

UNION BANK OF INDIA

Retail Lending Growth

Abstract

Retail lending is a key driver of economic growth, financial inclusion and household asset creation. As India's financial landscape shifted from a seller-driven to a borrower-centric market, banks faced pressure to deliver fast, accessible and customer-oriented lending solutions. Union Bank of India responded with a comprehensive Retail Lending Growth strategy from 1 April 2024 to 30 September 2025. This included structural reforms, digital innovation, centralised processing, targeted product innovation and risk-conscious strategies to strengthen retail lending. The Bank introduced innovations such as Digital Personal Loans, Digital Vehicle Loans, Business Retention Discount (BRD), Digital STP for Roof Top Solar Loans, the Union Green Home Scheme and enhanced VYOM 2.0 mobile banking with 400+ features. Supported by 8,655+ branches, 9,000+ ATMs, 25,700+ BC points, 143 Retail Loan Points (RLPs) and centralised underwriting, the Bank achieved above-industry retail loan growth while improving asset quality and efficiency.

Introduction Union Bank of India implemented a large-scale Retail Lending Growth initiative to improve its position within India's increasingly competitive retail banking landscape. The project focused on accelerating retail credit growth through customer-centric product innovation, digital transformation, centralised underwriting and operational efficiency improvements.

The Bank recognised that retail lending had become a key engine for household spending, asset creation, education financing, housing development and financial inclusion. Consequently, retail banking was identified as a strategic growth priority by the Bank's leadership.

Union Bank scaled retail lending through leveraging its national presence. This included 8,655+ branches, 9,000+

ATMs and 25,700+ BC points with 74,200 employees. The initiative introduced multiple customer-oriented innovations, including Digital Personal Loans, Digital Vehicle Loans, Business Retention Discount (BRD), Digital STP for Roof Top Solar Loans, the Union Green Home Scheme and the VYOM 2.0 mobile banking platform with 400+ enhanced features.

The Bank strengthened its operational architecture with 143 Retail Loan Points (RLPs) and Centralised Retail Loan Processing Cells (CRLCs). This improved underwriting quality, reduced turnaround time and standardised processing.

The Problem Statement India's retail banking has changed significantly over the last decade. Retail lending now plays a critical role in economic activity, supporting housing, education, vehicle ownership, consumption and financial inclusion. The market has shifted from seller-driven to borrower-driven, driven by greater competition, digital transformation and higher customer expectations.

Customers now expect quick loan approvals, seamless digital experiences, shorter turnaround times, flexible repayment terms and customised products. Traditional banking, with fragmented approvals and manual underwriting, struggles in this new landscape.

Union Bank also saw deeper challenges in retail lending. Many underserved and unbanked people still lack formal access to retail credit for housing, education, personal needs and assets. Informal borrowing remains common in several groups. An additional challenge is maintaining portfolio quality amid aggressive retail growth. Industry-wide expansion has led to risks, more defaults and lower asset quality if growth outpaces prudent evaluation.

The Bank also faced operational issues, including long turnaround times, decentralised approvals, inconsistent standards and non-standardised processing across regions. Additionally, rapid changes in customer behaviour required banks to offer digitally enabled products aligned with sustainability priorities, green financing, mobile banking convenience and integrated customer journeys.

Solutions Stack Union Bank implemented a multi-layered solution. This involved organisational restructuring, digital innovation, centralised underwriting, retention programs, sustainability-linked products and automation. The first component is a dedicated retail banking structure. The Bank set up 143 Retail Loan Points across regions, each led by a Chief Manager or Assistant General Manager.

To address large loan proposals, the Bank established Centralised Retail Loan Processing Cells (CRLCs). CRLC-I is led by a General Manager. CRLC-II is led by a Deputy General Manager. Both ensure standard underwriting and better asset quality.

The second major component is digital lending. The Bank launched Digital Personal Loans and Digital Vehicle Loans. Customers can apply through the website and mobile app for a hassle-free digital loan journey. The third component introduced the Business Retention Discount (BRD), under which the Bank offered discounted interest rates to existing home loan borrowers facing takeover threats, improving retention and portfolio stability. The fourth component is sustainability-linked financing. The Bank began Digital STP for Roof Top Solar Loans. This enabled paperless, streamlined processing, allowing customers to apply directly to vendors and upload quotations digitally.

The fifth component involved strengthening customer convenience through the VYOM 2.0 mobile application, incorporating over 400 enhanced features, including digital retail lending capabilities.

The sixth component focused on specialised retail ecosystems. The Bank created a Centralised Tie-up Cell for builder tie-ups, car dealer tie-ups and DSA/CSA empanelment.

The Bank additionally launched a mission on 1 July 2022 to double its education loan portfolio within two years.

Strategic Vision and Institutional Approach

Union Bank of India approached retail lending as a long-term strategic growth engine capable of supporting economic inclusion, customer empowerment and sustainable profitability. The Bank's leadership aimed to grow retail lending faster than the industry while keeping service and client focus. The strategy emphasised "Inclusive, Responsive and Responsible" banking. This approach aims to reach wider customer segments and strengthen business continuity.

The first pillar is to expand retail credit access for diverse groups. This includes students, homeowners, buyers and rural customers. The second pillar focused on digital transformation. The third pillar involved operational restructuring and centralised underwriting. Dedicated Retail Loan Points (RLPs) and Centralised

Retail Loan Processing Cells (CRLCs) were established to standardise appraisal, improve underwriting quality and reduce processing delays.

The fourth pillar focuses on sustainability and green financing. The Bank offers products like the Union Green Home Scheme and digital Rooftop Solar Loans.

