Tier (3M Ended Sep'25)

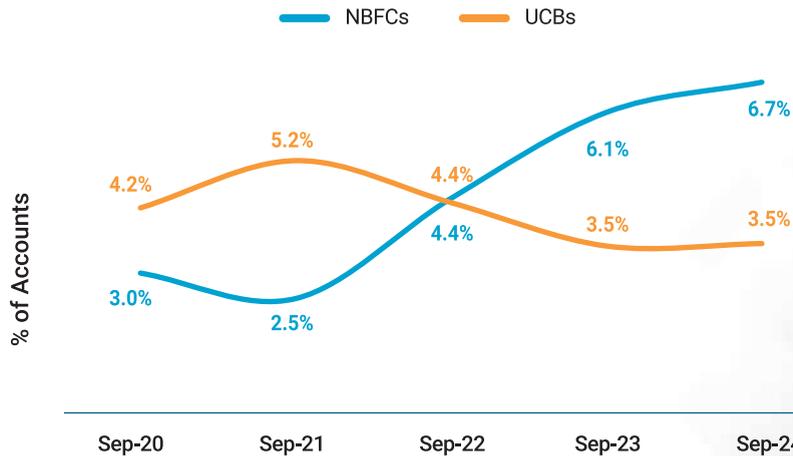


CreditVision (CV) score ranges are: Subprime = 300–680; Near prime = 681–730; Prime = 731–770; Above prime = 771–900

Balance-level delinquencies for personal loans have steadily improved for UCBs



Accounts Ever reported in 90+ DPD in 12 months of sourcing – Prime Borrowers (3M Ended Sep)



90+ DPD delinquency rate is measured as percentage of balances 90 to 179 days past due

