

INTERVIEW
COOPERATIVE BANKS DURING PANDEMIC CRISIS

How were cooperative banks impacted by the Covid-19 pandemic?

Ans: Let me at the outset acknowledge the exemplary services rendered by Cooperative Banks all over the globe during Pandemic. Let me also share that the Cooperative Banks have responded very well to the challenges posed by the wide spread of COVID-19 in many parts of the world. The response yielded positive results and paved way for continuity of Banking activities/services to keep customers at ease.

The timely measures taken by Governments and regulators helped to curtail and contain the negative impact of COVID-19 on the functioning of Cooperative Banks. Special efforts initiated by Regulators, Banks' Management, yielded support Cooperative Banks at all levels to continue normal banking business with adequate staff, cash and other facilities. Cooperative banks in few countries have been assured to consider a lower eligibility norm, of capital adequacy and non-performing assets, with adequate security during the spread of pandemic. Therefore, the adverse impact of Pandemic has been significantly minimized.

Recent research by your member the EACB showed that European cooperative banks had strong capital positions, despite the pandemic. Was this mirrored in other regions?

Ans: Almost all members of ICBA have initiated measures both in cash and kind to help contain the spread of COVID-19 in their respective countries. ICBA members supported by their regulatory authorities availed the advantages of regulatory measures to continue to carry out banking operations, lending operations, offer moratorium on loans, etc. I place on record the excellent contributions of many ICBA members, particularly NAFSCOB, NCUI, NAFSCUB, NCD, TSCA Bank, Karnataka SCB in India, Samabaya Bank in Bangladesh, SANASA Federation in Sri Lanka, KUSCCO in Kenya, MASS-SPECC Coop Development Centre of Philippines, National Cooperative Council of Poland, EACB from Belgium, and DGRV of Germany. Various important measures have been taken at the European level as reported by Confederation Nationale Credit Mutual, France, one of the members of ICBA. The positive response of ICBA members is a continuous and ongoing process. They are committed to contribute by all means to contain the spread of COVID-19 pandemic. Cooperative Banks in many countries have consolidated their financial position with available special liquidity Financial Assistance by national level regulators.

Could the solid financial performance enable cooperative banks to differentiate themselves from shareholder-owned banks?

Ans: The spread of COVID -19 in many countries has impacted the normal functioning of all financial institutions, their customers, borrowers, and the continuation of agricultural/farming activities. Because of the mandatory shutdown of non-essential businesses and the confinement of people to their homes, the effects

of COVID-19 are unevenly distributed among households, workers, businesses, and communities. The role and active participation of Cooperative Banks at all levels assumed special significance in facilitating changes and reversing the adverse impact of the pandemic. Cooperative Banks have strived to keep open their banking channels during the entire lockdown period, while ensuring compliance of health advisories such as social distance, Face Masks, Sanitisation, and their compliance with all regulatory, supervisory and statutory provisions. Their belongingness to the members, their committed approach towards service to members with their reasonable financial performance, honouring of online operations amply differentiated them from the government owned banks. **ICBA members are very sensitive, emotional, philanthropic, cooperative and more responsive.** Courageous with much more immunity levels

How could regulators further support cooperative banks to ensure they continue to lend to households and businesses?

ANS: Yes. Regulators & Governments in many countries more Particularly in India extended support by announcing and executing a number of measures to cooperative Banks to lend to all categories of customers.

Economic recovery measures: An Indian Example:

- **Taxation.** An ordinance was issued in March provides for extension of various time limits under the Taxation and Benami Acts.
- **Subsidies.** A provision effective April 1, 2020 has determined that short term crop loans by CFIs, eligible for 2 percent Interest Subvention Scheme and 3 percent Prompt Repayment Incentive be extended only through Kisan Credit Cards (KCC), thus making KCCs a prerequisite for farmers to claim these benefits.
- **Atmanirbhar Bharat (self-reliant India).** As part of this vision, an economic package amounting to about 10 percent of India's GDP, has been allocated to the recovery of key sectors. The measures include: (1) collateral-free automatic loans for businesses, including MSMEs, and a Special Liquidity Scheme for NBFCs, HFCs/MFIs; (2) direct support to farmers and the rural economy, migrants and the urban poor, returning migrants and other workers; and (3) policy reforms to fast track investment. CFIs, however, are not eligible Member Lending Institutions under Credit Guarantee Fund Trust for Micro and Small Enterprise, hence are not allowed to extend collateral-free loans to their MSME customers, who are constrained to approach the commercial banks for credit under the MSMEs facility.

Regulatory Response:

The regulators globally extended support to cooperative banks to carry out their normal functions including moratorium. The measures by Indian regulatory authorities included

- **Moratorium for loan payments.**
- **Liquidity Management** by extending Special Liquidity Funding Support
- **Monetary Policy and Prudential Norms** by relaxing applicability of Norms.

The Reserve bank of India , decided to continue with the accommodative stance as long as necessary – at least till the next financial year – to revive growth on a durable basis and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.

Does membership of cooperative banks increase during times of crisis?

Ans: This is too early to respond. The size of the membership is undisturbed and network /outreach level continues to be satisfactory at all levels.