The fifth pillar emphasised responsible portfolio growth through improved risk assessment, customer education, repayment alignment and proactive stress management.

Implementation Journey

The implementation journey formally accelerated from 1 April 2024 under the Bank's Retail Lending Growth strategy, covering the evaluation period until 30 September 2025. The first phase focused on structural transformation through strengthening RLPs and CRLCs to ensure centralised underwriting, faster sanctions and standardised credit appraisal across the country.

The second phase consisted of launching digital lending products and simplifying customer onboarding journeys through digital platforms and mobile banking integration. The third phase emphasised customer retention, green financing and tie-up ecosystems. Business Retention Discounts were operationalised for existing home loan borrowers, while Union Green Home Scheme and Digital STP Solar Loans supported sustainable retail growth.

Simultaneously, the Bank aggressively expanded education lending under its "double education portfolio mission." Education loan outstanding increased from ₹7,373 crore on 30 June 2022 to ₹15,209 crore by 30 September 2024, successfully more than doubling the portfolio within two years. By 30 September 2025, the education loan portfolio further increased to ₹17,493 crore.

The Bank also financed 16,185 accounts, amounting to ₹6,674 crore, for overseas education loans, including 6,297 female borrower accounts, amounting to ₹2,570 crore. During the year alone, 24,004 education loan accounts amounting to ₹3,752 crore were financed. Operational improvements are continuously focused on reducing TAT and enhancing customer experience through process automation and centralised processing.

Implementation Challenges

The implementation process involved several strategic and operational challenges. One major challenge meant balancing rapid retail portfolio growth with prudent underwriting and asset-quality management. The Bank recognised that realistic income assessment, repayment capacity evaluation and quality underwriting were more important than short-term portfolio expansion.

Another challenge involved adapting to increasingly competitive retail lending markets where peer banks aggressively offered relaxed interest rates, incentives and waivers to gain market share. Operationally, reducing turnaround time across large decentralised branch networks required significant process redesign, technology

integration and coordination between RLPs, CRLCs and branches.

The Bank also faced customer behavioural challenges. Borrower credit discipline, employment stability and repayment behaviour often mattered more than collateral quality, especially for unsecured or partially secured loans. Aligning EMI structures, tenure and moratorium periods with actual borrower cash flow patterns was another major challenge. Misaligned products often resulted in avoidable defaults and repayment stress.

Highlights

- Union Bank of India implemented a comprehensive Retail Lending Growth strategy from April 2024 to September 2025 to accelerate inclusive, digital and customer-centric retail lending across housing, education, vehicle and personal finance segments.
- The initiative addressed challenges such as slow loan processing, fragmented underwriting, rising competition and limited financial inclusion through centralised underwriting, digital lending, operational restructuring and sustainability-linked financing.
- Key innovations included Digital Personal Loans, Digital Vehicle Loans, Business Retention Discount (BRD), Digital STP for Roof Top Solar Loans, Union Green Home Scheme and the VYOM 2.0 mobile banking platform with 400+ features.
- The Bank strengthened its retail ecosystem through 143 Retail Loan Points, Centralised Retail Loan Processing Cells, builder and dealer tie-ups, digital onboarding and a focused mission to rapidly expand its education loan portfolio.
- Retail advances grew from ₹1.77 lakh crore to ₹2.39 lakh crore, retail loan growth reached 23.98% against industry growth of 11.75%, Gross NPA reduced to 1.13% and loan turnaround time improved from 5.47 days to 1.59 days, demonstrating strong growth with improved efficiency and asset quality.

Outcomes

Retail advances increased from ₹177,488 crore on 31 March 2024 to ₹216,777 crore on 31 March 2025 and further to ₹238,506 crore on 30 September 2025.

Retail loan year-on-year growth improved from 11.14 percent in March 2024 to 22.14 percent in March 2025 and further to 23.98 percent by September 2025, substantially exceeding industry growth rates of 11.65 percent and 11.75 percent, respectively.

The retail portfolio share within total bank advances improved from 19.61 percent in March 2024 to 22.05 percent in March 2025 and further to 24.46 percent by September 2025.

Asset quality improved significantly. Gross NPA under retail loans reduced from 2.35 percent in March 2024 to 1.45 percent in March 2025 and further to 1.13 percent by September 2025. Stress assets reduced from 9.13 percent to 6.95 percent during the same period.

Operational efficiency improved dramatically. Average loan disposal turnaround time reduced from 5.47 days during July 2023-March 2024 to 3.37 days during FY 2024-25 and further to only 1.59 days during April-September 2025.

The education loan portfolio more than doubled from ₹7,373 crore on 30 June 2022 to ₹15,209 crore by September 2024 and further increased to ₹17,493 crore by September 2025. Tie-up ecosystems also expanded significantly through 895 builder tie-ups, 1,531 DSA empanelment and 367 car dealer tie-ups, improving retail lead generation and market penetration.

Conclusion

The initiative highlights the growing importance of responsive, technology-driven and inclusive retail banking within India's evolving financial ecosystem. Products such as Digital Personal Loans, Union Green Home Scheme, Digital STP Solar Loans and VYOM 2.0 demonstrate how digital transformation and sustainability can coexist within mainstream banking operations.

With a future roadmap targeting retail advances of ₹2.50 trillion by March 2026, ₹3 trillion by March 2027, ₹3.75 trillion by March 2028 and ₹4.75 trillion by March 2029, Union Bank of India has positioned itself to become a leading force in digitally enabled, inclusive and sustainable retail banking growth in India.



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