Deepening Existing Customer Relationship



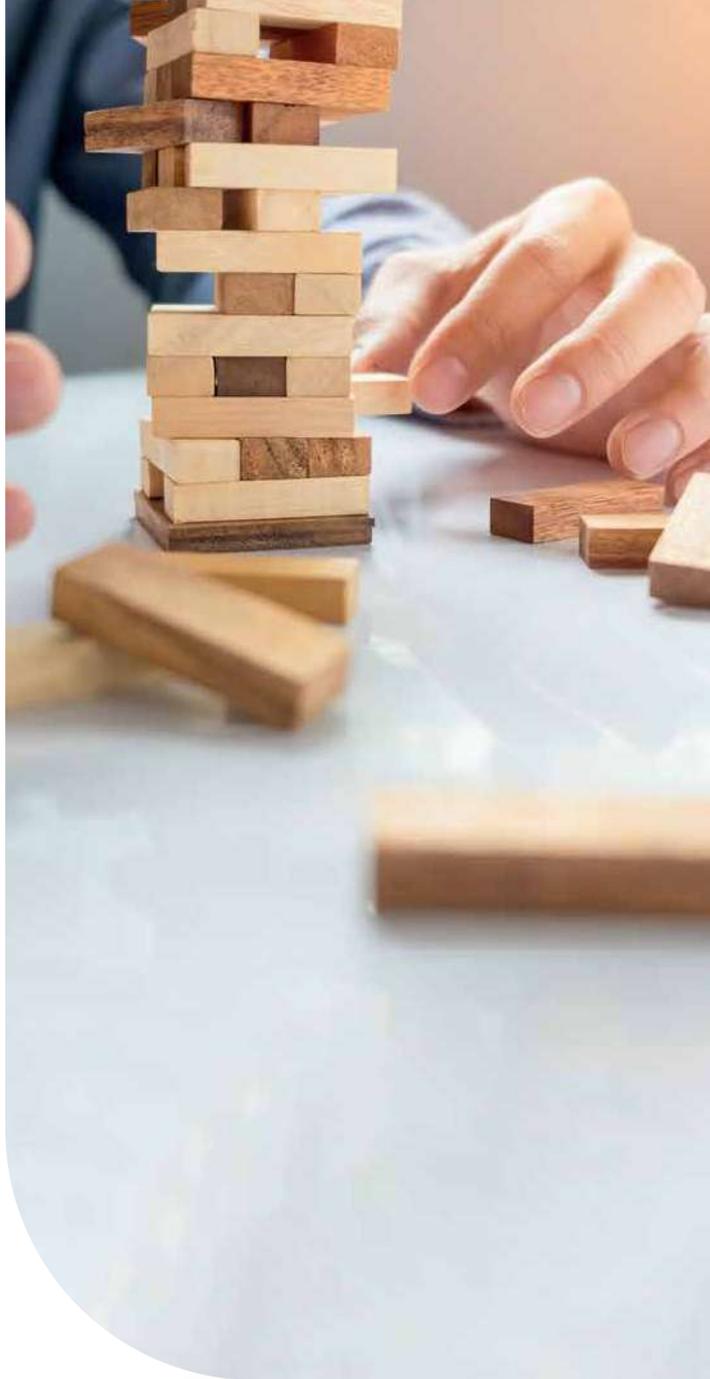
Missed Opportunity

Engaging with retail borrowers who demonstrate strong repayment discipline represents a significant growth opportunity for Urban Co-operative Banks. Despite deep relationships, a portion of this customer base is sourcing commercial credit outside the UCB ecosystem.

As of March 2025, UCBs had approximately 30 lakh active retail borrowers, of which 1.7 lakh (6%) had a commercial credit footprint. Between April and September 2025, nearly 3,000 of these borrowers obtained new commercial loans from PSU banks, amounting to sanctioned credit of around ₹724 crore.

Of this total, ₹442 crore was extended to borrowers in the low- to medium-risk categories (CMR 1-7). Among these, 36% were classified as low risk (CMR 1-3) and 60% as medium risk (CMR 4-7). In terms of commercial origination distribution of the ₹442 crore, cash credit dominated with ₹195 crore, mid- and short-term loans at ₹120 crore, overdrafts at ₹69 crore, and other products totaling ₹59 crore. It indicates borrowers with strong repayment histories are actively seeking flexible and time-sensitive credit solutions.

The gap highlights a clear execution constraint within UCBs. Faster credit turnaround, better-aligned commercial offerings, and targeted cross-selling within the existing retail base could help capture this latent demand. Focused engagement with low and medium-risk borrowers offers the potential for prudent, sustainable growth while strengthening wallet share and reinforcing the trust inherent in UCB relationships.



UCB retail consumers availed commercial loans worth INR 700+ crore from PSUs – highlighting a missed opportunity

UCB | Live Retail Borrowers as of Mar'25 – (~ 30 L)

Retail Borrowers with Commercial Footprint
~1.7L (6%)

Borrowers Who Opened New Commercial Loans in
Apr'25 - Sep'25 with PSU Banks
~3,000 (~ 45% ETC)

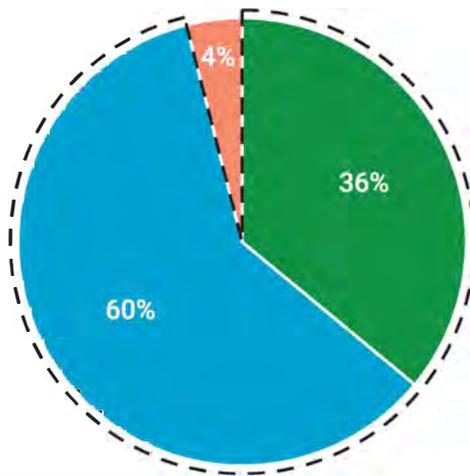
Total Sanctioned Amount
~ INR 724 Cr.

For commercial loan originations - Only Term Loan and WC originations by entity with total exposure of 100 Cr is considered
*PSU is the closest peer group for UCB in commercial lending.

Engaging with consumers with good repayment behaviors can unlock opportunity for prudent growth for UCBs

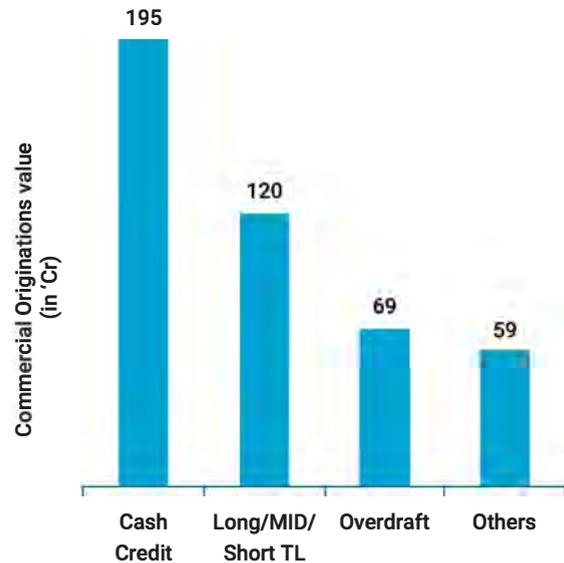
CMR Distribution for Retail Borrowers Having Commercial Presence and took Commercial Loans from PSU

■ Low Risk ■ Medium Risk ■ High Risk



Total Sanctioned Amount (CMR 1-7)
~ **INR 442 Cr.**

Commercial Product Originations by ETC Commercial Entities with CMR 1-7 by PSU

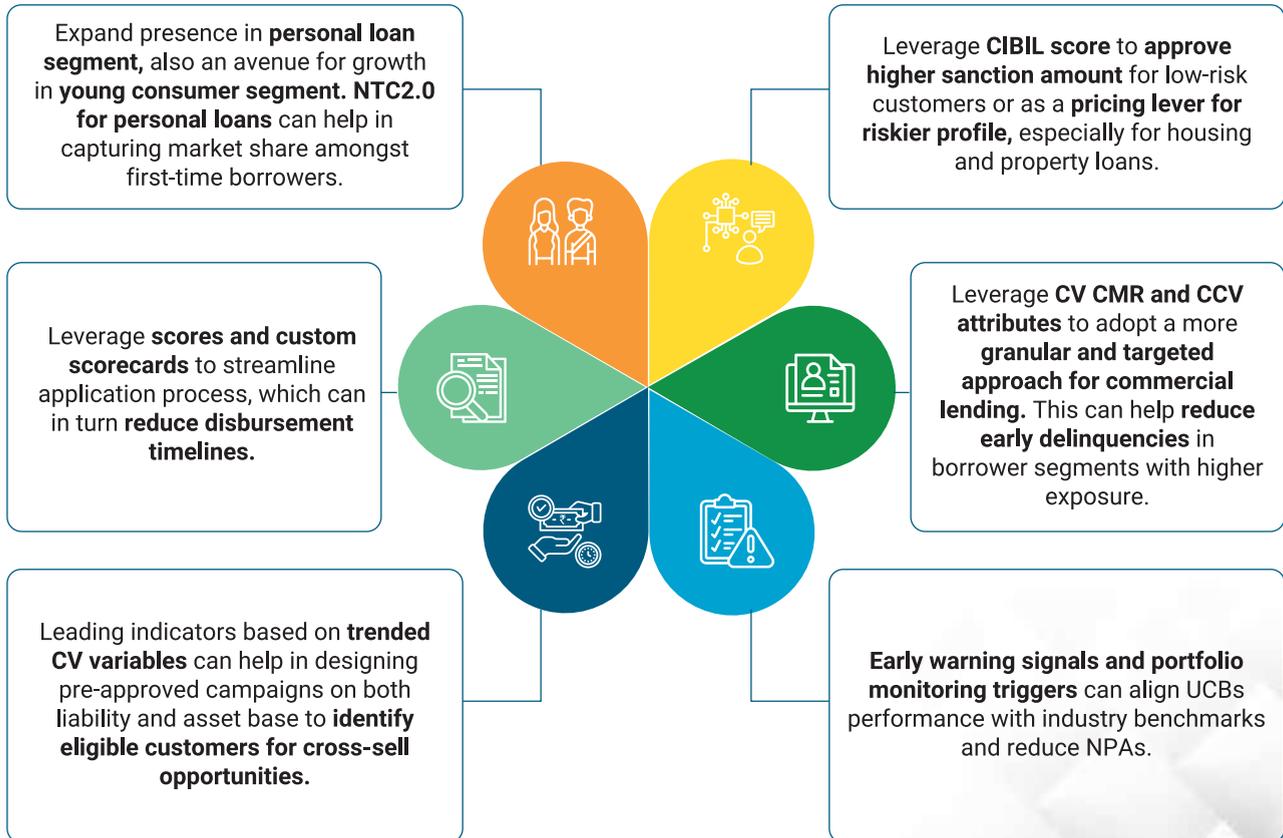


Only Term Loan and WC originations by entity with total exposure of 100 Cr is considered. Low Risk is CMR 1-3, Medium Risk is CMR 4-7, High Risk is CMR 8-10. Entities who didn't have CMR at the time of origination have been excluded.

UCBs can unlock growth through smarter underwriting, faster disbursement and manage risk through proactive measures

Growth Opportunities

Manage Risk



Digitization and Decision Intelligence to Unlocking Growth

The banking landscape is evolving from relationship-led judgement toward decision intelligence. UCBs stand at a decisive juncture. They continue to witness robust credit demand, underpinned by deep customer relationships and improving borrower risk profiles.

Portfolio performance has strengthened over time. Conversion of enquiries into timely disbursements remains uneven, which is an opportunity to strengthen execution efficiency. Relationship-led origination continues to generate demand, but faster and more consistent decision-making is crucial. UCBs that modernise operations while preserving their cooperative roots can lead inclusive growth, extending digital banking to smaller towns, expanding credit responsibly, and translating trust into measurable performance.

The next phase of UCBs growth lies in transforming strong relationship pipelines into predictable balance-sheet outcomes. Strengthening execution capability, supported by digitisation, therefore represents a significant opportunity for UCBs to improve credit delivery, retain high-quality borrowers, and expand lending within existing risk frameworks.

Digital process enhancements can address these gaps without compromising credit discipline. Rule-based decisioning for repeat, lower-risk, and smaller exposures can reduce variability while preserving discretionary judgement for complex cases.

Analytics-driven underwriting can improve outcomes where vintage delinquencies are sensitive to borrower selection. Workflow automation across the application-to-disbursement journey facilitates faster, more transparent coordination between branches and credit teams.

Additionally, trended credit analytics and early-warning indicators enable proactive monitoring and timely intervention as portfolios scale. In personal lending, advanced scoring frameworks provide a pathway to responsibly expand into younger and first-time borrower segments, where demand is rising and traditional risk proxies are less effective.

Urban Co-operative Banks are institutions “of the people,” and digital modernisation anchored in their values positions them to drive equitable growth. Strengthened digital capabilities will improve customer experience, reduce turnaround times, enhance cybersecurity and data protection, enable new-age products, attract the next generation of customers, and bring secure, accessible banking to underserved towns - ensuring that their deep community roots continue to translate into meaningful financial impact.

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.

About National Urban Co-operative Finance and Development Corporation Ltd (NUCFDC)

The National Urban Cooperative Finance and Development Corporation Ltd (NUCFDC) is the Umbrella organisation for Urban Cooperative Banks in India. Established to strengthen, modernise and unify the sector, it is mandated by the Reserve Bank of India (RBI) to provide both fund-based and non-fund-based support. This includes capital augmentation, loans, refinance, liquidity assistance, advisory services and capacity-building aimed at enhancing the operational resilience of UCBs.

NUCFDC is also responsible for developing a shared, centralised technology infrastructure to improve efficiency, reduce costs, enable regulatory compliance and elevate the overall digital capabilities of the sector. Working under the guidance of the RBI and the Ministry of Cooperation, NUCFDC is committed to building a resilient, competitive and future-ready UCB ecosystem that contributes meaningfully to India's broader goals of financial inclusion and economic growth.



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